

AMERICA MOVIL SAB DE CV/

Form 20-F

April 26, 2018

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**As filed with the Securities and Exchange Commission on April 26, 2018**

**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, 2017**

**Commission file number: 1-16269**

**AMÉRICA MÓVIL, S.A.B DE C.V.**

**(exact name of registrant as specified in its charter)**

**America Mobile**

(translation of registrant's name into English)

United Mexican States

(jurisdiction of incorporation)

Lago Zurich 245, Plaza Carso / Edificio Telcel

Colonia Ampliación Granada, Delegación Miguel Hidalgo

11529 Mexico City, Mexico

(address of principal executive offices)

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(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  | New York Stock Exchange |
| L Shares, without par value  | New York Stock Exchange |
| 5.000% Senior Notes Due 2019 | New York Stock Exchange |
| 5.000% Senior Notes Due 2020 | New York Stock Exchange |
| 3.125% Senior Notes Due 2022 | New York Stock Exchange |
| 6.375% Notes Due 2035        | New York Stock Exchange |
| 6.125% Notes Due 2037        | New York Stock Exchange |
| 6.125% Senior Notes Due 2040 | New York Stock Exchange |
| 4.375% Senior Notes Due 2042 | New York Stock Exchange |

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

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

**The number of outstanding shares of each of the registrant's classes of capital or common stock as of December 31, 2017:**

|                |           |
|----------------|-----------|
| 20,602 million | AA Shares |
| 567 million    | A Shares  |
| 44,901 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.

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      No

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

Indicate by check mark whether the registrant 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).      Yes      No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                       |          |
|-------------------------|-------------------------------------|-----------------------|----------|
| Large accelerated filer | Accelerated filer<br>growth company | Non-accelerated filer | Emerging |
|-------------------------|-------------------------------------|-----------------------|----------|

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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<br>as issued | Other |
|           | by the International Accounting Standards<br>Board       |       |

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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       No

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*We prepared our audited consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ( IFRS ). The selected financial information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements.*

We present our financial statements in Mexican pesos. This annual report contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations that the peso amounts actually represent the U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated U.S. dollar amounts from pesos at the exchange rate of Ps.19.7867 to U.S.\$1.00, which was the rate reported by Banco de México on December 28, 2017, as published in the Official Gazette of the Federation (*Diario Oficial de la Federación*, or Official Gazette ).

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.

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| AS OF AND FOR THE YEAR ENDED DECEMBER 31, <sup>(1)</sup>           |            |               |            |               |            |               |            |               |            |                      |
|--------------------------------------------------------------------|------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|----------------------|
|                                                                    | 2013       |               | 2014       |               | 2015       |               | 2016       |               | 2017       | 2018                 |
| (in millions of Mexican pesos, except share and per share amounts) |            |               |            |               |            |               |            |               |            |                      |
| <b>STATEMENT DATA:</b>                                             |            |               |            |               |            |               |            |               |            |                      |
| Revenues                                                           | Ps.        | 786,101       | Ps.        | 848,580       | Ps.        | 893,738       | Ps.        | 975,412       | Ps.        | 1,021,634 U.S.\$     |
| Costs and expenses                                                 |            | 631,843       |            | 692,026       |            | 752,325       |            | 865,802       |            | 921,490              |
| Depreciation and amortization                                      |            | 101,535       |            | 114,994       |            | 125,715       |            | 148,526       |            | 160,175              |
| Operating income                                                   |            | 154,258       |            | 156,554       |            | 141,413       |            | 109,610       |            | 100,143              |
| <b>Income for the year</b>                                         | <b>Ps.</b> | <b>74,974</b> | <b>Ps.</b> | <b>47,498</b> | <b>Ps.</b> | <b>36,961</b> | <b>Ps.</b> | <b>12,079</b> | <b>Ps.</b> | <b>32,155 U.S.\$</b> |
| <b>INCOME ATTRIBUTABLE FOR THE YEAR TO:</b>                        |            |               |            |               |            |               |            |               |            |                      |
| Income of the parent                                               | Ps.        | 74,625        | Ps.        | 46,146        | Ps.        | 35,055        | Ps.        | 8,650         | Ps.        | 29,326 U.S.\$        |
| Controlling interests                                              |            | 349           |            | 1,352         |            | 1,906         |            | 3,429         |            | 2,829                |
| <b>Income for the year</b>                                         | <b>Ps.</b> | <b>74,974</b> | <b>Ps.</b> | <b>47,498</b> | <b>Ps.</b> | <b>36,961</b> | <b>Ps.</b> | <b>12,079</b> | <b>Ps.</b> | <b>32,155 U.S.\$</b> |
| <b>EPS PER SHARE:</b>                                              |            |               |            |               |            |               |            |               |            |                      |
| Basic                                                              | Ps.        | 1.02          | Ps.        | 0.67          | Ps.        | 0.52          | Ps.        | 0.13          | Ps.        | 0.44 U.S.\$          |
| Diluted                                                            | Ps.        | 1.02          | Ps.        | 0.67          | Ps.        | 0.52          | Ps.        | 0.13          | Ps.        | 0.44 U.S.\$          |
| Declared per share <sup>(2)</sup>                                  | Ps.        | 0.22          | Ps.        | 0.24          | Ps.        | 0.26          | Ps.        | 0.28          | Ps.        | 0.30 U.S.\$          |
| <b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (MILLIONS):</b>   |            |               |            |               |            |               |            |               |            |                      |
| Basic                                                              |            | 72,866        |            | 69,254        |            | 66,869        |            | 65,693        |            | 65,909               |
| Diluted                                                            |            | 72,866        |            | 69,254        |            | 66,869        |            | 65,693        |            | 65,909               |
| <b>BALANCE SHEET DATA:</b>                                         |            |               |            |               |            |               |            |               |            |                      |
| Plant and equipment, net                                           | Ps.        | 501,107       | Ps.        | 588,106       | Ps.        | 573,529       | Ps.        | 701,190       | Ps.        | 676,343 U.S.\$       |
| Accounts payable                                                   |            | 1,025,592     |            | 1,278,357     |            | 1,296,487     |            | 1,515,042     |            | 1,486,212            |
| Long-term debt                                                     |            | 25,841        |            | 57,806        |            | 119,590       |            | 82,607        |            | 51,746               |
| Current debt                                                       |            | 464,478       |            | 545,949       |            | 563,627       |            | 625,194       |            | 646,139              |
| Stock                                                              |            | 96,392        |            | 96,383        |            | 96,338        |            | 96,338        |            | 96,339               |
| Equity                                                             |            | 210,301       |            | 234,639       |            | 160,854       |            | 271,024       |            | 260,634              |
| <b>NUMBER OF OUTSTANDING SHARES (MILLIONS):</b>                    |            |               |            |               |            |               |            |               |            |                      |
| Basic                                                              |            | 23,424        |            | 23,384        |            | 23,384        |            | 20,635        |            | 20,602               |
| Diluted                                                            |            | 681           |            | 649           |            | 625           |            | 592           |            | 567                  |
| Earnings to Fixed Charges <sup>(3)</sup>                           |            | 46,370        |            | 44,120        |            | 41,990        |            | 44,571        |            | 44,901               |
| <b>Earnings to Fixed Charges <sup>(3)</sup></b>                    |            | <b>3.9</b>    |            | <b>3.5</b>    |            | <b>2.5</b>    |            | <b>1.6</b>    |            | <b>2.6</b>           |

December 31, 2017, we owned 51.0% of the total outstanding shares of Telekom Austria AG ( "Telekom Austria" or "TKA" ). We began accounting for TKA as an equity method investee on July 1, 2014. Prior to July 1, 2014, we accounted for Telekom Austria using the equity method, which affects the comparability of our financial statements for 2013 through 2017.

Dividends for each year provided represent the annual dividend declared at the general shareholders' meeting that year. For information on dividends paid to shareholders, translated into U.S. dollars, see "Share Ownership and Trading - Dividends" under Part IV of this annual report.

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

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**HISTORY AND CORPORATE INFORMATION**

América Móvil, S.A.B. de C.V. ( América Móvil, we or the Company ) is a sociedad anónima bursátil de capital variable organized under the laws of Mexico.

We were established in September 2000 when Teléfonos de México, S.A.B. de C.V. ( Telmex ), a fixed-line Mexican telecommunications operator privatized in 1990, spun off to us its wireless operations in Mexico and other countries. We have made significant acquisitions throughout Latin America, the United States, the Caribbean and Europe, and we have also expanded our businesses organically. In 2010, we acquired control of Telmex and Telmex Internacional, S.A.B. de C.V. (currently, Telmex Internacional, S.A. de C.V., or Telmex Internacional ) in a series of public tender offers.

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

**BUSINESS OVERVIEW**

We provide telecommunications services in 25 countries. We are the leading telecommunications services provider in Latin America, ranking first in wireless, fixed-line, broadband and Pay TV services based on the number of revenue generating units ( RGUs ). Our largest operations are in Mexico and Brazil, which together account for over half of our total RGUs and where we have the largest market share based on RGUs. We also have major wireless, fixed or Pay TV operations in 16 other countries in the Americas and seven countries in Central and Eastern Europe as of December 31, 2017. For a list of our principal subsidiaries, see Note 2 a) to our audited consolidated financial statements and Additional Information Exhibit 8.1 under Part VII of this annual report.

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



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ABOUT AMÉRICA MÓVIL

**KEY PERFORMANCE INDICATORS**

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

Mexico Wireless

Mexico Fixed;

Brazil;

Colombia;

Southern Cone (Argentina, Chile, Paraguay and Uruguay);

Andean Region (Ecuador and Peru);

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

the Caribbean (the Dominican Republic and Puerto Rico);

the United States; and

Europe (Austria, Belarus, Bulgaria, Croatia, Macedonia, Serbia and Slovenia).

|                                   | AS OF DECEMBER 31, |                |                |
|-----------------------------------|--------------------|----------------|----------------|
|                                   | 2015               | 2016           | 2017           |
|                                   | (in thousands)     |                |                |
| <b>WIRELESS SUBSCRIBERS:</b>      |                    |                |                |
| Mexico Wireless                   | 73,697             | 72,953         | 73,855         |
| Brazil                            | 65,978             | 60,171         | 59,022         |
| Colombia                          | 28,973             | 28,954         | 29,353         |
| Southern Cone                     | 29,186             | 30,377         | 31,076         |
| Andean Region                     | 20,743             | 20,801         | 20,352         |
| Central America                   | 15,317             | 15,085         | 15,927         |
| Caribbean                         | 5,261              | 5,453          | 5,637          |
| United States                     | 25,668             | 26,070         | 23,132         |
| Europe                            | 20,711             | 20,708         | 20,658         |
| <b>Total Wireless Subscribers</b> | <b>285,534</b>     | <b>280,572</b> | <b>279,012</b> |
| <b>FIXED RGUs:</b>                |                    |                |                |
| Mexico Fixed                      | 21,735             | 22,178         | 21,851         |
| Brazil                            | 36,627             | 36,716         | 35,904         |
| Colombia                          | 5,801              | 6,304          | 6,753          |
| Southern Cone                     | 1,819              | 1,942          | 2,023          |
| Andean Region                     | 1,727              | 1,820          | 1,765          |
| Central America                   | 4,950              | 5,392          | 5,811          |
| Caribbean                         | 2,511              | 2,663          | 2,700          |
| Europe                            | 5,642              | 5,900          | 6,036          |
| Total Fixed RGUs                  | 80,812             | 82,915         | 82,844         |
| <b>Total RGUs</b>                 | <b>366,346</b>     | <b>363,488</b> | <b>361,856</b> |
| <b>PRINCIPAL BRANDS</b>           |                    |                |                |

We operate in all of our geographic segments under the Claro brand name, except in Mexico, the United States and Europe, where we principally do business under the brand names listed below.

| Country       | Principal Brands  | Services and Products        |
|---------------|-------------------|------------------------------|
| Mexico        | Telcel            | Wireless voice               |
|               | Telmex            | Wireless data<br>Fixed voice |
| United States | Infinitum         | Fixed data                   |
|               | TracFone          | Wireless voice               |
| Europe        | Straight Talk     | Wireless data                |
|               | A1 <sup>(1)</sup> | Wireless voice               |
|               |                   | Wireless data                |
|               |                   | Fixed voice                  |
|               |                   | Fixed data                   |
|               |                   | Pay TV                       |

<sup>(1)</sup>In 2017, Telekom Austria announced the rebranding of all its regional operating companies as A1.

## **SERVICES AND PRODUCTS**

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

### **Wireless Operations**

In 2017, our wireless voice and data operations generated revenues of Ps.530.3 billion, representing 51.9% of our consolidated revenues. As of December 31, 2017, our wireless operations represented approximately 77.1% of our total RGUs.

### **Voice and Data**

Our wireless subsidiaries provide voice communication services across the countries in which they operate. We offer international roaming services to our wireless subscribers through a network of cellular service providers with which our wireless subsidiaries have entered into international roaming agreements around the world, and who provide GSM, 3G and 4G-LTE roaming services.

Our wireless voice services are offered under a variety of plans to meet the needs of different market segments. In addition, we often bundle wireless data communications services together with wireless voice services. Our wireless subsidiaries had approximately 279 million wireless voice and data subscribers as of December 31, 2017.

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*The voice and data 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. Postpaid plans increased its composition of the wireless base from 23.7% in December 2016 to 25.3% as of December 31, 2017, while prepaid plans represented 74.7%.*

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

In general, our average rates per minute of wireless voice are very competitive for both prepaid and postpaid plans. The rates in 2017 decreased an average of 16.6%, at constant exchange rates relative to 2016. In addition, the plans we offer our retail customers include selective discounts and promotions that reduce the reference rates our customers pay.

**Value-Added Services**

As part of our wireless data business, our subsidiaries offer value-added services that include Internet access, messaging and other wireless entertainment and corporate services through GSM/EDGE, 3G and 4G LTE networks. Internet services include roaming capability and wireless Internet connectivity for feature phones, smartphones, tablets and laptops, including data transmission, e-mail services, instant messaging, content streaming and interactive applications. For example, in Mexico, our website for our wireless services ([www.telcel.com](http://www.telcel.com)) through Radiomóvil Dipsa, S.A. de C.V. ( Telcel ) offers a wide range of services and content such as video, music, games and other applications, which our subscribers can access from mobile devices.

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

**Fixed Operations**

In 2017, our fixed voice, data, broadband and IT solutions had revenues of Ps.229.1 billion, representing 22.4% of our consolidated revenues. As of December 31, 2017, our fixed operations represented approximately 22.9% of our total RGUs, compared to 22.8% as of December 31, 2016.

## **Voice**

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

## **Data**

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

## **Broadband**

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

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### **IT Solutions**

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

### **Pay TV**

We offer Pay TV through cable and satellite TV subscriptions to both retail and corporate customers under a variety of plans. As of December 31, 2017, we had approximately 21.6 million Pay TV RGUs, a decrease of approximately 567 thousand Pay TV RGUs from the prior year.

In 2017, we acquired the rights to broadcast the Summer and Winter Olympic Games from 2018 through 2024 in all countries in Latin America, except for Brazil, on our Pay TV and digital platforms. Our largest Pay TV market is in Brazil, where we are the leading provider of Pay TV services through direct-to-home ( DTH ) technology and cable TV. We offer these services through individual subscription plans as well as in bundled packages of services, along with broadband, fixed voice and wireless services. In addition to our Brazilian operations, our Colombian operations are now offering quadruple-play services, combining Pay TV, broadband, fixed-line and wireless services.

### **Equipment, Accessories and Computer Sales**

Equipment, accessories and computer sales revenues primarily include revenues from the sale of handsets, accessories and other equipment.

### **Other Services**

Other services include revenues from other businesses, such as telephone directories, call center services, wireless security services, advertising, media and software development services.

### **OTT Services**

We sell video, audio and other media content that is delivered through the internet directly from the content provider to the viewer or end user. Our most important service is ClaroVideo, an on-demand internet streaming video provider with more than 25,000 content titles sold across all the Latin American and Caribbean markets in which we operate. We offer bundled packages of ClaroVideo with other services. Additionally, we offer customers unlimited access to ClaroVideo for a fixed monthly subscription fee.

### **Services and Products by Country**

The following table is a summary of our principal services rendered and products produced as of December 31, 2017 in the countries in which we operate.

|  | Wireless<br>Voice, Data<br>and Value<br>Added<br>Services <sup>(1)</sup> | Fixed Voice,<br>Broadband,<br>Data and IT<br>Services <sup>(2)</sup> | Pay TV | OTT<br>Services <sup>(3)</sup> |
|--|--------------------------------------------------------------------------|----------------------------------------------------------------------|--------|--------------------------------|
|--|--------------------------------------------------------------------------|----------------------------------------------------------------------|--------|--------------------------------|

Argentina  
 Austria  
 Belarus  
 Brazil  
 Bulgaria  
 Chile  
 Colombia  
 Costa Rica  
 Croatia  
 Dominican Republic  
 Ecuador  
 El Salvador  
 Guatemala  
 Honduras  
 Macedonia  
 Mexico  
 Nicaragua  
 Panama  
 Paraguay  
 Peru  
 Puerto Rico  
 Serbia  
 Slovenia  
 Uruguay  
 United States

(4)

<sup>(1)</sup> Includes voice communication and international roaming services, interconnection and termination services, SMS, MMS, e-mail, mobile browsing, entertainment and gaming applications.

<sup>(2)</sup> Includes local calls, national and international long distance.

<sup>(3)</sup> Includes ClaroVideo and ClaroMúsica.

<sup>(4)</sup> Services provided by non-concessionaire subsidiaries.



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*Our networks are one of our main competitive advantages. Today, we own and operate one of the largest integrated platforms based on our covered population across 17 countries in Latin America and are in the process of expanding our network in Europe.*

## Infrastructure

For the year ended December 31, 2017, our capital expenditures totaled Ps.136.7 billion, which allowed us to increase our network, to expand their capacity and to upgrade our systems to operate with the latest technologies. With fully convergent platforms, we are able to widely deliver high-quality voice, video and data products. See Note 10 to our audited consolidated financial statements for a description of our property, plant and equipment.

As of December 31, 2017, the main components of our infrastructure were comprised of:

**Base stations:** 163,033 bases stations with 2G, 3G and 4G technologies (of which approximately 65% are equipped with 3G and 4G capabilities).

**Fiber-optic network:** More than 815 thousand km. Our network passed approximately 70 million homes as of December 31, 2017.

**Submarine cable system:** Capacity of more than 168 thousand km in submarine cable, including the AMX-1 submarine cable that extends 17,500 km and connects the United States to Central and South America throughout 12 landing points and provides international connectivity to all of our subsidiaries in these geographic areas.

**Satellites:** Nine. Star One S.A. ( Star One ) has the most extensive satellite system in Latin America, with a fleet that covers the United States, Mexico, Central America and South America. We use these satellites to supply capacity for DTH services for Claro TV throughout Brazil and in other DTH operations, as well as cellular backhaul, video broadcast and corporate data networks.

**Data centers:** 21. We use our data centers to manage a number of cloud solutions, such as Infrastructure as a Service ( IAAS ), Software as a Service ( SAAS ), security solutions and unified communications. In the United States, we do not own any wireless telecommunications facilities or hold any wireless spectrum licenses. Instead, we purchase airtime through agreements with wireless service providers and resell airtime to customers. Through these agreements, we have a nationwide virtual network, covering almost all areas in which wireless services are available.

**Table of Contents****Technology**

Our primary wireless networks use GSM/EDGE, 3G and 4G LTE technologies, which we offer in most of the countries where we operate. We aim to increase the speed of transmission of our data services and have been expanding our 3G and 4G LTE coverage. We also aim to roll out our 4.5 LTE coverage in most of our operations by the end of 2018.

We transmit wireless calls and data through radio frequencies that we use under spectrum licenses. Spectrum is a limited resource, and, as a result, we may face spectrum and capacity constraints on our wireless network. We continue to invest significant capital in expanding our network capacity and reach and to address spectrum and capacity constraints on a market-by-market basis. In 2017, we spent Ps.11.3 billion on the acquisition of spectrum licenses, mainly in Mexico and Uruguay.

The table below presents a summary of the population covered by our network, by country, as of December 31, 2017.

| GENERATION TECHNOLOGY |                                  |      |     |
|-----------------------|----------------------------------|------|-----|
|                       | GSM                              | UMTS | LTE |
|                       | <i>(% of covered population)</i> |      |     |
| Argentina             | 98                               | 91   | 82  |
| Austria               | 100                              | 93   | 92  |
| Belarus               | 100                              | 99   |     |
| Brazil                | 93                               | 91   | 76  |
| Bulgaria              | 100                              | 100  | 90  |
| Chile                 | 99                               | 97   | 89  |
| Colombia              | 92                               | 76   | 53  |
| Costa Rica            | 71                               | 79   | 31  |
| Croatia               | 99                               | 99   | 92  |
| Dominican Republic    | 100                              | 99   | 90  |
| Ecuador               | 96                               | 74   | 51  |
| El Salvador           | 72                               | 72   | 17  |
| Guatemala             | 89                               | 66   | 18  |
| Honduras              | 86                               | 74   | 49  |
| Macedonia             | 100                              | 100  | 99  |
| Mexico                | 90                               | 88   | 77  |
| Nicaragua             | 85                               | 79   | 46  |
| Panama                | 84                               | 84   | 58  |
| Paraguay              | 76                               | 72   | 36  |
| Peru                  | 87                               | 79   | 69  |
| Puerto Rico           | 77                               | 81   | 69  |
| Serbia                | 99                               | 100  | 95  |

|          |     |    |    |
|----------|-----|----|----|
| Slovenia | 100 | 99 | 99 |
| Uruguay  | 96  | 91 | 70 |

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*We operate in an intensely competitive industry. Competitive factors within our industry include pricing, brand recognition, service and product offerings, customer experience, network coverage and quality, development and deployment of technologies, availability of additional spectrum licenses and regulatory developments.*

Our principal competitors differ, depending on the geographical market and the types of service we offer. We compete against other providers, of wireless, broadband and Pay TV that operate on a multi-national level, such as AT&T Inc. or Millicom, as well as various providers that operate on a nationwide level, such as Telecom Argentina and Teléfonos. Competition remains intense as a result of saturation in the fixed and wireless market, increased network investment by our competitors, the development and deployment of new technologies, the introduction of new products and services, new market entrants, the availability of additional spectrum, both licensed and unlicensed, and regulatory changes.

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

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### **MARKETING**

We advertise our services and products through different channels with consistent and distinct branding and targeted marketing. We advertise via print, radio, television, digital media, sports event sponsorships and other outdoor advertising campaigns. In 2017, our efforts were mainly focused on promoting our 4G LTE services, leveraging on the speeds and quality of our networks and our fixed bundled offers, which compete on broadband speeds and premium content.

We build upon the strength of our well-recognized brand names to increase consumer awareness and customer loyalty. Building brand recognition is crucial for our business, and we have managed to position our brands as those of a premium carrier in most countries where we operate. For example, Claro is the most valuable telecom brand in the Latin America region, according to the Telecoms 300 2018 report by Brand Finance. BrandZ's Top 50 Most Valuable Latin American Brands 2017 list ranked Telcel as the second-most valuable national brand in Mexico. In the same year, BrandZ also named Telcel and Telmex as the highest recognized telecom brands in Mexico and as two of the top four highest-ranked telecom brands in Latin America. In addition, a 2017 study by Austrian Brand Monitor found that A1, the brand name behind Telekom Austria, ranked number one in the Austrian telecommunications market for brand awareness, as well as for brand perception as a premium brand.

### **SALES AND DISTRIBUTION**

Our extensive sales and distribution channels help us attract new customers and develop new business opportunities. We primarily sell our services and products through a network of retailers and service centers for retail customers and a dedicated sales force for corporate customers, with more than 420,000 points of sale and almost 2,900 customer service centers. Our subsidiaries also sell their services and products online.

### **CUSTOMER SERVICES**

We give priority to providing our customers with quality customer care and support, with approximately 57,400 employees dedicated to customer service. We focus our efforts on constantly improving our customers' experience by leveraging our commercial offerings and our sales and distribution networks. Customers may make inquiries by calling a toll-free telephone number, accessing our subsidiaries' web sites and social media accounts or visiting one of the customer sales and service centers located throughout the countries we serve.

Geographic diversification has been a key to our financial success, as it has provided for greater stability in our cash flow and profitability and has contributed to our strong credit ratings. In recent years, we have been evaluating the expansion of our operations to regions outside of Latin America. We believe that Europe and other areas beyond Latin America present opportunities for investment in the telecommunications sector that could benefit us and our shareholders over the long term.

We continue to seek investment opportunities in telecommunications and related companies worldwide, including in markets where we are already present, and we often have several possible acquisitions under consideration. We can give no assurance as to the extent, timing or cost of such investments. We may pursue opportunities in Latin America or in other areas in the world. Some of the assets that we acquire may require significant funding for capital expenditures. We continue to make incremental acquisitions in areas that we consider accretive to our existing operations. For additional information on our acquisitions and investments, see Note 12 to our audited consolidated financial statements.

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## **INTRODUCTION**

### **Segments**

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

The factors that drive our financial performance differ in the various countries where we operate, including subscriber acquisition costs, the competitive landscape, the regulatory environment, economic factors and interconnection rates, among others. Accordingly, our results of operations in each period reflect a combination of these effects on our different segments.

### **Constant Currency Presentation**

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

### **Effects of Exchange Rates**

Our results of operations are affected by changes in currency exchange rates. As discussed above, currency variations between the Mexican peso and the currencies of our non-Mexican subsidiaries, especially the Euro, U.S. dollar, Brazilian real and the Colombian and Argentine

pesos, affect our results of operations as reported in Mexican pesos. In 2017, the Mexican peso was generally weaker against our other operating currencies than in 2016, which tended to increase the reported amounts in Mexican pesos attributable to our non-Mexican operations.

In addition, we recognize foreign exchange gains and losses attributable to changes in the value of our operating currencies, particularly the Mexican peso and Brazilian real, against the currencies in which our indebtedness and accounts payable are denominated, especially the U.S. dollar, the pound sterling and the Euro. Appreciation of our operating currencies generally results in foreign exchange gains, while depreciation of these currencies generally

results in foreign exchange losses. Changes in exchange rates also affect the fair value of derivative financial instruments that we use to manage our currency-risk exposure, which are generally not accounted for as hedging instruments. In 2017, the Mexican peso and the Brazilian real weakened against the currencies in which most of our indebtedness is denominated. We recorded net foreign exchange losses of Ps.13.8 billion, partially offset by net fair value gains on derivatives of Ps.8.2 billion. In 2016, the Mexican peso weakened against the currencies of our indebtedness, and we recorded net foreign exchange losses of Ps.40.4 billion. We also recorded net fair value losses on derivatives of Ps.9.6 billion, primarily driven by the effect of a weakened pound sterling and other currencies on certain derivative positions we use to offset exchange risk on our indebtedness. 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. We have offset lower interconnection revenues by attracting new customers with lower prices and new data services to increase traffic, but this may change. Significant regulatory developments are presented in more detail in Regulation under Part VI and Risk Factors under Part III of this annual report.

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**COMPOSITION OF OPERATING REVENUES**

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*In 2017, our total operating revenues consisted of: mobile voice revenues (21.7% of total operating revenues), fixed voice revenues (8.8%), mobile data revenues (30.2%), fixed data revenues (13.6%), Pay TV revenues (8.5%), equipment, accessories and computer sales revenues (14.0%) and other related services (3.1%).*

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

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

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

Equipment, accessories and computer sales revenues primarily include revenues from the sale of handsets, accessories and other equipment such as office equipment, household appliances and electronics. Most of our sales in handsets are driven by the number of new customers and contract renewals. The pricing of handsets is not geared primarily towards making a profit from handset sales, because for some plans, the handset subsidy is considered an acquisition cost.

Other services primarily include revenues from other businesses, such as advertising and news companies, entertainment content distribution, telephone directories, call center services, wireless security services, network infrastructure services and a software development company.

**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 in many of the countries in which we operate, mainly Mexico.

### General Trends Affecting Operating Results

Our results of operations in 2017 reflected several continuing long-term trends, including:

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

changes in the telecommunications regulatory environment;

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

declining demand for voice services;

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

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

Other recent trends affecting our performance included:

the ongoing effects of Mexico's regulatory measures; and

the impact of the depreciation of the Mexican peso in 2017 against the U.S. dollar, the Euro, the Brazilian real and the Colombian peso.



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**CONSOLIDATED RESULTS OF OPERATIONS FOR 2017 AND 2016**

**Operating Revenues**

*Total operating revenues for 2017 increased by 4.7%, or Ps.46.2 billion, over 2016. At constant exchange rates, total operating revenues for 2017 increased by 2.0% over 2016. This increase principally reflects increases in revenues from our mobile data, fixed data and Pay TV operations, which were partially offset by a decrease in revenues from our mobile voice and fixed voice operations.*

**MOBILE VOICE** Mobile voice revenues for 2017 decreased by 8.5%, or Ps.20.6 billion, over 2016. At constant exchange rates, mobile voice revenues for 2017 decreased by 10.8% over 2016. This decrease principally reflects reduced interconnection rates and traffic in international and domestic long-distance calls, which was driven by higher data usage due to the growing use of social networking platforms.

**FIXED VOICE** Fixed voice revenues for 2017 decreased by 5.7%, or Ps.5.4 billion, over 2016. At constant exchange rates, fixed voice revenues for 2017 decreased by 9.1% over 2016. This decrease principally reflects reduced interconnection rates and traffic in international and domestic long distance calls, which was driven by the growing use of wireless technology and broadband voice services, such as WiFi calling.

**MOBILE DATA** Mobile data revenues for 2017 increased by 20.1%, or Ps.51.6 billion, over 2016. At constant exchange rates, mobile data revenues for 2017 increased by 18.8% over 2016. This increase principally reflects the increased use of mobile data services, such as media and content downloading, web browsing, content streaming and machine-to-machine services, which was driven in part by the growing use of social networking apps and content downloading on tablets and notebooks.

**FIXED DATA** Fixed data revenues for 2017 increased by 10.3%, or Ps.13.0 billion, over 2016. At constant exchange rates, fixed data revenues for 2017 increased by 5.9% over 2016. This increase principally reflects the growth in residential broadband services and corporate data services, such as cloud, dedicated links and data center services.

**PAY TV** Pay TV revenues for 2017 increased by 11.0%, or Ps.8.6 billion, over 2016. At constant exchange rates, Pay TV revenues for 2017 increased by 2.3% over 2016. This increase principally reflects growth in the subscriber base and higher revenues driven by the cross-marketing of bundled packages and new TV channel packages, particularly in Colombia, Central America and the Caribbean.

**EQUIPMENT, ACCESSORIES AND COMPUTER SALES** Equipment, accessories and computer sales revenues for 2017 decreased by 0.2%, or Ps.0.3 billion, over 2016. At constant exchange rates, revenues from equipment, accessories and computer sales for 2017 decreased by 0.7% over 2016. This decrease principally reflects lower sales of higher-end smartphones, other data-enabled devices and tablets, which were partially offset by higher sales of lower-end smartphones due to subsidies provided to our postpaid subscribers and handset financing plans.

**OTHER SERVICES** Revenues from other services for 2017 decreased by 2.1%, or Ps.0.7 billion, over 2016. At constant exchange rates, revenues from other services for 2017 decreased by 5.0% over 2016. This decrease principally reflects lower revenues from advertising and media services, online content, wireless security services, telephone directories and call center services.

### Operating Costs and Expenses

**COST OF SALES AND SERVICES** Cost of sales and services for 2017 increased by 2.3%, or Ps.11.3 billion, over 2016, representing 48.6% of operating revenues for 2017, as compared to 49.7% of operating revenues for 2016. At constant exchange rates, cost of sales and services for 2017 decreased by 0.2% over 2016.

Cost of sales was Ps.170.2 billion for 2017, a decrease of 1.4% from Ps.172.5 billion in 2016. This decrease principally reflects higher sales of lower-end smartphones, which were driven by subsidies provided to our postpaid subscribers and an increase in handset financing plans, and improvements in the inventory management of our handsets.

Cost of services was Ps.326.2 billion for 2017, an increase of 4.4% from Ps.312.6 billion in 2016. This increase principally reflects an increase in costs related to network operations, including energy and leasing tower sites, third-party technical and IT services, as well as TV content acquisition.

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**COMMERCIAL, ADMINISTRATIVE AND GENERAL EXPENSES** Commercial, administrative and general expenses for 2017 increased by 5.5%, or Ps.12.5 billion, over 2016. As a percentage of operating revenues, commercial, administrative and general expenses were 23.6% for 2017, as compared to 23.4% for 2016. At constant exchange rates, commercial, administrative and general expenses for 2017 increased by 2.2% over 2016. This increase principally reflects an increase in costs related to customer services, allowance for doubtful accounts, systems development and local taxes.

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

**OTHER EXPENSES** Other expenses for 2017 increased by Ps.20.2 billion over 2016, principally reflecting the payment of an arbitration award granted in Colombia. For further information on this arbitration proceeding, see Notes 1 and 16 to our audited consolidated financial statements included in this annual report.

**DEPRECIATION AND AMORTIZATION** Depreciation and amortization for 2017 increased by 7.8%, or Ps.11.6 billion, over 2016. As a percentage of operating revenues, depreciation and amortization was 15.7% for 2017, as compared to 15.2% for 2016. At constant exchange rates, depreciation and amortization for 2017 increased by 3.4% over 2016. This increase principally reflects investments in our networks and the acceleration of amortizing the costs of various brands of Telekom Austria.

**Operating Income**

Operating income for 2017 decreased by 8.6%, or Ps.9.5 billion, over 2016. Operating margin (operating income as a percentage of operating revenues) was 9.8% for 2017, as compared to 11.2% for 2016. Excluding the effects of the approximately U.S.\$1.0 billion arbitration payment in Colombia, operating income increased by 8.3%, or Ps.9.1 billion, over 2016.

**Non-Operating Items**

**NET INTEREST EXPENSE** Net interest expense (interest expense less interest income) for 2017 decreased by 7.7%,

or Ps.2.3 billion, over 2016. This decrease principally reflects lower interest expense due to the amortization of debt during this period.

**FOREIGN CURRENCY EXCHANGE LOSS, NET** We recorded a net foreign currency exchange loss of Ps.13.8 billion for 2017, compared to our net foreign currency exchange loss of Ps.40.4 billion for 2016. The loss in both periods principally reflects the appreciation of some of the currencies in which our indebtedness is denominated, particularly the U.S. dollar, the Euro and the pound sterling.

**VALUATION OF DERIVATIVES, INTEREST COST FROM LABOR OBLIGATIONS AND OTHER FINANCIAL ITEMS, NET** We recorded a loss of Ps.1.9 billion for 2017 on the valuation of derivatives, interest cost from labor obligations and other financial items, net, compared to a loss of Ps.16.2 billion for 2016. The net loss in 2017 principally reflects the interest cost of labor obligations, which was partially offset by a gain in valuation of derivatives.

**EQUITY INTEREST IN NET INCOME OF ASSOCIATED COMPANIES** Our share of the net income of associated companies accounted for under the equity method was Ps.0.1 billion in 2017, as compared to Ps.0.2 billion for 2016.

**INCOME TAX** Our income tax expense for 2017 increased by 118.8%, or Ps.13.5 billion, over 2016. This increase principally reflects the effect of a smaller foreign exchange loss than the one observed in 2016.

Our effective corporate income tax rate as a percentage of profit before income tax was 43.7% for 2017, compared to 48.6% for 2016. This rate differed from the Mexican statutory rate of 30% and changed year over year principally as a result of changes in permanent items such as the valuation of derivatives and other impacts of non-taxable items. We are evaluating the impact of the U.S. income tax reform on our U.S. operations, but we do not expect a material impact on our effective corporate income tax rate.

### **Net Profit**

*We recorded a net profit of Ps.32.2 billion for 2017, an increase of 166.2%, or Ps.20.1 billion, over 2016.*

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**CONSOLIDATED RESULTS OF OPERATIONS FOR 2016 AND 2015**

**Operating Revenues**

*Total operating revenues for 2016 increased by 9.1%, or Ps.81.7 billion, over 2015. At constant exchange rates, total operating revenues for 2016 increased by 2.1% over 2015. This increase principally reflects increases in revenues from our mobile data, fixed data and Pay TV operations, which were partially offset by a decrease in revenues from our mobile voice and fixed voice operations.*

**MOBILE VOICE** Mobile voice revenues for 2016 decreased by 5.4%, or Ps.13.8 billion, over 2015. At constant exchange rates, mobile voice revenues for 2016 decreased by 12.7% over 2015. This decrease principally reflects reductions in the price per minute for calls, traffic in international and domestic long-distance calls and the reduction of interconnection rates in other jurisdictions where we operate, particularly in Brazil, Colombia, Argentina and Europe.

**FIXED VOICE** Fixed voice revenues for 2016 decreased by 0.2%, or Ps.0.2 billion, over 2015. At constant exchange rates, fixed voice revenues for 2016 decreased by 7.0% over 2015. This decrease principally reflects reduced traffic in long-distance calls, which was driven by the growing use of wireless technology and increased regulation affecting our fixed voice markets in Mexico, Colombia and Brazil.

**MOBILE DATA** Mobile data revenues for 2016 increased by 13.3%, or Ps.30.2 billion, over 2015. At constant exchange rates, mobile data revenues for 2016 increased by 7.3% over 2015. This increase principally reflects increased use of mobile data services, such as media and content downloading, web browsing, content streaming and machine-to-machine services, which was driven in part by the increased use of social networking apps and content downloading on tablets and notebooks.

**FIXED DATA** Fixed data revenues for 2016 increased by 15.6%, or Ps.17.0 billion, over 2015. At constant exchange rates, fixed data revenues for 2016 increased by

7.4% over 2015. This increase principally reflects the growth in residential broadband services and corporate data services, such as cloud, dedicated links and data center services.

**PAY TV** Pay TV revenues for 2016 increased by 18.5%, or Ps.12.2 billion, over 2015. At constant exchange rates, Pay TV revenues for 2016 increased by 5.6% over 2015. This increase principally reflects growth in the subscriber

base and higher revenues driven by the cross-marketing of bundled packages and new TV channel packages, particularly in Brazil, Colombia, Peru, Central America and the Caribbean.

**EQUIPMENT, ACCESSORIES AND COMPUTER SALES** Equipment, accessories and computer sales revenues for 2016 increased by 23.8%, or Ps.27.6 billion, over 2015. At constant exchange rates, revenues from equipment, accessories and computer sales for 2016 increased by 20.4% over 2015. This increase principally reflects increases in sales of higher-end smartphones, feature phones and other data-enabled devices, handsets, tablets and electronic household appliances, which were driven by new commercial plans and promotions among postpaid and prepaid subscribers, such as handset financing plans.

**OTHER SERVICES** Revenues from other services for 2016 increased by 35.8%, or Ps.8.6 billion, over 2015. At constant exchange rates, revenues from other services for 2016 increased by 23.8% over 2015. This increase principally reflects increases in revenues from advertising and media services, online content, wireless security services, telephone directories and call center services.

### **Operating Costs and Expenses**

**COST OF SALES AND SERVICES** Cost of sales and services for 2016 increased by 15.4%, or Ps.64.8 billion, over 2015, representing 49.7% of operating revenues for 2016, as compared to 47.0% of operating revenues for 2015. At constant exchange rates, cost of sales and services for 2016 increased by 7.0% over 2015.

Cost of sales was Ps.172.5 billion for 2016, an increase of 18.6% from Ps.145.5 billion in 2015. This increase principally reflects the impact from a depreciation of the Mexican peso and other Latin American currencies against the U.S. dollar, and higher sales of smartphones to subscribers in all countries in which we operate, which was partially offset by a decrease in the costs associated with handset subsidies on financing plans we offer to acquire and retain subscribers.

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Cost of services was Ps.312.6 billion for 2016, an increase of 13.8% from Ps.274.8 billion in 2015. This increase principally reflects an increase in network services

payments to third-party U.S. operators and costs related to our Pay TV operations, network maintenance and labor, as well as an increase in rental and leasing costs associated with third-party mobile-site infrastructure.

**COMMERCIAL, ADMINISTRATIVE AND GENERAL EXPENSES** Commercial, administrative and general expenses for 2016 increased by 13.3%, or Ps.26.7 billion, over 2015. As a percentage of operating revenues, commercial, administrative and general expenses were 23.4% for 2016, as compared to 22.5% for 2015. At constant exchange rates, commercial, administrative and general expenses for 2016 increased by 5.9% over 2015. This increase principally reflects higher advertising costs, as we seek to expand our subscriber base, and higher customer service costs, including increases in the number of customer service centers, back office call centers and employees, as we seek to provide better customer care and quality of service.

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

**OTHER EXPENSES** Other expenses for 2016 decreased by 17.5%, or Ps.0.9 billion, over 2015, reflecting unusually high regulatory charges in Brazil in 2015.

**DEPRECIATION AND AMORTIZATION** Depreciation and amortization for 2016 increased by 18.1%, or Ps.22.8 billion, over 2015. As a percentage of operating revenues, depreciation and amortization was 15.2% for 2016, as compared to 14.1% for 2015. At constant exchange rates, depreciation and amortization for 2016 increased by 8.5% over 2015. This increase stems, for the most part, from higher capital investments in Argentina, Colombia, Austria and Mexico.

**Operating Income**

Operating income for 2016 decreased by 22.5%, or Ps.31.8 billion, over 2015. Operating margin (operating income as a percentage of operating revenues) was 11.2% for 2016, as compared to 15.8% for 2015.

**Non-Operating Items**

**NET INTEREST EXPENSE** Net interest expense (interest expense less interest income) for 2016 increased by 12.6%, or Ps.3.3 billion, over 2015. This increase principally reflects higher interest expenses due to the 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 foreign currency exchange loss of Ps.40.4 billion for 2016, compared to our net foreign currency exchange loss of Ps.79.0 billion for 2015. This loss in

both periods principally reflects the appreciation of some of the currencies in which our indebtedness is denominated, particularly the U.S. dollar.

**VALUATION OF DERIVATIVES, INTEREST COST FROM LABOR OBLIGATIONS AND OTHER FINANCIAL ITEMS, NET** The changes in valuation of derivatives, interest cost from labor obligations and other financial items, net, represented a loss of Ps.16.2 billion for 2016, compared to a gain of Ps.21.5 billion for 2015. The net loss in 2016 principally relates to market value losses on derivatives positions we use to offset exchange risk on indebtedness, particularly in connection with the pound sterling, and increased interest cost recognized on labor obligations, which were partially offset by increased dividends from KPN.

**EQUITY INTEREST IN NET INCOME OF ASSOCIATED COMPANIES** Our share of the net income of associated companies accounted for under the equity method was Ps.0.2 billion in 2016, as compared to a loss of Ps.1.4 billion for 2015. This increase principally reflects the derecognition of the equity method investment in KPN, which we reclassified as an available-for-sale security in June 2015.

**INCOME TAX** Our income tax expense for 2016 decreased by 40.6%, or Ps.7.8 billion, over 2015. This decrease was principally due to net foreign currency exchange losses as a result of the depreciation of the Mexican peso against the currencies in which a portion of our debt is denominated.

Our effective corporate income tax rate as a percentage of profit before income tax was 48.6% for 2016, compared to 34.2% for 2015. This rate differed from the Mexican statutory rate of 30% and changed year over year principally as a result of an increase in tax inflationary effects and derivatives.

### **Net Profit**

We recorded a net profit of Ps.12.1 billion for 2016, a decrease of 67.3%, or Ps.24.9 billion, over 2015.

**Table of Contents****SEGMENT RESULTS OF OPERATIONS**

*We discuss below the operating results of each reportable segment. Note 22 to our audited consolidated financial statements describes how we translate the financial statements of our non-Mexican subsidiaries. Exchange rate changes between the Mexican peso and the currencies in which our subsidiaries do business affect our reported results in Mexican pesos and the comparability of reported results between periods.*

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

| <b>MEXICAN PESOS PER FOREIGN CURRENCY UNIT<br/>(AVERAGE FOR THE PERIOD)</b> |             |                  |             |                  |             |
|-----------------------------------------------------------------------------|-------------|------------------|-------------|------------------|-------------|
|                                                                             | <b>2015</b> | <b>2015/2016</b> |             | <b>2016/2017</b> |             |
|                                                                             |             | <b>% CHANGE</b>  | <b>2016</b> | <b>% CHANGE</b>  | <b>2017</b> |
| Brazilian real                                                              | 4.8068      | 12.1             | 5.3868      | 10.2             | 5.9346      |
| Colombian peso                                                              | 0.0058      | 5.3              | 0.0061      | 4.8              | 0.0064      |
| Argentine peso                                                              | 1.7152      | (26.4)           | 1.2632      | (9.0)            | 1.1489      |
| U.S. dollar                                                                 | 15.8504     | 17.7             | 18.6529     | 1.5              | 18.9400     |
| Euro                                                                        | 17.3886     | 18.7             | 20.6334     | 3.5              | 21.3649     |

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

| <b>YEAR ENDED DECEMBER 31, 2017</b> |                        |                                             |                                |                                           |  |
|-------------------------------------|------------------------|---------------------------------------------|--------------------------------|-------------------------------------------|--|
| <b>OPERATING REVENUES</b>           |                        |                                             | <b>OPERATING INCOME (LOSS)</b> |                                           |  |
|                                     | <i>(in millions of</i> |                                             | <i>(in millions of</i>         |                                           |  |
|                                     | <i>Mexican pesos)</i>  | <i>(as a % of total operating revenues)</i> | <i>Mexican pesos)</i>          | <i>(as a % of total operating income)</i> |  |
| Mexico Wireless                     | Ps. 206,771            | 20.2%                                       | Ps. 50,666                     | 50.6%                                     |  |
| Mexico Fixed                        | 98,485                 | 9.6                                         | 7,922                          | 7.9                                       |  |
| Brazil                              | 215,322                | 21.1                                        | 11,601                         | 11.6                                      |  |
| Colombia                            | 72,740                 | 7.1                                         | (4,704)                        | (4.7)                                     |  |
| Southern Cone                       | 82,344                 | 8.1                                         | 11,676                         | 11.7                                      |  |
| Andean Region                       | 56,571                 | 5.5                                         | 5,650                          | 5.6                                       |  |
| Central America                     | 44,282                 | 4.3                                         | 5,252                          | 5.2                                       |  |

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|               |                      |               |                    |               |
|---------------|----------------------|---------------|--------------------|---------------|
| United States | 148,590              | 14.5          | 2,915              | 2.9           |
| Caribbean     | 35,215               | 3.4           | 4,752              | 4.7           |
| Europe        | 93,644               | 9.2           | 4,524              | 4.5           |
| Eliminations  | (32,330)             | (3.0)         | (111)              | (0.0)         |
| <b>Total</b>  | <b>Ps. 1,021,634</b> | <b>100.0%</b> | <b>Ps. 100,143</b> | <b>100.0%</b> |

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| <b>YEAR ENDED DECEMBER 31, 2016</b> |                        |                            |                         |                          |  |
|-------------------------------------|------------------------|----------------------------|-------------------------|--------------------------|--|
| <b>OPERATING REVENUES</b>           |                        |                            | <b>OPERATING INCOME</b> |                          |  |
|                                     | <i>(in millions of</i> | <i>(as a % of total</i>    | <i>(in millions of</i>  | <i>(as a % of total</i>  |  |
|                                     | <i>Mexican pesos)</i>  | <i>operating revenues)</i> | <i>Mexican pesos)</i>   | <i>operating income)</i> |  |
| Mexico Wireless                     | Ps. 203,567            | 20.9%                      | Ps. 48,220              | 44.0%                    |  |
| Mexico Fixed                        | 102,216                | 10.5                       | 12,276                  | 11.2                     |  |
| Brazil                              | 197,357                | 20.2                       | 6,325                   | 5.8                      |  |
| Colombia                            | 67,589                 | 6.9                        | 11,210                  | 10.2                     |  |
| Southern Cone                       | 72,330                 | 7.4                        | 8,317                   | 7.6                      |  |
| Andean Region                       | 56,131                 | 5.8                        | 6,087                   | 5.6                      |  |
| Central America                     | 42,421                 | 4.3                        | 3,831                   | 3.5                      |  |
| United States                       | 140,856                | 14.4                       | 1,221                   | 1.1                      |  |
| Caribbean                           | 36,498                 | 3.7                        | 6,143                   | 5.6                      |  |
| Europe                              | 86,979                 | 8.9                        | 5,389                   | 4.9                      |  |
| Eliminations                        | (30,532)               | (3.0)                      | 591                     | 0.5                      |  |
| <b>Total</b>                        | <b>Ps. 975,412</b>     | <b>100.0%</b>              | <b>Ps. 109,610</b>      | <b>100.0%</b>            |  |

| <b>YEAR ENDED DECEMBER 31, 2015</b> |                        |                            |                         |                          |  |
|-------------------------------------|------------------------|----------------------------|-------------------------|--------------------------|--|
| <b>OPERATING REVENUES</b>           |                        |                            | <b>OPERATING INCOME</b> |                          |  |
|                                     | <i>(in millions of</i> | <i>(as a % of total</i>    | <i>(in millions of</i>  | <i>(as a % of total</i>  |  |
|                                     | <i>Mexican pesos)</i>  | <i>operating revenues)</i> | <i>Mexican pesos)</i>   | <i>operating income)</i> |  |
| Mexico Wireless                     | Ps. 204,825            | 22.9%                      | Ps. 70,726              | 50.0%                    |  |
| Mexico Fixed                        | 101,078                | 11.3                       | 15,947                  | 11.3                     |  |
| Brazil                              | 178,174                | 19.9                       | 10,879                  | 7.7                      |  |
| Colombia                            | 66,137                 | 7.4                        | 13,362                  | 9.4                      |  |
| Southern Cone                       | 68,948                 | 7.7                        | 9,185                   | 6.5                      |  |
| Andean Region                       | 51,959                 | 5.8                        | 7,853                   | 5.6                      |  |
| Central America                     | 34,752                 | 3.9                        | 1,750                   | 1.2                      |  |
| United States                       | 110,654                | 12.4                       | 1,294                   | 0.9                      |  |
| Caribbean                           | 29,658                 | 3.3                        | 3,891                   | 2.8                      |  |
| Europe                              | 72,681                 | 8.1                        | 6,205                   | 4.4                      |  |
| Eliminations                        | (25,128)               | (2.7)                      | 321                     | 0.2                      |  |
| <b>Total</b>                        | <b>Ps. 893,738</b>     | <b>100.0%</b>              | <b>Ps. 141,413</b>      | <b>100.0%</b>            |  |



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### **INTERPERIOD SEGMENT COMPARISONS**

*The following discussion addresses the financial performance of each of our reportable segments, first by comparing results for 2017 and 2016 and then by comparing results for 2016 and 2015. In the year-to-year comparisons for each segment, we include percentage changes in operating revenues, percentage changes in operating income and operating margin (operating income as a percentage of operating revenues), in each case calculated based on the segment financial information presented in Note 22 to our audited consolidated financial statements, which is prepared in accordance with IFRS.*

Each reportable segment includes all income, cost and expense eliminations that occurred between subsidiaries within the reportable segment. The Mexico Wireless segment also includes corporate income, costs and expenses.

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

### **2017 COMPARED TO 2016**

#### **Mexico Wireless**

The number of net prepaid wireless subscribers for 2017 increased by 0.2% over 2016, and the number of net postpaid wireless subscribers increased by 6.2%, resulting in a net increase in the total number of wireless subscribers in Mexico of 1.2%, or 902 thousand, to approximately 73.9 million as of December 31, 2017.

Segment operating revenues for 2017 increased by 1.6% over 2016. Adjusted segment operating revenues for 2017 increased by 1.2% over 2016. This increase in segment operating revenues principally reflects an increase of 18.9% in mobile data revenues, driven by increased use of value-added services by our wireless subscribers, including activity from messaging, content downloading, mobile applications and social media, and an increase in revenues from service plans offering higher data capacity. The increase in segment operating revenues was partially offset by a decrease of

24.0% in mobile voice revenues, reflecting a decrease in the average wireless rates per user.

Segment operating income for 2017 increased by 5.1% over 2016. Adjusted segment operating income for 2017 increased by 0.9% over 2016.

Segment operating margin was 24.5% in 2017, as compared to 23.7% in 2016. Adjusted segment operating margin for this segment was 28.8% in 2017, which remained stable in comparison to 28.9% in 2016. The segment operating margin in 2017 principally reflects costs related to interconnection rates, licensing fees, mobile site infrastructure rentals, maintenance and roaming charges.

### **Mexico Fixed**

The number of fixed voice RGUs in Mexico for 2017 decreased by 2.8% over 2016, and the number of broadband RGUs in Mexico increased by 0.4%, resulting in a decrease in total fixed RGUs in Mexico of 1.5% over 2016, or 327 thousand, to approximately 21.9 million as of December 31, 2017.

Segment operating revenues for 2017 decreased by 3.7% over 2016. Adjusted segment operating revenues for 2017 decreased by 3.9% over 2016. This decrease in segment operating revenues principally reflects a fall in fixed voice revenues of 8.2%, driven by RGU disconnections and a fall in long-distance calls. The decrease in segment operating revenues was partially offset by an increase in fixed data revenues of 2.9%, principally due to higher revenues from broadband and corporate network services.

Segment operating income for 2017 decreased by 35.5% over 2016. Adjusted segment operating income for 2017 decreased by 49.1% over 2016.

Segment operating margin was 8.0% in 2017, as compared to 12.0% in 2016. Adjusted segment operating margin was 4.3% in 2017, as compared to 8.3% in 2016. The decrease in the segment operating margin in 2017 principally reflects increases in costs associated with customer service and service quality improvements, as well as network maintenance.

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**Brazil**

The number of net prepaid wireless subscribers for 2017 decreased by 7.6% over 2016, and the number of net postpaid wireless subscribers increased by 11.1%, resulting in a net decrease in the total number of wireless subscribers in Brazil of 1.9%, or 1.1 million, to approximately 59.0 million as of December 31, 2017. The number of fixed voice RGUs for 2017 decreased by 2.8% over 2016, the number of broadband RGUs increased by 4.2%, and the number of Pay TV RGUs decreased by 5.3%, resulting in a decrease in total fixed RGUs in Brazil of 2.2%, or 812 thousand, to approximately 35.9 million as of December 31, 2017.

Segment operating revenues for 2017 increased by 9.1% over 2016. Adjusted segment operating revenues for 2017 decreased by 1.4% over 2016. This decrease in segment operating revenues principally reflects a fall in mobile voice, fixed voice and Pay TV revenues of 18.8%, 15.1% and 0.4%, respectively, in 2017 over 2016, driven by RGU disconnections and lower traffic reflecting a decrease in disposable income following an overall economic downturn in the country. The decrease in segment operating revenues was partially offset by higher mobile data and fixed data revenues of 28.1% and 5.2%, respectively, in 2017 over 2016. Mobile data revenues increased principally due to the usage of social networking platforms, cloud services and content, and fixed data revenues increased principally due to an increase in broadband RGUs and corporate network services.

Segment operating income for 2017 increased by 83.4% over 2016. Adjusted segment operating income for 2017 increased by 81.1% over 2016.

Segment operating margin was 5.4% in 2017, as compared to 3.2% in 2016. Adjusted segment operating margin was 4.2% in 2017, as compared to 2.3% in 2016. The increase in segment operating margin in 2017 principally reflects synergy gains in marketing, network maintenance, information technology, subscriber acquisition and customer service related to the ongoing integration of our three Brazilian subsidiaries, which have collectively driven our costs down.

**Colombia**

The number of net prepaid wireless subscribers for 2017 increased by 0.4% over 2016, and the number of net postpaid wireless subscribers increased by 5.0%, resulting in a net increase in the total number of wireless subscribers in Colombia of 1.4%, or 399 thousand, to approximately 29.4 million as of December 31, 2017. The number of fixed voice RGUs for 2017 increased by 11.1% over 2016, the number of broadband RGUs increased by 8.1% and the number of Pay TV RGUs increased by 3.3%, resulting in an increase in total fixed RGUs in Colombia of 7.1%, or 450 thousand, to approximately 6.8 million as of December 31, 2017.

Segment operating revenues for 2017 increased by 7.6% over 2016. Adjusted segment operating revenues for 2017 increased by 2.8% over 2016. This increase in segment operating revenues principally reflects increases in fixed data revenues, mobile data revenues, fixed voice revenues and Pay TV revenues, which increased by 9.7%, 14.3%, 11.7% and 15.9%, respectively, in 2017, principally due to an increase in sales of bundled packages of wireless services,

higher demand for data plans and an increase in subscribers for internet services. The increase in segment operating revenues was partially offset by a decrease of 13.9% in mobile voice revenues, driven by more competitive commercial offerings in response to pricing pressure from competitors.

Segment operating income for 2017 decreased by 142.0% over 2016. Adjusted segment operating income for 2017 decreased by 125.2% over 2016. Excluding the effects of the approximately U.S.\$1.0 billion arbitration payment in Colombia, adjusted segment operating income for 2017 increased by 15.2%.

Segment operating margin was (6.5)% in 2017, as compared to 16.6% in 2016. Adjusted segment operating margin was (5.0)% in 2017, as compared to 20.5% in 2016. The decrease in segment operating margin for 2017 principally reflects higher costs related to the arbitration payment in Colombia, content licensing and maintenance of our networks, which was partially offset by Comcel's cost savings program.

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

The number of net prepaid wireless subscribers for 2017 increased by 2.0% over 2016, and the number of net postpaid wireless subscribers increased by 2.9%, resulting in a net increase in the total number of wireless subscribers in our Southern Cone segment of 2.3%, or 699 thousand, to approximately 31.1 million as of December 31, 2017. The number of fixed voice RGUs for 2017 increased by 4.6% over 2016, the number of broadband RGUs increased by 9.1%, and the number of Pay TV RGUs increased by 0.6%, resulting in an increase in total fixed RGUs in our Southern Cone segment of 4.2%, or 81 thousand, to approximately 2.0 million as of December 31, 2017.

Segment operating revenues for 2017 increased by 13.8% over 2016. Adjusted segment operating revenues for 2017 increased by 19.0% over 2016. This increase principally reflects an aggregate increase of 22.5% in Argentina, Paraguay and Uruguay and an increase of 10.9% in Chile. This increase was driven by higher data usage, particularly in the form of mobile data, video streaming, content downloading and service package purchases, in Argentina and Chile. For this segment, we analyze results in Argentina, Paraguay and Uruguay in terms of the Argentine peso, because Argentina accounts for the major portion of the operations in these three countries.

Segment operating income for 2017 increased by 40.4% over 2016. Adjusted segment operating income for 2017 increased by 56.2% over 2016. This increase principally reflects an increase in adjusted operating income of 16.8% in Argentina, Paraguay and Uruguay, which was partially offset by an increase in adjusted operating loss of 30.8% in Chile.

Segment operating margin was 14.2% in 2017, as compared to 11.5% in 2016. Adjusted segment operating margin was 17.0% in 2017, which remained stable in comparison to 17.0% in 2016. The segment operating margin in 2017 principally reflected the cost saving programs of our subsidiaries in the Southern Cone.

### **Andean Region Ecuador and Peru**

The number of net prepaid wireless subscribers for 2017 decreased by 4.3% over 2016, and the number of net postpaid wireless subscribers increased by 2.5%, resulting in a net decrease in the total number of wireless subscribers in our Andean Region segment of 2.2%, or 450 thousand, to approximately 20.4 million as of December 31, 2017. The

number of fixed voice RGUs for 2017 decreased by 7.1% over 2016, the number of broadband RGUs increased by 5.4% and the number of Pay TV RGUs decreased by 7.8%, resulting in a decrease in total fixed RGUs in our Andean Region segment of 3.0%, or 55 thousand, to approximately 1.8 million as of December 31, 2017.

Segment operating revenues for 2017 increased by 0.8% over 2016. Adjusted segment operating revenues for 2017 decreased by 2.4% over 2016. This decrease principally reflects a decrease of 8.9% in Ecuador, which was partially offset by an increase of 3.6% in Peru. This decrease was driven by lower revenues from our wireless and fixed voice operations, an increase in tax obligations and bad debt expenses in Ecuador and competitive pricing practices in Peru, which were partially offset by higher revenues from mobile data and higher revenues from fixed data, especially

broadband and corporate data services.

Segment operating income for 2017 decreased by 7.2% over 2016. Adjusted segment operating income for 2017 increased by 0.9% over 2016. This increase principally reflects an increase of 138.7% in Peru, which was partially offset by a decrease of 21.4% in Ecuador.

Segment operating margin was 10.0% in 2017, as compared to 10.8% in 2016. Adjusted segment operating margin was 15.9% in 2017, as compared to 15.1% in 2016. This increase principally reflects gains from our cost-savings program and lower direct taxes in Ecuador as well as operation, information technology, marketing and sales costs, which was partially offset by postpaid subscriber acquisition costs driven by a more aggressively competitive environment in Peru.

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

The number of net prepaid wireless subscribers for 2017 increased by 5.4% over 2016, and the number of net postpaid wireless subscribers increased by 6.7%, resulting in a net increase in the total number of wireless subscribers in our Central America segment of 5.6%, or approximately 842 thousand, to approximately 15.9 million as of December 31, 2017. The number of fixed voice RGUs for 2017 decreased by 0.1% over 2016, the number of broadband RGUs increased by 15.1% and the number of Pay TV RGUs increased by 3.9%, resulting in an increase in total fixed RGUs in our Central America segment of 7.8%, or 419 thousand, to approximately 5.8 million as of December 31, 2017.

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Segment operating revenues for 2017 increased by 4.4% over 2016. Adjusted segment operating revenues for 2017

increased by 3.2% over 2016. This increase principally reflects higher mobile data, fixed data and Pay TV revenues in Central America, which was partially offset by decreases in mobile voice and fixed voice in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica and decreases in mobile voice and Pay TV in Panama. For this purpose, we analyze adjusted segment results in U.S. dollars because it is the functional currency for our operations in El Salvador and Panama, and the currencies in Costa Rica, Guatemala, Honduras and Nicaragua are relatively stable against the U.S. dollar.

Segment operating income for 2017 increased by 37.1% over 2016. Adjusted segment operating income for 2017 increased by 41.2% over 2016. This increase principally reflects an increase of 4.2% in Guatemala, an increase of 10.2% in El Salvador, an increase of 56.2% in Honduras, an increase of 41.2% in Nicaragua, an increase of 30.0% in Panama and an increase of 1.4% in Costa Rica.

Segment operating margin was 11.9%, as compared to 9.0% in 2016. Adjusted segment operating margin was 13.1% in 2017, as compared to 9.6% in 2016. This increase principally reflects lower costs related to maintenance, customer service and customer acquisition.

**Caribbean Dominican Republic and Puerto Rico**

The number of net prepaid wireless subscribers for 2017 increased by 3.0% over 2016, and the number of net postpaid wireless subscribers increased by 4.1%, resulting in a net increase in the total number of wireless subscribers in our Caribbean segment of 3.4%, or approximately 184 thousand, to approximately 5.6 million as of December 31, 2017. The number of fixed voice RGUs for 2017 decreased by 1.3% over 2016, the number of broadband RGUs increased by 1.6% and the number of Pay TV RGUs increased by 11.4%, resulting in an increase in total fixed RGUs in our Caribbean segment of 1.4%, or 37 thousand, to approximately 2.7 million as of December 31, 2017.

Segment operating revenues for 2017 decreased by 3.5% over 2016. Adjusted segment operating revenues for 2017 decreased by 5.5% over 2016. This decrease in segment operating revenues principally reflects lower revenues from wireless and fixed voice services in Puerto Rico, which was partially offset by an increase in segment mobile data revenues and an increase in Pay TV revenues in the Dominican Republic. We analyze segment results in U.S. dollars because it is the functional currency in our

operations in Puerto Rico, and the currency in the Dominican Republic is relatively stable against the U.S. dollar.

Segment operating income for 2017 decreased by 22.6% over 2016. Adjusted segment operating income for 2017 decreased by 23.8% over 2016. This decrease principally reflects a decrease of 5.7% in the Dominican Republic and a decrease of 102.2% in Puerto Rico.

Segment operating margin was 13.5% in 2017, as compared to 16.8% in 2016. Adjusted segment operating margin was 13.8% in 2017, as compared to 17.2% in 2016. This decrease principally reflects higher extraordinary costs related to the reconstruction and operation of our networks in the aftermath of Hurricane Maria and bad debt expense

in Puerto Rico and higher costs related to upgrades to our information technology systems in the Dominican Republic, which were partially offset by our corporate cost-savings program.

### United States

The number of net prepaid wireless subscribers for 2017 decreased by 11.3% over 2016, or approximately 2.9 million, to approximately 23.1 million total net wireless subscribers in the United States as of December 31, 2017.

Segment operating revenues for 2017 increased by 5.5% over 2016. Adjusted segment operating revenues for 2017 increased by 4.1% over 2016. This increase in segment operating revenues principally reflects higher mobile voice and data usage and revenues driven by the success of existing unlimited data plans, principally those offered under our Straight Talk brand and our recently acquired Walmart Family Mobile brand.

Segment operating income for 2017 increased by 138.8% over 2016. Adjusted segment operating income for 2017 increased by 15.0% over 2016.

Segment operating margin was 2.0% in 2017, as compared to 0.9% in 2016. Adjusted segment operating margin was 8.4% in 2017, as compared to 7.6% in 2016. This increase principally reflects a decrease in subscriber acquisition costs.

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**Europe**

The number of net prepaid wireless subscribers for 2017 decreased by 10.4% over 2016, and the number of net postpaid wireless subscribers increased by 3.6%, resulting in a net decrease in the total number of wireless subscribers in our Europe segment of 0.2%, or approximately 50 thousand, to approximately 20.7 million as of December 31, 2017. The number of fixed voice RGUs for 2017 decreased by 3.7% over 2016, the number of broadband RGUs increased by 3.3% and the number of Pay TV RGUs increased by 10.7%, resulting in an increase in total fixed RGUs in our Europe segment of 2.3%, or 136 thousand, to approximately 6.0 million as of December 31, 2017.

Segment operating revenues for 2017 increased by 7.7% over 2016. Adjusted segment operating revenues for 2017 increased by 4.1% over 2016. This increase in segment operating revenues principally reflects higher revenues in Pay TV as well as mobile and fixed data, which were partially offset by lower revenues from wireless and fixed voice services due to the negative effects of the elimination of retail roaming in the EU in June 2017 and April 2016, as well as losses in the prepaid segment. We analyze segment results in euros because it is the functional currency in our operations in Europe.

Segment operating income for 2017 decreased by 16.0% over 2016. Adjusted segment operating income for 2017 decreased by 16.3% over 2016.

Segment operating margin was 4.8% in 2017, as compared to 6.2% in 2016. Adjusted segment operating margin was 5.0% in 2017, as compared to 6.2% in 2016. The decrease principally reflects increases in costs related to marketing, subscriber acquisitions and local taxes.

**2016 COMPARED TO 2015**

**Mexico Wireless**

The number of net prepaid wireless subscribers for 2016 decreased by 2.5% over 2015, and the number of net postpaid wireless subscribers decreased by 7.0%, resulting in a net decrease in the total number of wireless subscribers in Mexico of 1.0%, or 74 thousand, to approximately 73 million as of December 31, 2016.

Segment operating revenues for 2016 decreased by 0.6% over 2015. Adjusted segment operating revenues for 2016 decreased by 3.2% over 2015. This decrease was principally due to a decrease in mobile voice revenues by 37.9% in 2016 over 2015, reflecting a reduction in the average wireless rates per user. The decrease in segment operating revenues was partially offset by an increase in mobile data revenues of 0.8% in 2016 over 2015, principally due to the increased use of value-added services by our wireless subscribers, including activity from messaging, content downloading, mobile applications and social media, and an increase in revenues from service plans offering higher data capacity.

Segment operating income for 2016 decreased by 31.8% over 2015. Adjusted segment operating income for 2016 decreased by 29.3% over 2015. Segment operating margin was 23.7% in 2016, as compared to 34.5% in 2015. Adjusted segment operating margin for this segment was 28.9% in 2016 and 39.5% in 2015. The decrease in operating margin in 2016 was due principally to higher costs related to mobile site infrastructure rentals, interconnection and other Dollar-denominated costs, such as roaming charges and licensing fees.

#### **Mexico Fixed**

The number of fixed voice RGUs in Mexico for 2016 increased by 0.1% over 2015, and the number of broadband RGUs in Mexico increased by 4.9%, resulting in an increase in total fixed RGUs in Mexico of 2.0% to approximately 22.2 million as of December 31, 2016 over 2015.

Segment operating revenues for 2016 increased by 1.1% over 2015. Adjusted segment operating revenues for 2016 decreased by 0.3% over 2015. This decrease was principally due to a fall in fixed voice revenues of 10.9% in 2016 over 2015, reflecting RGU disconnections and a fall in long-distance calls. The decrease in segment operating revenues was partially offset by an increase in fixed data revenues of 3.2% in 2016 over 2015, principally due to higher revenues from broadband and corporate network services.

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Segment operating income for 2016 decreased by 23.0% over 2015. Adjusted segment operating income for 2016 decreased by 38.5% over 2015. Segment operating margin was 12.0% in 2016 and 15.8% in 2015. Adjusted segment operating margin for this segment was 8.3% in 2016 and 13.4% in 2015. The decrease in the segment operating margin for 2016 was principally due to increases in costs associated with customer service and service quality improvements as well as network maintenance.

**Brazil**

The number of net prepaid wireless subscribers for 2016 decreased by 15.1% over 2015, and the number of net postpaid wireless subscribers increased by 10.0%, resulting in a net decrease in the total number of wireless subscribers in Brazil of 8.8%, or 5.8 million over 2015, to approximately 60.2 million as of December 31, 2016. The number of fixed voice RGUs for 2016 decreased by 2.9% over 2015, the number of broadband RGUs increased by 5.4%, and the number of Pay TV RGUs increased by 0.1%, resulting in an increase in total fixed RGUs in Brazil of 0.2% to approximately 36.7 million as of December 31, 2016.

Segment operating revenues for 2016 increased by 10.8% over 2015. Adjusted segment operating revenues for 2016 decreased by 1.1% over 2015. This decrease in segment operating revenues was principally due to a fall in mobile data, mobile voice and fixed voice revenues of 4.9%, 11.6% and 6.1%, respectively, in 2016 over 2015, driven by RGU disconnections and lower traffic reflecting lower disposable income caused by an overall economic downturn in the country. The decrease in wireless and fixed voice revenues was also affected by a 30.0% reduction in interconnection revenues. The decrease in segment operating revenues was partially offset by higher fixed data and Pay TV revenues of 10.3% and 3.6%, respectively, in 2016 over 2015. Fixed data revenues increased principally due to an increase in broadband RGUs and corporate network services, and Pay TV revenues increased as a result of an increase in the purchase of additional services, such as video-on-demand and bundled packages.

Segment operating income for 2016 decreased by 41.9% over 2015. Adjusted segment operating income for 2016 decreased by 54.1% over 2015. Segment operating margin was 3.2% in 2016 and 6.1% in 2015. Adjusted segment operating margin was 2.3% in 2016 and 4.9% in 2015. The decrease in segment operating margin for 2016 was principally due to higher marketing, subscriber acquisition and customer service costs related to the ongoing integration of our three Brazilian subsidiaries, as well as the reduction in the estimated useful life of television set-up boxes from five years to three years.

**Colombia**

The number of net prepaid wireless subscribers for 2016 decreased by 2.3%, and the number of net postpaid wireless subscribers increased by 8.6%, resulting in a net decrease in the total number of wireless subscribers in Colombia of 0.1%, or 19 thousand, to approximately 29 million as of December 31, 2016. In 2016, the number of fixed voice RGUs increased by 12.1%, the number of broadband RGUs increased by 11.3% and the number of Pay TV RGUs increased by 4.0%, resulting in an increase in total fixed RGUs in Colombia of 8.7% to approximately 6.3 million as of December 31, 2016.

Segment operating revenues for 2016 increased by 2.2% over 2015. Adjusted operating revenues for 2016 decreased by 3.1% over 2015. This decrease was principally due to a reduction of 26.7% in mobile voice revenues, driven by more competitive commercial offerings in response to pricing pressure from competitors. The decrease was partially offset by increases in fixed data revenues, mobile data revenues, fixed voice revenues and Pay TV revenues, which increased by 9.7%, 18.3%, 15.0% and 17.0%, respectively, in 2016, principally due to an increase in sales of bundled packages of wireless services, higher demand for data plans and an increase in subscribers for internet services.

Segment operating income for 2016 decreased by 16.1% over 2015. Adjusted segment operating income for 2016 decreased by 16.7% over 2015. Segment operating margin was 16.6% in 2016 and 20.2% in 2015.

Adjusted segment operating margin was 20.5% in 2016 and 23.8% in 2015. The decrease in segment operating margin for 2016 was driven by higher costs related to infrastructure rentals, content licensing, maintenance of our networks and an increase in bad debt expense.

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

The number of net prepaid wireless subscribers for 2016 increased by 5.6%, and the number of net postpaid wireless subscribers increased by 1.3%, resulting in a net increase in the total number of wireless subscribers in our Southern Cone segment of 4.1%, or 1.2 million, to approximately 30.4 million as of December 31, 2016. In 2016, the number of fixed voice RGUs increased by 5.7%, the number of broadband RGUs increased by 14.9%, and the number of Pay TV RGUs increased by 2.8%, resulting in an increase in total fixed RGUs in our Southern Cone segment of 6.8% to approximately 1.9 million as of December 31, 2016.

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Segment operating revenues for 2016 increased by 4.9% over 2015, reflecting an aggregate increase of 0.2% in Argentina, Paraguay and Uruguay and an increase of 16.1% in Chile. Adjusted segment operating revenues for 2016 increased by 23.9% over 2015, reflecting an aggregate increase of 32.1% in Argentina, Paraguay and Uruguay and an increase of 1.6% in Chile. The increase in operating revenues primarily reflects higher inflation rates in Argentina. It was also driven by higher data usage, such as mobile data, purchased in bundled service packages in Argentina and Chile. For this segment, we analyze results in Argentina, Paraguay and Uruguay in terms of the Argentine peso, because Argentina accounts for the major portion of the operations in these three countries.

Segment operating income for 2016 decreased by 9.5% over 2015, reflecting a decrease in operating income of 7.9% in Argentina, Paraguay and Uruguay and a decrease in operating loss of 2.3% in Chile. Adjusted segment operating income for 2016 increased by 40.7% over 2015, reflecting an increase in adjusted operating income of 25.7% in Argentina, Paraguay and Uruguay and a decrease in adjusted operating loss by 13.5% in Chile.

Segment operating margin was 11.5% in 2016 and 13.3% in 2015. This decrease reflects a negative operating margin of 18.0% in Chile, partially offset by an aggregate positive operating margin of 26.0% in Argentina, Paraguay and Uruguay. Adjusted segment operating margin was 17.0% in 2016, compared to 15.0% in 2015, and reflects a higher margin in Chile, as a result of our cost-saving program, partially offset by a lower margin in Argentina, caused by an increase in the costs of handsets and the full year amortization of our license, purchased in 2015.

**Andean Region   Ecuador and Peru**

The number of net prepaid wireless subscribers for 2016 increased by 0.6%, and the number of net postpaid wireless subscribers decreased by 0.5%, resulting in a net increase in the total number of wireless subscribers in our Andean Region segment of 0.3%, or 58 thousand, to approximately 20.8 million as of December 31, 2016. In 2016, the number of fixed voice RGUs decreased by 0.2%, the number of broadband RGUs increased by 17.8% and

the number of Pay TV RGUs increased by 0.7%, resulting in an increase in total fixed RGUs in our Andean Region segment of 5.4% to approximately 1.8 million as of December 31, 2016.

Segment operating revenues for 2016 increased by 8.0% over 2015, reflecting operating revenue increases of 5.5% in Ecuador and 10.2% in Peru. Adjusted segment operating revenues for 2016 decreased by 5.5%, reflecting a decrease

of 10.3% in Ecuador and a decrease of 0.9% in Peru. This decrease in operating revenues reflects a decrease in revenues from our wireless and fixed voice operations, driven by an increase in tax obligations in Ecuador and aggressive price reductions in Peru, which were partially offset by higher revenues from mobile data and higher revenues from fixed data, especially broadband and corporate data services.

Segment operating income for 2016 decreased by 22.5% over 2015, reflecting an increase in operating income of 24.5% in Ecuador and a decrease of 68.3% in Peru. Adjusted segment operating income for 2016 decreased by 24.2%, reflecting an increase of 5.8% in Ecuador and a decrease of 70.9% in Peru. Segment operating margin was 10.8% in 2016, reflecting operating margins of 27.5% in Ecuador and 4.2% in Peru, and was 15.1% in 2015. Adjusted segment operating margin was 15.1% in 2016, reflecting adjusted operating margins of 27.5% in Ecuador and 4.2% in Peru,

and was 18.8% in 2015. The results of operations were impacted in 2016 by increases in customer service, marketing and sales costs, as well as direct taxes in Ecuador, and higher interconnection costs and postpaid subscriber acquisition costs driven by a more aggressively competitive environment in Peru.

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

The number of net prepaid wireless subscribers for 2016 decreased by 2.0%, and the number of net postpaid wireless subscribers increased by 1.5%, resulting in a net decrease in the total number of wireless subscribers in our Central America segment of 1.5%, or approximately 231 thousand, to approximately 15.1 million as of December 31, 2016. In 2016, the number of fixed voice RGUs increased by 0.4%, the number of broadband RGUs increased by 19.1% and the number of Pay TV RGUs increased by 3.0%, resulting in an increase in total fixed RGUs in our Central America segment of 8.9% to approximately 5.3 million as of December 31, 2016.

Segment operating revenues for 2016 increased by 22.1% over 2015. Adjusted segment operating revenues for 2016 increased by 3.9% over 2015. This increase in segment operating revenues was driven principally by higher mobile data, fixed data and Pay TV revenues in Central America, which was partially offset by decreases in mobile voice and fixed voice in Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica and decreases in mobile voice and Pay TV in Panama. 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.

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Segment operating income and adjusted segment operating income increased by approximately ten times in 2016 over 2015. Segment operating margin was 9.0% for 2016 and 5.0% for 2015. Adjusted segment operating margin was 9.6% for 2016 and 5.4% in 2015. The results of operations in the segment in 2016 were impacted by lower costs related to maintenance, customer service and customer acquisition.

**Caribbean Dominican Republic and Puerto Rico**

The number of net prepaid wireless subscribers for 2016 increased by 2.2%, and the number of net postpaid wireless subscribers increased by 6.7%, resulting in a net increase in the total number of wireless subscribers in our Caribbean segment of 3.6%, or approximately 192 thousand, to approximately 5.4 million as of December 31, 2016. In 2016, the number of fixed voice RGUs increased by 2.8%, the number of broadband RGUs increased by 8.3% and the number of Pay TV RGUs increased 14.2%, resulting in an increase in total fixed RGUs in our Caribbean segment of 6.0% to approximately 2.7 million as of December 31, 2016.

Segment operating revenues for 2016 increased by 23.1% over 2015. Adjusted segment operating revenues for 2016 increased by 0.1% over 2015. This increase in operating revenues was principally due to an increase in segment mobile data revenues and an increase in Pay TV revenues in the Dominican Republic, which was partially offset by lower revenues from wireless and fixed voice services in Puerto Rico. We analyze segment results in U.S. dollars because it is the functional currency in our operations in Puerto Rico, and the currency in the Dominican Republic is relatively stable against the U.S. dollar.

Segment operating income for 2016 increased by 57.9% over 2015. Adjusted segment operating income for 2016 increased by 0.9% over 2015. Segment operating margin was 16.8% in 2016 and 13.1% in 2015. Adjusted segment operating margin was 17.2% in 2016 and 17.1% in 2015. This increase in segment operating income and operating margin for 2016 resulted from our cost- savings programs, which was partially offset by increased expenses in connection with our pension obligations in Puerto Rico.

**United States**

The number of net prepaid wireless subscribers for 2016 increased by 1.6%, or approximately 401 thousand, to approximately 26.1 million total net wireless subscribers in the United States as of December 31, 2016.

Segment operating revenues for 2016 increased by 27.3% over 2015. Adjusted segment operating revenues for 2016 increased by 7.9% over 2015. This increase in operating revenues reflects higher mobile voice and data usage and revenues driven by the success of existing unlimited data plans, principally those offered by Straight Talk.

Segment operating income for 2016 decreased by 5.6% over 2015. Adjusted segment operating income for 2016 increased by 4.2% over 2015. Segment operating margin was 0.9% in 2016 and 1.2% in 2015. Adjusted segment operating margin was 7.6% in 2016 and 7.8% in 2015. This decrease in segment operating margin for 2016 was principally due to increased payments to third-party network operators for voice and data, as a result of higher usage of unlimited plans.

## Europe

The number of net prepaid wireless subscribers for 2016 decreased by 4.3%, and the number of net postpaid wireless subscribers increased by 1.7%, resulting in a net decrease in the total number of wireless subscribers in our Europe segment of approximately 3 thousand to approximately 20.7 million as of December 31, 2016. In 2016, the number of fixed voice RGUs decreased by 3.5%, the number of broadband RGUs increased by 5.9% and the number of Pay TV RGUs increased by 18.3%, resulting in an increase in total fixed RGUs in our Europe segment of 4.6% to approximately 5.9 million as of December 31, 2016.

Segment operating revenues for 2016 increased by 19.7% over 2015. Adjusted segment operating revenues for 2016 increased by 2.1% over 2015. This increase in operating revenues was principally due to higher revenues in wireless and fixed data, driven by our acquisitions in Macedonia, Bulgaria and Slovenia during the second half of 2015, which were partially offset by lower revenues from wireless and fixed voice services following recent regulations in Austria blocking roaming charges. We analyze segment results in euros because it is the functional currency in our operations in Europe.

Segment operating income for 2016 decreased by 13.2% over 2015. Adjusted segment operating income for 2016 decreased by 24.4% over 2015. Segment operating margin was 6.2% in 2016 and 8.5% in 2015. Adjusted segment operating margin was 6.2% in 2016 and 8.4% in 2015. The decrease in segment operating income and operating margin for 2016 reflects increases in costs related to advertising and subscriber acquisition and non-cash revisions for future pension liabilities in Austria.

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**FUNDING REQUIREMENTS**

*We generate substantial cash flows from our operations. On a consolidated basis, our cash flows from operating activities were Ps.217.8 billion in 2017, compared to Ps.235.8 billion in 2016. Our cash and cash equivalents amounted to Ps.24.3 billion at December 31, 2017, compared to Ps.23.2 billion at December 31, 2016. We believe our working capital is sufficient for our present requirements. We use the cash that we generate from our operations and from borrowings principally for the following purposes:*

We make substantial capital expenditures to continue expanding and improving our networks in each country in which we operate. Our capital expenditures on plant, property and equipment and acquisition or renewal of licenses were Ps.136.7 billion in 2017, Ps.155.0 billion in 2016 and Ps.151.6 billion in 2015. The amount of these capital expenditures varies significantly from year to year, depending on acquisition opportunities, concession renewal schedules and the need for more spectrum. We have budgeted capital expenditures for 2018 of approximately U.S.\$8 billion (Ps.148.3 billion), which will be primarily funded through our operating activities.

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, 2017, we had approximately Ps.51.7 billion of principal and amortization due in 2018.

We pay regular dividends. We paid Ps.16.1 billion in dividends in 2017 and Ps.13.8 billion in 2016. Our shareholders approved on April 16, 2018 the payment of a Ps.0.32 ordinary cash dividend per share in two installments in 2018. See [Share Ownership and Trading](#) [Dividends](#) under Part IV in this annual report.

We regularly repurchase our own shares. We spent Ps.1.2 billion repurchasing our own shares in the open market in 2017 and Ps.7.0 billion in 2016. Our shareholders have authorized additional repurchases, and as of March 31, 2018, we have spent Ps.101.9 million repurchasing our shares in the open market in 2018, but whether we will continue to do so will depend on our operating cash flow and on various other considerations, including market prices and our other capital requirements.

### OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2017, we had no off-balance sheet arrangements that require disclosure under applicable SEC regulations.

### CONTRACTUAL OBLIGATIONS

The following table summarizes certain contractual obligations as of December 31, 2017. Many of our obligations are denominated in currencies other than Mexican pesos, and in particular our purchase obligations and approximately 28.6% of our debt are denominated in U.S. dollars. The table does not include accounts payable, pension liabilities, interest payments or payments under derivatives contracts. See Note 16 to our audited consolidated financial statements.

| PAYMENTS DUE BY PERIOD                   |            |                  |            |               |            |                |            |                |            |                |
|------------------------------------------|------------|------------------|------------|---------------|------------|----------------|------------|----------------|------------|----------------|
| TOTAL                                    |            | LESS THAN 1 YEAR |            | 1-3 YEARS     |            | 4-5 YEARS      |            | AFTER 5 YEARS  |            |                |
| <i>(in millions of Mexican pesos)</i>    |            |                  |            |               |            |                |            |                |            |                |
| <b>CONTRACTUAL OBLIGATIONS</b>           |            |                  |            |               |            |                |            |                |            |                |
| <b>AS OF DECEMBER 31, 2017</b>           |            |                  |            |               |            |                |            |                |            |                |
| Equipment leases, real estate leases and |            |                  |            |               |            |                |            |                |            |                |
| mobile site rentals                      | Ps.        | 125,650          | Ps.        | 20,422        | Ps.        | 37,356         | Ps.        | 23,567         | Ps.        | 44,305         |
| Short-term debt                          |            | 51,746           |            | 51,746        |            |                |            |                |            |                |
| Long-term debt                           |            | 646,139          |            |               |            | 245,716        |            | 115,038        |            | 285,385        |
| Purchase obligations                     |            | 167,345          |            | 24,228        |            | 143,117        |            |                |            |                |
| <b>Total</b>                             | <b>Ps.</b> | <b>990,880</b>   | <b>Ps.</b> | <b>96,396</b> | <b>Ps.</b> | <b>426,189</b> | <b>Ps.</b> | <b>138,605</b> | <b>Ps.</b> | <b>329,690</b> |

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Other than the amounts in the table above, we had no other outstanding material purchase commitments as of December 31, 2017. We enter into a number of supply, advertising and other contracts in the ordinary course of business, but those contracts are not material to our liquidity.

**BORROWINGS**

In addition to cash flows generated from operations, we rely on a combination of borrowings from a range of different sources, including the international capital markets, capital markets in Mexico and other countries where we operate, international and local banks, equipment suppliers and export credit agencies. We seek to maintain access to diverse sources of funding. In managing our funding, we generally seek to keep our leverage, as measured by the ratio of net debt to EBITDA, at a level that is consistent with maintaining the ratings given to our debt by the principal credit rating agencies. Our total consolidated indebtedness as of December 31, 2017 was Ps.697.9 billion, of which Ps.51.7 billion was short-term debt (including the current portion of long-term debt), compared to Ps.707.8 billion as of December 31, 2016.

Management defines net debt as total debt minus cash and cash equivalents, minus marketable securities (including KPN shares) or other short-term investments. As of December 31, 2017, we had net debt of Ps.614.5 billion, compared to Ps.629.7 billion as of December 31, 2016, which represented a decrease of Ps.15.2 billion in net debt. This decrease principally reflects a net amortization of debt in the amount of Ps.47.9 billion during 2017, the arbitration ruling in Colombia (which added Ps.18.5 billion to our debt) and the impact of foreign exchange variation (in Mexican peso terms) on our balance sheet.

Without taking into account the effects of derivative financial instruments that we use to manage our interest rate and currency risk, approximately 88.1% of our indebtedness at December 31, 2017 was denominated in currencies other than Mexican pesos (approximately 32.5% of such non-Mexican peso debt in U.S. dollars and 67.5% in other currencies), and approximately 5.7% of our consolidated debt obligations bore interest at floating rates. After the effects of derivative transactions and excluding the debt owned by Telekom Austria, approximately 28.8% of our net debt as of December 31, 2017 was denominated in Mexican pesos.

The weighted average cost of all our third-party debt at December 31, 2017 (excluding commissions and reimbursement of certain lenders for Mexican taxes withheld) was approximately 4.3% per annum.

Our major categories of indebtedness at December 31, 2017 are summarized in the table below. The majority of our consolidated indebtedness is owned by América Móvil and most of the remaining debt is owed by Telekom Austria, in which we own a 51% interest. The amounts are based on book values in our financial statements under IFRS and may differ from the principal amount. See also Note 14 to our audited consolidated financial statements.

**DEBT***(millions of Mexican pesos)***Senior Notes****DENOMINATED IN U.S. DOLLARS**

|                                            |            |                |
|--------------------------------------------|------------|----------------|
| América Móvil 5.000% Senior Notes due 2019 | Ps.        | 14,840         |
| Telmex 5.500% Senior Notes due 2019        |            | 7,467          |
| América Móvil 5.000% Senior Notes due 2020 |            | 42,043         |
| América Móvil 3.125% Senior Notes due 2022 |            | 31,659         |
| América Móvil 6.375% Senior Notes due 2035 |            | 19,417         |
| América Móvil 6.125% senior Notes due 2037 |            | 7,306          |
| América Móvil 6.125% Senior Notes due 2040 |            | 39,573         |
| América Móvil 4.375% Senior Notes due 2042 |            | 22,755         |
| <b>Total</b>                               | <b>Ps.</b> | <b>185,060</b> |

**DENOMINATED IN MEXICAN PESOS**

|                                                    |            |               |
|----------------------------------------------------|------------|---------------|
| América Móvil 8.11% Domestic Senior Notes due 2018 | Ps.        | 1,750         |
| Telmex 8.27% Domestic Senior Notes due 2018        |            | 1,160         |
| América Móvil 8.60% Domestic Senior Notes due 2020 |            | 7,000         |
| América Móvil 0.00% Domestic Senior Notes due 2025 |            | 4,410         |
| Telmex 8.36% Domestic Senior Notes due 2037        |            | 5,000         |
| América Móvil 6.000% Senior Notes due 2019         |            | 10,000        |
| América Móvil 6.45% Senior Notes due 2022          |            | 22,500        |
| América Móvil 7.125% Senior Notes due 2024         |            | 11,000        |
| América Móvil 8.46% Senior Notes due 2036          |            | 7,872         |
| <b>Total</b>                                       | <b>Ps.</b> | <b>70,692</b> |

**DENOMINATED IN EURO**

|                                                      |            |                |
|------------------------------------------------------|------------|----------------|
| América Móvil 1.00% Senior Notes due 2018            | Ps.        | 14,252         |
| América Móvil 4.125% Senior Notes due 2019           |            | 23,754         |
| América Móvil B.V. 0.00% Exchangeable Bonds due 2020 |            | 67,505         |
| América Móvil 3.00% Senior Notes due 2021            |            | 23,754         |
| TKA 3.125% Senior Notes due 2021                     |            | 18,728         |
| TKA 4.00% Senior Notes due 2022                      |            | 19,334         |
| América Móvil 4.75% Senior Notes due 2022            |            | 17,815         |
| TKA 3.5% Senior Notes due 2023                       |            | 7,594          |
| América Móvil 3.259% Senior Notes due 2023           |            | 17,815         |
| América Móvil 1.50% Senior Notes due 2024            |            | 20,191         |
| TKA 1.50% Senior Notes due 2026                      |            | 17,815         |
| América Móvil 2.125% Senior Notes due 2028           |            | 15,440         |
| <b>Total</b>                                         | <b>Ps.</b> | <b>263,998</b> |

**Table of Contents****DEBT****DENOMINATED IN POUND STERLING**

|                                            |            |               |
|--------------------------------------------|------------|---------------|
| América Móvil 5.000% Senior Notes due 2026 | Ps.        | 13,369        |
| América Móvil 5.750% Senior Notes due 2030 |            | 17,380        |
| América Móvil 4.948% Senior Notes due 2033 |            | 8,021         |
| América Móvil 4.375% Senior Notes due 2041 |            | 20,053        |
| <b>Total</b>                               | <b>Ps.</b> | <b>58,823</b> |

**DENOMINATED IN SWISS FRANCS**

|                                            |            |               |
|--------------------------------------------|------------|---------------|
| América Móvil 1.125% Senior Notes due 2018 | Ps.        | 11,170        |
| <b>Total</b>                               | <b>Ps.</b> | <b>11,170</b> |

**DENOMINATED IN JAPANESE YEN**

|                                           |            |              |
|-------------------------------------------|------------|--------------|
| América Móvil 2.95% Senior Notes due 2039 | Ps.        | 2,283        |
| <b>Total</b>                              | <b>Ps.</b> | <b>2,283</b> |

**DENOMINATED IN CHILEAN PESOS**

|                                            |            |              |
|--------------------------------------------|------------|--------------|
| América Móvil 3.961% Senior Notes due 2035 | Ps.        | 4,312        |
| <b>Total</b>                               | <b>Ps.</b> | <b>4,312</b> |

**DENOMINATED IN BRAZILIAN REALS**

|                                                           |            |               |
|-----------------------------------------------------------|------------|---------------|
| Claro Brasil 102.4% of CDI Domestic senior notes due 2019 | Ps.        | 5,981         |
| Claro Brasil 103.9% of CDI Domestic senior notes due 2019 |            | 5,981         |
| Claro Brasil 102.9% of CDI Domestic senior notes due 2020 |            | 8,973         |
| <b>Total</b>                                              | <b>Ps.</b> | <b>20,935</b> |

**Hybrid Notes****DENOMINATED IN EURO:**

|                                                                     |            |               |
|---------------------------------------------------------------------|------------|---------------|
| América Móvil Euro NC5 (Euro Series A) Capital Securities due 2073  | Ps.        | 21,378        |
| América Móvil Euro NC10 (Euro Series B) Capital Securities due 2073 |            | 13,065        |
| <b>Total</b>                                                        | <b>Ps.</b> | <b>34,443</b> |

**DENOMINATED IN POUND STERLING**

|                                                   |            |               |
|---------------------------------------------------|------------|---------------|
| América Móvil GBP NC7 Capital Securities due 2073 | Ps.        | 14,706        |
| <b>Total</b>                                      | <b>Ps.</b> | <b>14,706</b> |

**Bank Debt and Other**

|                                    |     |        |
|------------------------------------|-----|--------|
| <b>DENOMINATED IN U.S. DOLLARS</b> | Ps. | 14,474 |
|------------------------------------|-----|--------|

|                                     |     |        |
|-------------------------------------|-----|--------|
| <b>DENOMINATED IN MEXICAN PESOS</b> | Ps. | 12,500 |
|-------------------------------------|-----|--------|

|                                     |     |     |
|-------------------------------------|-----|-----|
| <b>DENOMINATED IN CHILEAN PESOS</b> | Ps. | 100 |
|-------------------------------------|-----|-----|

|                                       |     |       |
|---------------------------------------|-----|-------|
| <b>DENOMINATED IN BRAZILIAN REALS</b> | Ps. | 4,389 |
|---------------------------------------|-----|-------|

|              |            |               |
|--------------|------------|---------------|
| <b>Total</b> | <b>Ps.</b> | <b>31,463</b> |
|--------------|------------|---------------|

|                   |            |                |
|-------------------|------------|----------------|
| <b>Total Debt</b> | <b>Ps.</b> | <b>697,885</b> |
|-------------------|------------|----------------|

|                                                            |  |          |
|------------------------------------------------------------|--|----------|
| Less short-term debt and current portion of long-term debt |  | (51,746) |
|------------------------------------------------------------|--|----------|

|                             |            |                |
|-----------------------------|------------|----------------|
| <b>Total Long-term Debt</b> | <b>Ps.</b> | <b>646,139</b> |
|-----------------------------|------------|----------------|

**Equity:**

|                                           |            |                |
|-------------------------------------------|------------|----------------|
| Capital stock                             | Ps.        | 96,339         |
| Total retained earnings                   |            | 171,088        |
| Other comprehensive income (loss) items   |            | (73,262)       |
| Non-controlling interest                  |            | 66,469         |
| <b>Total Equity</b>                       | <b>Ps.</b> | <b>260,634</b> |
| <b>Total Capitalization</b>               |            |                |
| <b>(total long-term debt plus equity)</b> | <b>Ps.</b> | <b>906,773</b> |

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

*Mexican peso-denominated international notes.* Our 8.46% senior notes due 2036 are denominated in Mexican pesos, but all amounts in respect of the notes are payable in U.S. dollars, unless a holder of notes elects to receive payment in Mexican pesos in accordance with certain specified procedures.

*Mexican peso-denominated domestic notes.* Our domestic senior notes (*certificados bursátiles*) sold in the Mexican capital markets have varying maturities, ranging from 2018 through 2037, and bear interest at fixed rates.

*Global peso notes program.* The global peso notes program was established in November 2012. Since its establishment, we have issued peso-denominated notes that can be distributed and traded on a seamless basis in Mexico and internationally. The notes are registered with the SEC in the United States and with the CNBV in Mexico.

*International notes.* We have outstanding debt securities in the international markets denominated in U.S. dollars, pound sterling and euros. We have also issued debt securities in the local markets in Switzerland and Japan.

*Hybrid notes.* In September 2013, we issued three series of Capital Securities maturing in 2073: two series denominated in euros and totaling 1,450 million, and one series denominated in pound sterling in the amount of £550 million. The Capital Securities are subject to redemption at our option at varying dates beginning in 2018 and 2023 for the euro-denominated series and beginning in 2020 for the sterling-denominated series. Our hybrid notes are deeply subordinated, and when they were issued, the principal rating agencies stated that they would treat only half of the principal amount as indebtedness for purposes of evaluating our leverage (an analysis referred to as 50.0% equity credit).

In February 2018, Telekom Austria redeemed its 600 million aggregate principal amount of hybrid bonds at their nominal value, plus all interest on the first call date. These were nominally perpetual bonds but with the option to be called at specific dates. In accordance with IFRS, they were classified within shareholders' equity. For additional information, see Notes 19 and 24 to our audited consolidated financial statements.



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*Bank loans.* At December 31, 2017, we had approximately Ps.31.4 billion outstanding under a number of bank facilities bearing interest at fixed and variable rates. We also have two revolving syndicated facilities—one for U.S.\$2.5 billion expiring in 2019 and one for the Euro equivalent of U.S.\$2.0 billion expiring in May 2021. Loans under the facilities bear interest at variable rates based on LIBOR and EURIBOR, respectively. Both facilities include covenants that limit our ability to incur secured debt, to effect a merger in which the surviving entity would not be América Móvil or to sell substantially all of our assets. In addition, both facilities require us to maintain a consolidated ratio of debt to EBITDA not greater than 4.0 to 1.0 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1.0. As of the date of this annual report, we are in compliance with these covenants. Telekom Austria also has a revolving syndicated facility for 1.0 billion (the TKA Facility) expiring in 2019. The TKA Facility bears interest at variable rates based on EURIBOR and includes covenants that limit Telekom Austria's ability to incur secured debt, effect certain mergers or sell substantially all of its assets and our ability to transfer control over, or reduce our share ownership in, Telekom Austria.

*Options involving KPN and TKA shares.* The Company has entered into certain option contracts related to shares that are or have been a strategic investment for the Company. These options include a sale of call options related to our KPN shares with an exercise period that will expire in May 2020 and the sale of a cash-settled put option related to TKA shares that will expire in August 2023. See Note 7 to our audited consolidated financial statements.

Some of the public securities issued by América Móvil in international and Mexican capital markets are guaranteed by Telcel. As of December 31, 2017, we had, on an

unconsolidated basis, unsecured and unsubordinated indebtedness of approximately Ps.582.1 billion (U.S.\$29.4 billion), excluding guarantees of subsidiaries' indebtedness. As of December 31, 2017, our subsidiaries had indebtedness (excluding guarantees of indebtedness of us and our other subsidiaries) of approximately Ps.115.8 billion (U.S.\$5.9 billion).

## **RISK MANAGEMENT**

We regularly assess our interest rate and currency exchange exposures in order to determine how to manage the risk associated with these exposures. We have indebtedness denominated in currencies other than the currency of our operating environments, and we have expenses for operations and for capital expenditures in a variety of currencies. We use cross-currency swaps and forwards to adjust the resulting exchange rate exposures. We do not use derivatives to hedge the exchange rate exposures that arise from having operations in different countries.

We also use interest rate swaps from time to time to adjust our exposure to variable interest rates or to reduce our costs of financing. Our practices vary from time to time depending on our judgment of the level of risk, expectations as to exchange or interest rate movements and the costs of using derivative financial instruments. We may stop using derivative financial instruments or modify our practices at any time.

As of December 31, 2017, we had derivatives positions with an aggregate net fair value liability of Ps.6.3 billion, which are described in Note 7 to our audited consolidated financial statements. For additional information, see Note 2 w) to our audited consolidated financial statements.



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**USE OF ESTIMATES IN CERTAIN ACCOUNTING POLICIES**

*In preparing our financial statements, we make estimates concerning a variety of matters. Some of these matters are highly uncertain, and our estimates involve judgments we make based on the information available to us. In the discussion below, we have identified several of these matters for which our financial presentation would be materially affected if either (i) we used different estimates that we could reasonably have used or (ii) in the future, we change our estimates in response to changes that are reasonably likely to occur.*

*The discussion addresses only those estimates that we consider most important based on the degree of uncertainty and the likelihood of a material impact if we used a different estimate. There are many other areas in which we use estimates about uncertain matters, but the reasonably likely effect of changed or different estimates is not material to our financial presentation.*

**FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

We have substantial financial assets and liabilities that we recognize at their fair value, which is an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties. The methodologies and assumptions we use to estimate an instrument's fair value depend on the type of instrument and include (i) recognizing cash and cash equivalents, trade receivables, trade payables and other current liabilities at close to their carrying amount, (ii) recognizing quoted instruments at their market price quotations, without any deduction for transaction costs, for financial instruments such as available-for-sale marketable securities and certain debt instruments on the reporting date, (iii) recognizing unquoted instruments, such as loans from banks and obligations under financial leases, by discounting future cash flows using rates for similar instruments and (iv) applying various valuation techniques, such as present value calculations, to derivative instruments. Using different methodologies or assumptions to estimate the fair value of our financial assets and liabilities could materially impact our reported financial results.

We maintain investments in available-for-sale securities that are valued at market prices obtained from the stock exchange where these shares are listed. At each reporting date, we evaluate whether an impairment exists on its available-for-sale securities. This analysis first involves an evaluation of the objective measures of impairment as

described in IAS 39. We will then evaluate whether the loss recognized in other comprehensive income on its available for sale securities is either prolonged or significant. As of December 31, 2017, we have not observed an objective measure of impairment on its available-for-sale securities, nor has significant or prolonged unrealized losses on its available-for-sale securities.

### **ESTIMATED USEFUL LIVES OF PLANT, PROPERTY AND EQUIPMENT**

We estimate the useful lives of particular classes of plant, property and equipment in order to determine the amount of depreciation expense to be recorded in each period. Depreciation expense is a significant element of our costs and expenses, amounting in 2017 to Ps.135.2 billion, or 14.7% of our operating costs and expenses. See Note 10 to our audited consolidated financial statements.

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We currently depreciate most of our property, plant and equipment based on an estimated useful life determined upon the expected particular conditions of operations and maintenance in each of the countries in which we operate. The estimates are based on our historical experience with similar assets, anticipated technological changes and other factors, taking into account the practices of other telecommunications companies. We review estimated useful lives each year to determine whether they should be changed, and, at times, we have changed them for particular classes of assets. We may shorten the estimated useful life of an asset class in response to technological changes, changes in the market or other developments, which would result in higher depreciation expense.

**IMPAIRMENT OF LONG-LIVED ASSETS**

We have large amounts of long-lived assets, including property, plant and equipment, intangible assets, investments in associates and goodwill, on our balance sheet. Under IFRS, we are required to test long-lived assets for impairment when circumstances indicate a potential impairment or, in some cases, at least on an annual basis. The impairment analysis for long-lived assets requires us to estimate the recovery value of the asset, which is the greater of its fair value (minus any disposal costs) and its value in use. To estimate the fair value of a long-lived asset, we typically take into account recent market transactions, or, if no such transactions can be identified, we use a valuation model that requires the making of certain assumptions and estimates. Similarly, to estimate the value in use of long-lived assets, we typically make various assumptions about the future prospects for the business to which the asset relates, consider market factors specific to that business and estimate discounted future cash flows to be generated by that business. Based on this impairment analysis, including all assumptions and estimates related thereto, as well as guidance provided by IFRS relating to the impairment of long-lived assets, we determine whether we need to recognize an impairment to reduce the carrying value of the asset as stated on our balance sheet. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors, such as industry and economic trends, and internal factors, such as changes in our business strategy and our internal forecasts. Different assumptions and estimates could materially impact our

reported financial results. More conservative assumptions of the anticipated future benefits from these businesses could result in impairment charges, which would decrease net income and result in lower asset values on our balance sheet. Conversely, less conservative assumptions could result in lower or no impairment charges, higher net income and higher asset values. See Note 2 ac) to our audited consolidated financial statements.

**DEFERRED INCOME TAXES**

We are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves the jurisdiction-by-jurisdiction estimation of actual current tax exposure and the assessment of temporary differences resulting from the differing treatment of certain items, such as accruals and amortization, for tax and financial reporting purposes, as well as net operating loss carry forwards and other tax credits. These items result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We must assess, in the course of our tax

planning procedures, the fiscal year of the reversal of our deferred tax assets and liabilities, and if there will be future taxable profits in those periods to support the recognition of the deferred tax assets. Significant management judgment is required in determining our provisions for income taxes, deferred tax assets and liabilities. The analysis is based on estimates of taxable income in the jurisdictions in which the group operates and the period over which the deferred tax assets and liabilities will be recoverable or settled. If actual results differ from these estimates, or if we adjust these estimates in future periods, our financial position and results of operations may be materially affected.

We record deferred tax assets based on the amount that we believe is more likely than not to be realized. In assessing the future realization of deferred tax assets, we consider future taxable income and ongoing tax planning strategies. In the event that our estimates of projected future taxable income and benefits from tax planning strategies are lowered, or changes in current tax regulations are enacted that would impose restrictions on the timing or the extent of our ability to utilize the tax benefits of net operating loss carry forwards in the future, an adjustment to the recorded amount of deferred tax assets would be made, with a related charge to income.

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**ACCRUALS**

Accruals are recorded when, at the end of the period, we have a present obligation as a result of past events whose settlement requires an outflow of resources that is considered probable and can be measured reliably. This obligation may be legal or constructive, arising from, but not limited to, regulation, contracts, common practice or public commitments which have created a valid expectation for third parties that we will assume certain responsibilities. The amount recorded is the best estimation performed by our management in respect of the expenditure that will be required to settle the obligations, considering all the information available at the date of our financial statements, including the opinion of external experts, such as legal advisors or consultants. Accruals are adjusted to account for changes in circumstances for ongoing matters and the establishment of additional accruals for new matters.

If we are unable to reliably measure the obligation, no accrual is recorded and information is then presented in the notes to our audited consolidated financial statements. Because of the inherent uncertainties in this estimation, actual expenditures may be different from the originally estimated amount recognized.

**LABOR OBLIGATIONS**

We recognize liabilities on our balance sheet and expenses in our income statement to reflect our obligations related to our post-retirement seniority premiums, pension and retirement plans in the countries in which we operate and offer defined contribution and benefit pension plans. The amounts we recognize are determined on an actuarial basis that involves many estimates and assumptions for post-retirement pension and termination benefits in accordance with IFRS.

We use estimates in four specific areas that have a significant effect on these amounts: (i) the rate of return we assume our labor obligation plans will achieve on their investments, (ii) the rate of increase in salaries that we assume we will observe in future years, (iii) the discount rates that we use to calculate the present value of our future obligations and (iv) the expected rate of inflation. The assumptions we have applied are identified in Note 17 to our audited consolidated financial statements. These estimates are determined based on actuarial studies performed by independent experts using the projected unit-credit method.

**ALLOWANCE FOR BAD DEBTS**

We maintain an allowance for bad debts for estimated losses resulting from the failure of customers, distributors and cellular operators to make required payments. We base these estimates on the individual conditions of each of the markets in which we operate that may impact the collectability of accounts. In particular, in making these estimates, we take into account (i) with respect to accounts with customers and distributors, the number of days since invoices

are overdue and (ii) with respect to accounts with telecom operators, both the number of days since the invoices are due and any disputes with respect to such invoiced traffic. The amount of loss, if any, that we actually experience with respect to these accounts may differ from the amount of the allowance maintained in connection with them. See Note 5 to our audited consolidated financial statements.

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**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 lower operating margins, greater choices for customers, possible consumer confusion and increasing movement of customers among competitors, which may make it difficult for us to retain or add new customers. The cost of adding new customers may also continue to increase, reducing profitability even if customer growth continues.

*Our ability to compete successfully will depend on our coverage, the quality of our network and service, our rates, customer service, effective marketing, our success in selling double, triple and quadruple play packages and our ability to anticipate and respond to various competitive factors affecting the telecommunications industry, including new services and technologies, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors.*

If we are unable to respond to competition and compensate for declining prices by adding new customers, increasing usage and offering new services, our revenues and profitability could decline.

**Governmental or regulatory actions could adversely affect our operations**

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

regulations or take other actions that could adversely affect our operations. In particular, the regulation of prices that operators may charge for their services and environmental matters, including renewable energy and climate change regulation, could have a material adverse effect by reducing our profit margins. See Regulation under Part VI, Legal Proceedings under Part VII and Note 16 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, since 2013, Mexico has overseen reforms to the telecommunications sector that aim to promote competition and investment by imposing asymmetric regulation upon economic agents deemed preponderant. In other countries, we could also face policies such as preferences for local over foreign ownership of communications licenses and assets or for government over private ownership, which could make it more cumbersome or impossible for us to continue to develop our businesses. Restrictions such as those described above could result in our incurring losses of revenues and require capital investments, all of which could materially adversely affect our businesses and results of operations.

#### **Our failure to meet or maintain quality of service goals and standards could result in fines and other adverse consequences**

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 material fines by regulatory entities. We are also subject to and may be subject to additional claims by customers, including class actions, seeking remedies for service problems. 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.

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**Dominant and carrier related 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 termination rates), quality of service, access to active or passive infrastructure and information, among other matters, on operators that are determined to have substantial market power in a specific market. We cannot predict what steps regulatory authorities might take in response to determinations regarding substantial market power in the countries in which we operate. However, adverse determinations against our subsidiaries could result in material restrictions on our operations. We may also face additional regulatory restrictions and scrutiny as a result of our provision of combined services.

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

**Changes in the regulatory framework for telecommunications services in Mexico may have a material adverse effect on our business and results of operations**

The Mexican legal framework for the regulation of telecommunications and broadcasting services has changed, beginning with constitutional amendments in 2013, implementing legislation in 2014, and the establishment in 2014 of a new regulator, the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or the IFT). The IFT determined in 2014 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, based on this determination, the IFT has imposed extensive asymmetric regulations on our Mexican fixed-line and wireless businesses. The asymmetric regulations took effect in 2015 and were amended in 2017, when the IFT added new requirements, including the functional separation of certain assets used to provide local loop unbundling services. For further information, see Regulation under Part III of this annual report. The IFT measures have adversely affected the results of our Mexican operations, and we expect that those effects will continue, but their long-term impact remains uncertain.

**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 may be subject to local restrictions and regulatory approvals, and they would not meet our needs as effectively.

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

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

Our concessions and licenses have specified terms, ranging typically from five to 20 years, and are generally subject to renewal upon payment of a fee, but renewal is not assured. The loss of, or failure to renew, any one concession could have a material adverse effect on our business and results of operations. Our ability to renew concessions and the terms of renewal are subject to a number of factors beyond our control, including the prevalent regulatory and political environment at the time of renewal. Fees are typically established at the time of renewal. As a condition for

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renewal, we may be required to agree to new and stricter terms and service requirements. In some of the jurisdictions where we operate and under certain circumstances, mainly in connection with fixed services, we may be required to transfer certain assets covered by some of our concessions to the government pursuant to valuation methodologies that vary in each jurisdiction. It is uncertain whether reversion would ever be applied in many of the jurisdictions where we operate and how reversion provisions would be interpreted in practice. For further information, see Regulation under Part VI of this annual report and Notes 1 and 16 to our audited consolidated financial statements included in this annual report.

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

**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 assurances 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 Part VI and in Note 16 to our audited consolidated financial statements included in this annual report.

**We are contesting significant tax assessments**

We and some of our subsidiaries have been notified of tax assessments for significant amounts by the tax authorities of the countries in which we operate, especially in Brazil, Mexico 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 16 to our audited consolidated financial statements included in this annual report.

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

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

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**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;
- climate change;
- 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. In addition, in 2017, our operations in Puerto Rico suffered significant damage in the aftermath of Hurricane Maria, and our operations in Mexico experienced network overloads and power outages following the earthquake on September 19, 2017.

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.

**Cybersecurity incidents and other breaches of network or information technology security could have an adverse effect on our business and our reputation**

Cybersecurity incidents, and other tactics designed to gain access to and exploit sensitive information by breaching critical systems of large companies, are evolving and have been increasing in both sophistication and occurrence in recent years. While we employ a number of measures to prevent, detect and mitigate such incidents, there is no guarantee that we will be able to adequately anticipate or prevent one. Cybercrime, including attempts to overload our

servers with denial-of-service attacks, theft, social engineering, phishing, ransomware or similar disruptions from unauthorized access or attempted unauthorized access to our systems could result in the destruction, misuse or release of personal information or other sensitive data. As of the date of this annual report, we have no knowledge of any significant data loss, significant compromise or material financial loss related to a cybersecurity incident. However, it

is difficult to detect or prevent evolving forms of cybersecurity incidents, and our systems, those of our third-party service providers and of our customers are vulnerable to cybersecurity incidents.

In the event that our systems are breached or damaged for any reason, we may suffer loss or unavailability of data and interruptions to our business operations. If such an event occurs, the unauthorized disclosure, loss or unavailability of data and the disruption to our fixed-line or wireless networks may have a material adverse effect on our business and results of operations. The costs associated with a cybersecurity incident could include increased expenditures on information and cybersecurity measures, damage to our reputation, loss of existing customers and business partners and lead to financial losses from remedial actions and potential liability, including possible litigation and sanctions. Any of these occurrences may 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 4.1% for the year ended December 31, 2017 and 4.2% for the year ended December 31, 2016. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impacted. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our prepaid subscribers.

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

We rely upon various key suppliers and vendors to provide us with handsets, network equipment or services, which we need to expand and operate our business. If these suppliers or vendors fail to provide equipment or service to us on a timely basis, we could experience disruptions, which could have an adverse effect on our revenues and results of operations. In addition, we might be unable to satisfy requirements under our concessions.

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

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

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

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

## **RISKS RELATING TO THE TELECOMMUNICATIONS INDUSTRY GENERALLY**

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

The telecommunications industry continues to experience significant changes as new technologies are developed that offer subscribers an array of choices for their communications needs. These changes include, among others, regulatory changes, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products and changes in end-user needs and preferences. There is uncertainty as to the pace and extent of growth in subscriber demand, and as to the extent to which prices for airtime, broadband access, Pay TV and fixed-line rental may continue to decline. Our ability to compete in the delivery of high-quality internet and broadband services is particularly important, given the increasing contribution of revenues from data services to

our overall growth. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose subscribers to our competitors. In general, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our subscribers. It also requires significant capital expenditure, including investment in the continual maintenance and upgrading of our networks, in order to expand coverage, increase our capacity to absorb higher bandwidth usage and adapt to new technologies. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints to our introduction of new services. If these services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract subscribers could be adversely affected. This is true across many of the services we provide, including wireless and cable technology.

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

Some of our products and services use intellectual property that we own or license from others. We also provide content we receive from content producers and distributors, such as ringtones, text games, video games, video, including TV programs and movies, wallpapers or screensavers, and we outsource services to service providers, including billing

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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 prevent us from selling certain products or services.

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

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

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

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

**RISKS RELATING TO OUR CONTROLLING SHAREHOLDERS, CAPITAL STRUCTURE AND TRANSACTIONS WITH AFFILIATES**

**Members of one family may be deemed to control us and may exercise their control in a manner that may differ from the interest of other shareholders**

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, Carlos Slim Domit and Patrick Slim Domit, who serve as the Chairman and Vice Chairman of our Board of Directors, respectively, may be deemed to control us. The Slim Family may be able to elect a majority of the members of our Board of Directors and to determine the outcome of other actions requiring a vote of our shareholders, except in very limited cases that require a vote of the holders of L Shares. The interests of the Slim Family may diverge from the

interests of our other investors.

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

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

We also make investments together with related parties, sell investments to related parties and buy investments from related parties. For more information about our transactions with affiliates, see Related Party Transactions under Part IV of this annual report.

### **Our bylaws restrict transfers of shares in some circumstances**

Our bylaws provide that any acquisition or transfer of more than 10.0% 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 10.0% of our capital stock without the approval of our Board of Directors. See Bylaws Restrictions of Certain Transfers under Part IV of this annual report.

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

Under Mexican law, the protections afforded to minority shareholders are different from those in the United States. In particular, the law concerning fiduciary duties of directors is not as fully developed as in other jurisdictions, the procedure for class actions is different, and there are different procedural requirements for bringing shareholder lawsuits. As a result, in practice it may be more difficult for minority shareholders of América Móvil to enforce their rights against us or our directors or controlling shareholders than it would be for shareholders of a company incorporated in another jurisdiction, such as the United States.

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

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

### **Our bylaws may only be enforced in Mexico**

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

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

América Móvil is organized under the laws of Mexico, with its principal place of business in Mexico City, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them,

including in any action based on civil liabilities under U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to judgments of U.S. courts, of liabilities based solely on U.S. federal securities laws.

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

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

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

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**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. 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. In addition, the perception of risk in the countries in which we operate may have a negative effect on the trading price of our shares and ADSs and may restrict our access to international financial markets.

In various countries where we operate, for example, elections will take place during 2018, which could lead to economic, political and social changes over which we have no control. Our business may also be especially affected by conditions in Mexico and Brazil, two of our largest markets. In Mexico, economic conditions are strongly impacted by those of the United States. Following the election of the current U.S. administration in 2016, there is uncertainty regarding future U.S. policies with respect to matters of importance to Mexico

and its economy, particularly including trade and migration. Additionally, in Brazil, our results of operations were adversely affected by weak economic conditions in Brazil during 2015 and 2016, 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 2017, we reported net foreign exchange losses of Ps.13.8 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 depreciation of the currencies in which we conduct operations could cause governments to impose exchange controls that would limit our ability to transfer funds between us and our subsidiaries**

Major 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 Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, it could institute restrictive exchange rate policies in the future. Similarly, the Brazilian government may impose temporary restrictions on the conversion of Brazilian reals 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. In the past, the government of Argentina has adopted restrictions on access to the foreign exchange market and the transfer of foreign currency outside Argentina. The Argentine government could impose further exchange controls or restrictions on the movement of capital and take other measures in the future in response to capital flight or a significant depreciation of the Argentine peso.

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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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The following table sets forth our capital structure as of March 31, 2018.

| Series                     | Number of Shares |                    | Combined A Shares<br>and AA Shares <sup>(1)</sup> |
|----------------------------|------------------|--------------------|---------------------------------------------------|
|                            | (millions)       | Percent of Capital |                                                   |
| L Shares (no par value)    | 44,898           | 68.0%              |                                                   |
| AA Shares (no par value)   | 20,602           | 31.2%              | 97.3%                                             |
| A Shares (no par value)    | 563              | 0.9%               | 2.7%                                              |
| <b>Total<sup>(2)</sup></b> | <b>66,063</b>    | <b>100.0%</b>      | <b>100.0%</b>                                     |

<sup>(1)</sup> The AA Shares and A Shares of América Móvil, together, are entitled to elect a majority of our directors. Holders of L Shares are entitled to limited voting rights under our bylaws. See [Bylaws Voting Rights](#) under this Part IV.

<sup>(2)</sup> Figures in the table may not recalculate exactly due to rounding.

According to reports of beneficial ownership of our shares filed with the SEC, the Slim Family may be deemed to control us through their interests in a Mexican trust that holds AA Shares and L Shares for their benefit (the [Family Trust](#) ), their interest in Inversora Carso, S.A. de C.V., including its subsidiary Control Empresarial de Capitales, S.A. de C.V. (CEC) and their direct ownership of our shares. See [Management Directors](#) and [Management Executive Committee](#) under Part V and [Related Party Transactions](#) under this Part IV of this annual report.

The following table identifies owners of more than 5.0% of any series of our shares as of March 31, 2018. Except as described in the table below and the accompanying notes, we are not aware of any holder of more than 5.0% of any series of our shares. Figures below do not include L Shares that would be held by each shareholder upon conversion of AA Shares or A Shares, as provided for under our bylaws. See [Bylaws Share Capital](#) under this Part IV and [Management Compensation Share Ownership of Directors and Senior Management](#) under Part V of this annual report.

| Shareholder                 | Shares owned |                                 |
|-----------------------------|--------------|---------------------------------|
|                             | (millions)   | Percent of class <sup>(1)</sup> |
| <b>AA SHARES:</b>           |              |                                 |
| Family Trust <sup>(2)</sup> | 10,894       | 52.9%                           |

|                                |       |       |
|--------------------------------|-------|-------|
| Inversora Carso <sup>(3)</sup> | 4,381 | 21.3% |
| Carlos Slim Helú               | 1,879 | 9.1%  |
| <b>L SHARES:</b>               |       |       |
| Inversora Carso <sup>(3)</sup> | 6,020 | 13.4% |
| Family Trust <sup>(2)</sup>    | 5,998 | 13.4% |
| Carlos Slim Helú               | 3,072 | 6.8%  |
| BlackRock, Inc. <sup>(4)</sup> | 2,291 | 5.1%  |

(1) Percentage figures are based on the number of shares outstanding as of March 31, 2018.

(2) The Family Trust is a Mexican trust that holds AA Shares and L Shares for the benefit of members of the Slim Family. In addition to shares held by the Family Trust, members of the Slim Family, including Carlos Slim Helú, directly own an aggregate of 3,558 million AA Shares and 9,570 million L Shares representing 17.3% and 21.3%, respectively, of each series. According to beneficial reports filed with the SEC, none of these members of the Slim Family, other than Carlos Slim Helú, individually directly own more than 5.0% of any class of our shares.

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

(4) Based on beneficial ownership reports filed with the SEC.

As of March 31, 2018, 15.9% of the outstanding L Shares were represented by L Share ADSs, each representing the right to receive 20 L Shares, and 99.9% of the L Share ADSs were held by 7,393 registered holders with addresses in the United States. As of such date, 34.4% of the A Shares were held in the form of A Share ADSs, each representing the right to receive 20 A Shares, and 99.8% of the A Share ADSs were held by 3,282 registered holders with addresses in the United States. Each A Share may be exchanged at the option of the holder for one L Share.

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

AA Shares;  
A Shares not represented by ADSs; or  
L Shares not represented by ADSs.

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*Our subsidiaries purchase materials or services from a variety of companies that may be deemed for certain purposes to be under common control with us, including Telesites, Grupo Carso and Grupo Financiero Inbursa and their respective subsidiaries.*

These services include insurance and banking services provided by Grupo Financiero Inbursa and its subsidiaries. In addition, we sell products in Mexico through the Sanborns and Sears Operadora México, S.A. de C.V. ( Sears ) store chains. Some of our subsidiaries also purchase network construction services and materials from subsidiaries of Grupo Carso. Our subsidiaries purchase these materials and services on terms no less favorable than they could obtain from unaffiliated parties, and would have access to other sources if our related parties ceased to provide them on competitive terms.

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

Notes 6 and 17 to our audited consolidated financial statements included in this annual report provides additional information about our related party transactions.

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

| Payment date       | Pesos per share | Dollar per share |
|--------------------|-----------------|------------------|
| November 13, 2017  | Ps.0.15         | U.S.\$0.0079     |
| July 17, 2017      | Ps.0.15         | U.S.\$0.0085     |
| November 14, 2016  | Ps.0.14         | U.S.\$0.0068     |
| July 15, 2016      | Ps.0.14         | U.S.\$0.0076     |
| November 13, 2015  | Ps.0.13         | U.S.\$0.0078     |
| September 25, 2015 | Ps.0.30         | U.S.\$0.0177     |
| July 17, 2015      | Ps.0.13         | U.S.\$0.0082     |
| November 14, 2014  | Ps.0.12         | U.S.\$0.0082     |
| July 18, 2014      | Ps.0.12         | U.S.\$0.0082     |
| November 15, 2013  | Ps.0.11         | U.S.\$ 0.0084    |
| July 19, 2013      | Ps.0.11         | U.S.\$ 0.0084    |

In November 2016, July 2017 and November 2017, we offered shareholders the option to receive a scrip dividend in the form of either cash, Series L shares or a combination thereof.

On April 16, 2018, our shareholders approved a cash dividend of Ps.0.32 (thirty two peso cents) per share, payable in two equal installments in July and November 2018.

The declaration, amount and payment of dividends by América Móvil is determined by majority vote of the holders of AA Shares and A Shares, generally on the recommendation of the Board of Directors, and depends on our results of operations, financial condition, cash requirements, future prospects and other factors considered relevant by the holders of AA Shares and A Shares.

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

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Our shares and ADSs are listed on the following markets:

|                             |                         |             |
|-----------------------------|-------------------------|-------------|
| L Shares <sup>(1)</sup>     | Mexican Stock Exchange  | Mexico City |
| L Share ADSs                | New York Stock Exchange | New York    |
| A Shares                    | Mexican Stock Exchange  | Mexico City |
| A Share ADSs <sup>(2)</sup> | New York Stock Exchange | New York    |

<sup>(1)</sup> L Shares were delisted from the *Mercado de Valores Latinoamericanos* en Euros as of May 29, 2017.

<sup>(2)</sup> A Share ADSs were delisted from the NASDAQ and listed on the NYSE as of December 13, 2016.

The following table sets forth the reported high and low market prices for the L Shares on the Mexican Stock Exchange and the reported high and low market prices for the L Share ADSs on the NYSE.

| MEXICAN STOCK EXCHANGE   |     |                             |     |       | NYSE                           |       |        |       |
|--------------------------|-----|-----------------------------|-----|-------|--------------------------------|-------|--------|-------|
|                          |     | HIGH                        | LOW |       | HIGH                           |       | LOW    |       |
|                          |     | (Mexican pesos per L Share) |     |       | (U.S. dollars per L Share ADS) |       |        |       |
| ANNUAL HIGHS AND LOWS    |     |                             |     |       |                                |       |        |       |
| 2013                     | Ps. | 16.19                       | Ps. | 11.60 | U.S.\$                         | 25.62 | U.S.\$ | 18.47 |
| 2014                     |     | 17.51                       |     | 12.43 |                                | 26.38 |        | 19.17 |
| 2015                     |     | 16.44                       |     | 11.96 |                                | 23.58 |        | 14.06 |
| 2016                     |     | 13.91                       |     | 10.40 |                                | 15.95 |        | 11.02 |
| 2017                     |     | 18.20                       |     | 12.31 |                                | 19.24 |        | 12.16 |
| QUARTERLY HIGHS AND LOWS |     |                             |     |       |                                |       |        |       |
| 2016:                    |     |                             |     |       |                                |       |        |       |
| First quarter            | Ps. | 13.53                       | Ps. | 10.92 | U.S.\$                         | 15.55 | U.S.\$ | 12.16 |
| Second quarter           |     | 13.91                       |     | 10.77 |                                | 15.95 |        | 11.31 |
| Third quarter            |     | 11.97                       |     | 10.40 |                                | 12.92 |        | 11.02 |
| Fourth quarter           |     | 13.36                       |     | 10.87 |                                | 13.52 |        | 11.02 |
| 2017:                    |     |                             |     |       |                                |       |        |       |
| First quarter            | Ps. | 13.96                       | Ps. | 12.31 | U.S.\$                         | 14.62 | U.S.\$ | 12.16 |
| Second quarter           |     | 15.07                       |     | 13.30 |                                | 16.41 |        | 14.15 |
| Third quarter            |     | 16.71                       |     | 14.63 |                                | 18.88 |        | 15.89 |
| Fourth quarter           |     | 18.20                       |     | 15.90 |                                | 19.24 |        | 16.86 |

**2018:**

|               |     |       |     |       |        |       |        |       |
|---------------|-----|-------|-----|-------|--------|-------|--------|-------|
| First quarter | Ps. | 18.09 | Ps. | 16.37 | U.S.\$ | 19.37 | U.S.\$ | 16.93 |
|---------------|-----|-------|-----|-------|--------|-------|--------|-------|

**MONTHLY HIGHS AND LOWS****2017:**

|         |     |       |     |       |        |       |        |       |
|---------|-----|-------|-----|-------|--------|-------|--------|-------|
| October | Ps. | 18.20 | Ps. | 15.92 | U.S.\$ | 19.24 | U.S.\$ | 16.98 |
|---------|-----|-------|-----|-------|--------|-------|--------|-------|

|          |  |       |  |       |  |       |  |       |
|----------|--|-------|--|-------|--|-------|--|-------|
| November |  | 16.93 |  | 15.99 |  | 17.61 |  | 16.86 |
|----------|--|-------|--|-------|--|-------|--|-------|

|          |  |       |  |       |  |       |  |       |
|----------|--|-------|--|-------|--|-------|--|-------|
| December |  | 16.98 |  | 15.90 |  | 17.44 |  | 16.92 |
|----------|--|-------|--|-------|--|-------|--|-------|

**2018:**

|         |     |       |     |       |        |       |  |       |
|---------|-----|-------|-----|-------|--------|-------|--|-------|
| January | Ps. | 17.62 | Ps. | 16.37 | U.S.\$ | 19.00 |  | 16.93 |
|---------|-----|-------|-----|-------|--------|-------|--|-------|

|          |  |       |  |       |  |       |  |       |
|----------|--|-------|--|-------|--|-------|--|-------|
| February |  | 18.01 |  | 16.58 |  | 19.37 |  | 17.46 |
|----------|--|-------|--|-------|--|-------|--|-------|

|       |  |       |  |       |  |       |  |       |
|-------|--|-------|--|-------|--|-------|--|-------|
| March |  | 18.09 |  | 17.25 |  | 19.35 |  | 18.62 |
|-------|--|-------|--|-------|--|-------|--|-------|

|                          |  |       |  |       |  |       |  |       |
|--------------------------|--|-------|--|-------|--|-------|--|-------|
| April (through April 24) |  | 17.98 |  | 17.16 |  | 19.87 |  | 18.65 |
|--------------------------|--|-------|--|-------|--|-------|--|-------|

Source: Bloomberg

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The following tables set forth reported high and low market prices for the A Shares on the Mexican Stock Exchange, the reported high and low market prices for the A Share ADSs on the NASDAQ from 2013 until 2016 when the shares were delisted from the NASDAQ, and the reported high and low market prices on the NYSE.

| MEXICAN STOCK EXCHANGE      |  |     |  | NASDAQ                         |  |     |  |
|-----------------------------|--|-----|--|--------------------------------|--|-----|--|
| HIGH                        |  | LOW |  | HIGH                           |  | LOW |  |
| (Mexican pesos per A Share) |  |     |  | (U.S. dollars per A Share ADS) |  |     |  |

**ANNUAL HIGHS AND LOWS**

|      |     |       |     |       |        |       |        |       |
|------|-----|-------|-----|-------|--------|-------|--------|-------|
| 2013 | Ps. | 16.00 | Ps. | 11.60 | U.S.\$ | 25.55 | U.S.\$ | 18.56 |
| 2014 |     | 17.61 |     | 12.50 |        | 26.46 |        | 19.16 |
| 2015 |     | 16.14 |     | 11.91 |        | 23.52 |        | 13.99 |
| 2016 |     | 13.91 |     | 10.71 |        | 15.93 |        | 10.83 |

**QUARTERLY HIGHS AND LOWS****2016:**

|                |     |       |     |       |        |       |        |       |
|----------------|-----|-------|-----|-------|--------|-------|--------|-------|
| First quarter  | Ps. | 13.50 | Ps. | 11.28 | U.S.\$ | 15.71 | U.S.\$ | 12.07 |
| Second quarter |     | 13.91 |     | 10.97 |        | 15.93 |        | 11.34 |
| Third quarter  |     | 11.83 |     | 10.71 |        | 12.92 |        | 11.03 |
| Fourth quarter |     | 13.41 |     | 10.82 |        | 13.18 |        | 10.83 |

| MEXICAN STOCK EXCHANGE      |  |     |  | NYSE                           |     |
|-----------------------------|--|-----|--|--------------------------------|-----|
| HIGH                        |  | LOW |  | HIGH                           | LOW |
| (Mexican pesos per A Share) |  |     |  | (U.S. dollars per A Share ADS) |     |

**QUARTERLY HIGHS AND LOWS****2017:**

|                |     |       |     |       |        |       |        |       |
|----------------|-----|-------|-----|-------|--------|-------|--------|-------|
| First quarter  | Ps. | 14.00 | Ps. | 12.02 | U.S.\$ | 14.46 | U.S.\$ | 11.89 |
| Second quarter |     | 16.00 |     | 12.90 |        | 16.33 |        | 14.02 |
| Third quarter  |     | 17.00 |     | 14.09 |        | 18.84 |        | 15.68 |
| Fourth quarter |     | 18.50 |     | 15.90 |        | 19.06 |        | 16.76 |

**2018:**

|               |     |       |     |       |        |       |        |       |
|---------------|-----|-------|-----|-------|--------|-------|--------|-------|
| First quarter | Ps. | 18.01 | Ps. | 16.41 | U.S.\$ | 19.46 | U.S.\$ | 16.83 |
|---------------|-----|-------|-----|-------|--------|-------|--------|-------|

**MONTHLY HIGHS AND LOWS****2017:**

|          |     |       |     |       |        |       |        |       |
|----------|-----|-------|-----|-------|--------|-------|--------|-------|
| October  | Ps. | 18.50 | Ps. | 15.91 | U.S.\$ | 19.06 | U.S.\$ | 16.76 |
| November |     | 16.90 |     | 16.11 |        | 17.55 |        | 16.78 |
| December |     | 16.87 |     | 15.90 |        | 17.45 |        | 16.78 |

**2018:**

|          |     |       |     |       |        |       |        |       |
|----------|-----|-------|-----|-------|--------|-------|--------|-------|
| January  | Ps. | 17.40 | Ps. | 16.41 | U.S.\$ | 18.96 | U.S.\$ | 16.83 |
| February |     | 18.00 |     | 16.50 |        | 19.36 |        | 19.36 |
| March    |     | 18.01 |     | 17.50 |        | 19.46 |        | 18.35 |

|                          |       |       |       |       |
|--------------------------|-------|-------|-------|-------|
| April (through April 24) | 18.00 | 17.27 | 19.87 | 18.51 |
| Source: Bloomberg        |       |       |       |       |

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*Below is a brief summary of certain significant provisions in our current bylaws and Mexican law. It does not purport to be complete and is qualified by reference to the bylaws themselves. An English translation of our bylaws has been filed with the SEC as an exhibit and is incorporated by reference to this annual report. For a description of our Board of Directors, Executive and Audit and Corporate Practices Committees and External Auditor, see Management under Part V of this annual report.*

## **Organization**

We are a *sociedad anónima bursátil de capital variable* organized under Mexican law.

## **Shareholders Equity**

We have three classes of outstanding shares: AA Shares, A Shares and L Shares, all without par value, fully paid and non-assessable.

AA Shares and A Shares have full voting rights.

L Shares may vote only in limited circumstances as described under Voting Rights under this Part IV.

The rights of all series of shares are generally identical except for voting rights and the limitations on non-Mexican ownership of AA Shares and A Shares. The AA Shares must always represent at least 51.0% of the combined AA Shares and A Shares. At least 20.0% of our outstanding shares must consist of AA Shares, and not more than 80% can be A Shares and L Shares.

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

Any capital increase must be represented by new shares of each series in proportion to the number of shares of each series outstanding.

## **Voting Rights**

Each AA Share or A Share entitles the holder to one vote at any shareholders meeting.

Each L Share entitles the holder to one vote at any meeting at which L Shares are entitled to vote. L Shares are entitled to vote to elect only two members of the Board and the corresponding alternate directors, as well as on the

following limited matters: our transformation from one type of company to another; any merger involving us; the extension of our authorized corporate duration; our voluntary dissolution; any change in our corporate purpose; any transaction that represents 20.0% or more of the Company's consolidated assets; any change in our jurisdiction of incorporation; removal of our shares from listing on the Mexican Stock Exchange or any foreign exchange; and any action that would prejudice the rights of L Shares. A resolution on any of the specified matters requires the affirmative vote of both a majority of all outstanding shares and a majority of the AA Shares and the A Shares voting together.

Shares of any series are also entitled to vote as a class on any action that would prejudice the rights of that series and are entitled to judicial relief against any action taken without their vote.

### **Shareholders Meetings**

General shareholders' meetings may be ordinary or extraordinary. Extraordinary general meetings are those called to consider certain specified matters, including, principally, changes to the bylaws, liquidation, merger and transformation, as well as to consider the removal of our shares from listing on the Mexican Stock Exchange or any foreign stock exchange. General meetings called to consider all other matters are ordinary meetings.

An ordinary general meeting of AA Shares and A Shares must be held each year to consider the approval of the financial statements for the preceding fiscal year, to elect directors and to determine the allocation of the profits. Transactions that represent 20.0% or more of our consolidated assets in any fiscal year must be approved by an ordinary general shareholder meeting of all shareholders, including L Shares. All other matters on which L Shares are entitled to vote would be considered at an extraordinary general meeting.

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The two directors elected by the L Shares are elected at a special meeting of L Shares. A special meeting of the L Shares must be held each year for the election of directors.

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

Holders of 20.0% of our outstanding capital stock may have any shareholder action set aside by filing a complaint with a Mexican court of law within 15 days after the close of the meeting at which such action was taken and showing that the challenged action violates Mexican law or our bylaws. In addition, any holder of our capital stock may bring an action at any time within five years challenging any shareholder action. Relief under these provisions is only available to holders who were entitled to vote on, or whose rights as shareholders were adversely affected by, the challenged shareholder action and whose shares were not represented when the action was taken or, if represented, voted against it.

Shareholders' meetings may be called by the Board, its chairman, its corporate secretary, the Chairman of the Audit and Corporate Practices Committee or a Mexican court of law. The Chairman of the Board or the Chairman of the Audit and Corporate Practices Committee may be required to call a meeting of shareholders by the holders of 10.0% of the outstanding shares. Notice of meetings must be published at least 15 days prior to the meeting.

A shareholder is required to deposit its shares with a custodian in order to attend a shareholders' meeting. A holder of ADSs will not be able to meet this requirement,

and accordingly is not entitled to attend shareholders' meetings. A holder of ADSs is entitled to instruct the depositary as to how to vote the shares represented by ADSs, in accordance with procedures provided for in the deposit agreements. However, a holder of ADSs will not be able to vote its shares directly at a shareholders' meeting or to appoint a proxy to do so.

**Dividend Rights**

At the annual ordinary general meeting of AA Shares and A Shares, the Board submits our financial statements for the previous fiscal year to the holders of AA Shares and A Shares for approval. Once financial statements are approved, the allocation of our net profits is determined, and we must allocate 5.0% of such net profits to a legal reserve, which

is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals 20.0% of our capital stock. The remainder of net profits is available for distribution.

All shares outstanding are entitled to participate in a dividend or other distribution. L shares are entitled to a nominal preference with respect to dividends or liquidation, but the preference has no economic significance.

### **Preemptive Rights**

In new issuances of shares, each shareholder has a preferential right to subscribe for a sufficient number of shares of the same series to maintain its existing proportionate holdings, except in certain circumstances such as mergers, convertible debentures, public offers and placement of treasury or repurchased shares. These rights cannot be traded separately from the shares. As a result, there is no trading market for such rights. Holders of ADSs may exercise these rights only through the depositary. We are not required to take steps that may be necessary to make this possible.

### **Limitations on Share Ownership**

AA Shares and A Shares may be owned only by holders that qualify as Mexican investors as defined in the Foreign Investment Law (*Ley de Inversión Extranjera*) and our bylaws. AA Shares can only be held or acquired by Mexican citizens, Mexican corporations whose capital stock is held completely by Mexican citizens or other Mexican qualified investors. Non- Mexican investors cannot hold AA Shares except through trusts that effectively neutralize their votes.

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

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BYLAWS

We have a foreign exclusion clause that restricts ownership of our shares to holders that qualify as Mexican investors. It does not apply to the L Shares, and, under transitional provisions adopted by our shareholders, it does not limit foreign ownership of A Shares outstanding as of the date of the shareholders' meeting approving the amendment.

**Restrictions on Certain Transfers**

Any transfer of more than 10.0% of our voting shares, in one or more transactions, by any person or group of persons acting in concert, requires prior approval by our Board. If the Board denies such approval, however, it shall designate an alternate transferee, who must pay market price for the shares as quoted on the Mexican Stock Exchange.

**Restrictions on Deregistration in Mexico**

Our shares are registered with the RNV maintained by the CNBV.

If we wish to cancel our registration, or if it is cancelled by the CNBV, we are required to conduct a public offer to purchase all of the outstanding shares prior to such cancellation. Such offer shall exclude our controlling group of shareholders. If, after the public offer is concluded, there are still outstanding shares held by the general public, we will be required to create a trust for a period of six months, with funds in an amount sufficient to purchase, at the same price as the offer price, the number of outstanding shares held by the public that did not participate in the offer.

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

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

**Tender Offer Requirement**

Certain significant acquisitions of our capital stock may require the purchaser to make a tender offer.

**Other Provisions**

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

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

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

**WITHDRAWAL RIGHTS.** Whenever a shareholders meeting approve a change of corporate purposes, change of nationality of the corporation or transformation from one type of company to another, any shareholder entitled to vote on such change that has voted against may withdraw and receive the book value of its shares, provided this right is exercised within 15 days following the meeting.

**Table of Contents****American Depositary Shares**

Citibank, N.A. ( the Depositary ) serves as the depositary for our ADSs and our American Depositary Receipts ( ADR ) program. ADS holders are required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADS holders are required to pay the Depositary amounts in respect of expenses incurred by the Depositary or its agents on behalf of ADS holders, including expenses arising from (i) taxes or other governmental charges, (ii) registration fees payable to us that may be applicable to the transfer of shares

upon deposits to or withdrawals from the ADS program, (iii) cable, telex and facsimile transmission, (iv) conversion of foreign currency into U.S. dollars, (v) compliance with exchange control regulations and other regulatory requirements or (vi) servicing of the ADSs or the shares underlying ADSs. The Depositary may decide in its sole discretion to seek payment either by billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

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

| <b>Depositary Service</b>                                                                                                | <b>Fee Payable by ADS Holders</b>                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| Issuance and delivery of ADSs, including in connection with share distributions, purchase rights, sales and stock splits | Up to U.S.\$5.00 per 100 ADSs (or a fraction thereof)                                                                     |
| Cash distributions                                                                                                       | Up to U.S.\$5.00 per 100 ADSs (or a fraction thereof)                                                                     |
| Surrender, withdrawal or cancellation                                                                                    | Up to U.S.\$5.00 per 100 ADSs (or a fraction thereof)                                                                     |
| Share distributions other than ADSs or rights to purchase additional ADSs (i.e., spin-off shares)                        | Up to U.S.\$5.00 per 100 ADSs (or a fraction thereof)                                                                     |
| ADS services                                                                                                             | Up to U.S.\$5.00 per 100 ADSs (or a fraction thereof) held on the applicable record date(s) established by the Depositary |

**Payments by the Depositary**

The Depositary reimburses us for certain expenses we incur in connection with the ADR program, subject to a ceiling agreed between us and the Depositary from time to time. These reimbursable expenses currently include legal and accounting fees, listing fees, investor relations expenses and fees payable to service providers for the distribution of material to ADS holders. During the year ended December 31, 2017, the Depositary did not pay us for any reimbursable expenses.



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*We periodically repurchase our L Shares and A Shares on the open market using funds authorized by our shareholders specifically for the repurchase of L Shares and A Shares by us at our discretion. In the annual ordinary shareholders meeting held on April 16, 2018, our shareholders authorized an allocation of Ps.3.0 billion to repurchase L Shares and A Shares from April 2018 to April 2019.*

The following tables set out information concerning purchases of our L Shares and A Shares by us and our affiliated purchasers in 2017. We did not repurchase our L Shares or A Shares other than through the share repurchase program. At the annual general shareholders meeting held on April 16, 2018, our shareholders approved the cancellation of all our treasury shares, except for 5 billion L Shares, acquired under our repurchase program.

| Period         | Total Number of L Shares Purchased <sup>(1)</sup> | Average Price per L Shares | Total Number of L Shares Purchased as part of Publicly Announced Plans or Programs | Approximate Mexican Peso Value of L Shares that May Yet Be Purchased under the Plans or Program |
|----------------|---------------------------------------------------|----------------------------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| January 2017   | 6,600,000                                         | 13.50                      | 6,600,000                                                                          | 22,672,144,564                                                                                  |
| February 2017  | 6,600,000                                         | 12.89                      | 6,600,000                                                                          | 22,587,040,531                                                                                  |
| March 2017     | 7,900,000                                         | 13.18                      | 7,900,000                                                                          | 22,482,929,951                                                                                  |
| April 2017     | 9,311,804                                         | 13.68                      | 9,311,804                                                                          | 2,892,759,292                                                                                   |
| May 2017       | 6,950,000                                         | 14.66                      | 6,950,000                                                                          | 2,790,870,064                                                                                   |
| June 2017      | 6,952,000                                         | 14.52                      | 6,952,000                                                                          | 2,689,945,772                                                                                   |
| July 2017      | 6,650,000                                         | 15.11                      | 6,650,000                                                                          | 2,589,496,895                                                                                   |
| August 2017    | 3,990,000                                         | 16.13                      | 3,990,000                                                                          | 2,522,466,549                                                                                   |
| September 2017 | 3,082,000                                         | 16.30                      | 3,082,000                                                                          | 2,472,243,828                                                                                   |
| October 2017   | 7,137,000                                         | 16.87                      | 7,137,000                                                                          | 2,348,240,205                                                                                   |
| November 2017  | 2,958,773                                         | 16.36                      | 2,958,773                                                                          | 2,299,158,766                                                                                   |
| December 2017  | 2,082,000                                         | 16.46                      | 2,082,000                                                                          | 2,261,427,182                                                                                   |
| <b>Total</b>   | <b>70,213,577</b>                                 |                            | <b>70,213,577</b>                                                                  |                                                                                                 |

<sup>(1)</sup> This includes purchases by us and our affiliated purchasers in 2017.

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

| Period         | Approximate Mexican                    |                            |                                                                                  |
|----------------|----------------------------------------|----------------------------|----------------------------------------------------------------------------------|
|                | Total Number of A Shares Purchased (1) | Average Price per A Shares | Peso Value of A Shares that May Yet Be Purchased Under the Plans or Programs (2) |
| January 2017   |                                        |                            | 22,672,144,564                                                                   |
| February 2017  |                                        |                            | 22,587,040,531                                                                   |
| March 2017     |                                        |                            | 22,482,929,951                                                                   |
| April 2017     | 288,196                                | 13.61                      | 2,892,759,292                                                                    |
| May 2017       |                                        |                            | 2,790,870,064                                                                    |
| June 2017      |                                        |                            | 2,689,945,772                                                                    |
| July 2017      |                                        |                            | 2,589,496,895                                                                    |
| August 2017    | 160,000                                | 16.60                      | 2,522,466,549                                                                    |
| September 2017 |                                        |                            | 2,472,243,828                                                                    |
| October 2017   | 213,000                                | 16.84                      | 2,348,240,205                                                                    |
| November 2017  | 41,227                                 | 16.30                      | 2,299,158,766                                                                    |
| December 2017  | 218,000                                | 15.90                      | 2,261,427,182                                                                    |
| <b>Total</b>   | <b>920,423</b>                         |                            | <b>920,423</b>                                                                   |

(1) This includes purchases by us and our affiliated purchasers in 2017.

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

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

This discussion does not constitute, and should not be considered as, legal or tax advice to holders. The discussion is for general information purposes only and is based upon the federal tax laws of Mexico (including the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and the United States in effect on the date of this annual report, including the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion and the protocols thereto between the United States and Mexico currently in force (together, the Tax Treaty ) and the agreement between the United States and Mexico concerning the exchange of information with respect to tax matters. The Tax Treaty is subject to change, and such changes may have retroactive effects. Holders of shares or ADSs should consult their own tax advisors as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

**MEXICAN TAX CONSIDERATIONS**

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

For purposes of Mexican taxation, the definition of residence is highly technical and residence arises in several situations. Generally, an individual is a resident of Mexico if he or she has established his or her home or center of vital interests in Mexico, and a corporation is considered a resident if it has its place of effective management in

Mexico. However, any determination of residence should take into account the particular situation of each person or legal entity.

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

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

- whose shares were not acquired through the Mexican Stock Exchange or other markets authorized by the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) or the Mexican Federal Tax Code;
- of shares or ADSs that control us;
- that holds 10.0% or more of our shares;
- that is part of a group of persons for purposes of Mexican law that controls us (or holds 10.0% or more of our shares); or
- that is a resident of Mexico or is a corporation resident in a tax haven (as defined by the Mexican Income Tax Law).

### **Tax Treaties**

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

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

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**TAXATION OF SHARES AND ADSs**

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**Payment of Dividends**

Dividends, either in cash or in kind, paid with respect to L Shares, A Shares, L Share ADSs or A Share ADSs will generally be subject to a 10.0% Mexican withholding tax (provided that no Mexican withholding tax will apply to distributions of net taxable profits generated before 2014).

**Taxation of Dispositions**

The tax rate on income realized by a nonresident holder from a disposition of shares through the Mexican Stock Exchange is generally 10.0%, which is applied to the net gain realized on the disposition. This tax is payable through withholding made by intermediaries. However, such withholding does not apply to a nonresident holder who certifies that the holder is resident in a country with which Mexico has entered into an income tax treaty.

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

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

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

Gains and gross proceeds realized by other nonresident holders that are eligible to receive benefits pursuant to other income tax treaties to which Mexico is a party may be

exempt from Mexican income tax, in whole or in part. Non-U.S. holders should consult their own tax advisors as to their possible eligibility under such treaties.

**Other Mexican Taxes**

A nonresident holder generally will not be liable for estate, inheritance or similar taxes with respect to its holdings of shares or ADSs; provided, however, that gratuitous transfers of shares or ADSs may, in certain circumstances, result

in the imposition of a Mexican tax upon the recipient. There are no Mexican stamp, issue registration or similar taxes payable by a nonresident holder with respect to shares or ADSs.

## **U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of certain U.S. federal income tax consequences to U.S. holders (as defined below) of the acquisition, ownership and disposition of shares or ADSs. The summary does not purport to be a comprehensive description of all of the tax consequences of the acquisition, ownership or disposition of shares or ADSs. The summary applies only to U.S. holders that will hold their shares or ADSs as capital assets and does not apply to special classes of U.S. holders, such as dealers in securities or currencies, holders with a functional currency other than the U.S. dollar, holders of 10.0% or more of our shares measured by vote or value (whether held directly or through ADSs or both), tax-exempt organizations, banks, insurance companies or other financial institutions, holders liable for the alternative minimum tax, securities traders electing to account for their investment in their shares or ADSs on a mark-to-market basis, entities that are treated for U.S. federal income tax purposes as partnerships or other pass-through entities or equity holders therein and persons holding their shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction.

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

- a citizen or resident of the United States of America,
- a corporation (or other entity taxable as a corporation) organized under the laws of the United States of America or any state thereof or
- otherwise subject to U.S. federal income taxation on a net income basis with respect to the shares or ADSs.

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

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**Treatment of ADSs**

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

**Taxation of Distributions**

In general, a U.S. holder will treat the gross amount of distributions we pay, without reduction for Mexican withholding tax, as dividend income for U.S. federal income tax purposes to the extent of our current and accumulated earnings and profits. Because we do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions paid to U.S. holders generally will be reported as dividends. In general, the gross amount of any dividends will be includible in the gross income of a U.S. holder as ordinary income on the day on which the dividends are received by the U.S. holder, in the case of shares, or by the depositary, in the case of ADSs.

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

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

to the implications of those rules for their investments in our shares or ADSs.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual with respect to the shares or ADSs will be subject to taxation at reduced rates if the dividends are "qualified dividends." Dividends paid on the shares or ADSs will be treated as qualified dividends if (i) (A) the shares or ADSs are readily tradable on an established securities market in the United States or (B) we are eligible for the benefits of a comprehensive tax treaty with the United States which the U.S. Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program, and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign

investment company ( PFIC ). The ADSs are listed on the NYSE, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. In addition, the U.S. Treasury has determined that the Tax Treaty meets the requirements for reduced rates of taxation, and we believe we are eligible for the benefits of the Tax Treaty. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income tax purposes with respect to the 2016 or 2017 taxable year. In addition, based on our audited consolidated financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2018 taxable year. Holders of shares or ADSs should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

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

### **Taxation of Dispositions**

A U.S. holder generally will recognize capital gain or loss on the sale or other disposition of the shares or ADSs in an amount equal to the difference between the U.S. holder's basis in such shares or ADSs (in U.S. dollars) and the amount realized on the disposition (in U.S. dollars, determined at the spot rate on the date of disposition if the amount realized is denominated in a foreign currency). Gain or loss recognized by a U.S. holder on such sale or other disposition generally will be long-term capital gain or loss

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**TAXATION OF SHARES AND ADSs**

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

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

**Information Reporting and Backup Withholding**

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

- establishes that it is an exempt recipient, if required, or
- provides an accurate taxpayer identification number on a properly completed Internal Revenue Service Form W-9 and certifies that no loss of exemption from backup withholding has occurred.

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

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

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

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

- such gain is effectively connected with the conduct by the holder of a U.S. trade or business or
- in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

**INFORMATION REPORTING AND BACKUP**

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



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**DIRECTORS**

Our Board of Directors has broad authority to manage our company. Our bylaws provide for the Board of Directors to consist of between five and 21 directors and allow for the election of an equal number of alternate directors. Directors need not be shareholders. A majority of our directors and a majority of the alternate directors must be Mexican citizens and elected by Mexican shareholders. A majority of the holders of the AA Shares and A Shares voting together elect a majority of the directors and alternate directors, provided that any holder or group of holders of at least 10.0% of the total AA Shares and A Shares is entitled to name one director and one alternate director. Two directors and two alternate directors, if any, are elected by a majority vote of the holders of L Shares. Each alternate director may attend meetings of the Board of Directors and vote in the absence of the corresponding director. Directors and alternate directors are elected or reelected at each annual general meeting of shareholders and each annual ordinary special meeting of holders of L Shares, and each serves until a successor is elected and takes office. In accordance with the Mexican Securities Market Law (*Ley del Mercado de Valores*), the determination as to the independence of our directors is made by our shareholders, though the CNBV may challenge this determination. Pursuant to our bylaws and the Mexican Securities Market Law, at least 25.0% of our directors must be independent. In order to have a quorum for a meeting of the Board of Directors, a majority of those present must be Mexican nationals.

At the annual general shareholders' meeting held on April 16, 2018, 14 of the current members of the Board of Directors, as well as all current members of the Executive Committee and the Audit and Corporate Practices Committee, were reelected, and the Corporate Secretary and the Corporate Pro-Secretary were reappointed, with 14 directors elected by the AA Shares and A Shares voting together and two directors elected by the L Shares. At such meeting, Vanessa Hajj Slim was elected to the Board of Directors, and Juan Antonio Pérez Simón was replaced by Francisco Medina Chavez.

Our bylaws provide that the members of the Board of Directors are elected for a term of one year. Pursuant to Mexican law, members of the Board continue in their positions after the expiration of their terms for up to an additional 30-day period if new members are not elected. Furthermore, in certain circumstances provided under the Mexican Securities Market Law, the Board of Directors may elect temporary directors who then may be elected or replaced at the shareholders' meetings.



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The names and positions of the members of the Board reelected or elected for the first time at the annual general shareholders meeting held on April 16, 2018, their year of birth, and information concerning their committee membership and principal business activities outside América Móvil are set forth below:

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

|                                                                                      |                       |                                                                                                                                |
|--------------------------------------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------|
| <b>CARLOS SLIM DOMIT</b><br><br>Chairman of the Board and the Executive Committee    | Born:                 | 1967                                                                                                                           |
|                                                                                      | First elected:        | 2011                                                                                                                           |
|                                                                                      | Term expires:         | 2019                                                                                                                           |
|                                                                                      | Principal occupation: | Chairman of the Board of Telmex                                                                                                |
|                                                                                      | Other directorships:  | Chairman of the Board of Grupo Carso, Grupo Sanborns, S.A.B. de C.V. ( Grupo Sanborns ) and U.S. Commercial Corp, S.A. de C.V. |
|                                                                                      | Business experience:  | Chief Executive Officer of Sanborn Hermanos, S.A. de C.V. ( Sanborn Hermanos )                                                 |
| <b>PATRICK SLIM DOMIT</b><br><br>Vice Chairman and Member of the Executive Committee | Born:                 | 1969                                                                                                                           |
|                                                                                      | First elected:        | 2004                                                                                                                           |
|                                                                                      | Term expires:         | 2019                                                                                                                           |
|                                                                                      | Principal occupation: | Vice Chairman of our Board of Directors                                                                                        |
|                                                                                      | Other directorships:  | Director of Grupo Carso, Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. ( IDEAL ) and Telmex           |
|                                                                                      | Business experience:  | Chief Executive Officer of Grupo Carso and Vice President of Commercial Markets of Telmex                                      |
| <b>DANIEL HAJJ ABOUMRAD</b><br><br>Director and Member of the Executive Committee    | Born:                 | 1966                                                                                                                           |
|                                                                                      | First elected:        | 2000                                                                                                                           |
|                                                                                      | Term expires:         | 2019                                                                                                                           |
|                                                                                      | Principal occupation: | Chief Executive Officer of América Móvil                                                                                       |
|                                                                                      | Other directorships:  | Director of Grupo Carso and Telmex                                                                                             |
|                                                                                      | Business experience:  | Chief Executive Officer of Compañía Hulera Euzkadi, S.A. de C.V.                                                               |
| <b>CARLOS SLIM HELÚ</b>                                                              | Born:                 | 1940                                                                                                                           |

Director

|                                               |                                                                                                                                                                                                          |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| First elected:                                | 2015                                                                                                                                                                                                     |
| Term expires:                                 | 2019                                                                                                                                                                                                     |
| Principal occupation and Business experience: | Chairman of the Board of Minera Frisco, S.A.B. de C.V. and Carso Infraestructura y Construcción, S.A. de C.V.; Director of IDEAL, Grupo Sanborns and Inmuebles Carso, S.A.B. de C.V. ( Inmuebles Carso ) |

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## MANAGEMENT

**LUIS ALEJANDRO SOBERÓN KURI**

Director

Born: 1960  
 First elected: 2000  
 Term expires: 2019  
 Principal occupation: Chief Executive Officer and Chairman of the Board of Serinem México, S.A. de C.V. (a subsidiary of Corporación Interamericana de Entretenimiento, S.A.B. de C.V. ( CIE ))  
 Other directorships: Director of CIE; Director of Banco Nacional de México, S.A.  
 Business experience: Various positions at CIE

**CARLOS BREMER GUTIÉRREZ**

Director and Member of the Audit and Corporate Practices Committee

Born: 1960  
 First elected: 2004  
 Term expires: 2019  
 Principal occupation: Chief Executive Officer of Value Grupo Financiero, S.A.B. de C.V. and Value S.A. de C.V., Casa de Bolsa  
 Other directorships: Chairman of Value Grupo Financiero, S.A.B. de C.V.  
 Business experience: Chief Operating Officer of Abaco Casa de Bolsa, S.A. de C.V.

**FRANCISCO MEDINA CHÁVEZ**

Director

Born: 1956  
 First elected: 2018  
 Term expires: 2019  
 Principal occupation: Chief Executive Officer and Chairman of Grupo Fame, S.A. de C.V., and Chairman of Grupo Altozano  
 Other directorships: Director of Banamex Citigroup México and Telmex  
 Business experience: Director of Aeromexico and Mitsui Mexico

**ERNESTO VEGA VELASCO**

Born: 1937  
 First elected: 2007

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Director, Chairman of the Audit and  
Corporate Practices Committee

Term expires:

2019

Principal occupation:

Retired. Member of the board of directors and audit and corporate practices, planning and finance and evaluation and compensation committees of certain companies.

Other directorships:

Director of Kuo, S.A.B. de C.V., Dine, S.A.B. de C.V., Inmuebles Carso, IDEAL; Alternate Director of Industrias Peñoles, S.A.B. de C.V.

Business experience:

Various positions in Desc Group, including Corporate Vice-President

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|                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>RAFAEL MOISÉS KALACH MIZRAHI</b><br>Director and Member of the Audit and Corporate Practices Committee | <p>Born: 1946</p> <p>First elected: 2012</p> <p>Term expires: 2019</p> <p>Principal occupation: Chairman and Chief Executive Officer of Grupo Kaltex, S.A. de C.V. ( Grupo Kaltex )</p> <p>Other directorships: Director of Telmex and Grupo Carso</p> <p>Business experience: Various positions in Grupo Kaltex</p>                                                                                                                                                                                                                                                                                                                                 |
| <b>ANTONIO COSÍO PANDO</b><br>Director                                                                    | <p>Born: 1968</p> <p>First elected: 2015</p> <p>Term expires: 2019</p> <p>Principal occupation: Vice President of Grupo Hotelero las Brisas, S.A. de C.V. ( Grupo Brisas ), Compañía Industrial Tepeji del Río, S.A. de C.V., and Bodegas de Santo Tomás, S.A. de C.V.</p> <p>Other directorships: Director of Grupo Financiero Inbursa, Grupo Carso, Grupo Sanborns, Corporación Actinver S.A.B. de C.V., Grupo Aerromexico S.A.B. de C.V., Kimberly Clark de México, S.A.B. de C.V. ( Kimberly Clark de México ) and Telmex</p> <p>Business experience: Various positions in Grupo Brisas and Compañía Industrial Tepeji del Río, S.A. de C.V.</p> |
| <b>ARTURO ELÍAS AYUB</b><br>Director                                                                      | <p>Born: 1966</p> <p>First elected: 2011</p> <p>Term expires: 2019</p> <p>Principal occupation: Head of Strategic Alliances, Communications and Institutional Relations of Telmex; Chief Executive Officer of Fundación Telmex</p> <p>Other directorships: Chairman of the Board of Publicidad y Contenido Editorial, S.A. de C.V.; Director of Grupo Sanborns, Grupo Carso, Sears and TM&amp;MS LLC</p> <p>Business experience: Chief Executive Officer of Sociedad Comercial Cadena, President of Pastelería Francesa (El Globo) and President of Club Universidad Nacional, A.C.</p>                                                              |



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## MANAGEMENT

**OSCAR VON HAUSKE SOLÍS**

Director

Born: 1957  
 First elected: 2011  
 Term expires: 2019  
 Principal occupation: Chief Fixed-line Operations Officer of América Móvil  
 Other directorships: Alternate Director of Telmex, Claro Brasil; Member of Telekom Austria's Supervisory Board  
 Business experience: Chief Executive Officer of Telmex Internacional, Chief Systems and Telecommunications Operators Officer of Telmex and member of KPN's supervisory board

**LOUIS C. CAMILLERI**

Director

Born: 1955  
 First elected: 2011  
 Term expires: 2019  
 Principal occupation: Chairman of Philip Morris International  
 Other directorships: Director of Ferrari N.V.  
 Business experience: Chairman and Chief Executive Officer of Altria and various positions in Philip Morris International

**VANESSA HAJJ SLIM**

Director

Directors elected by holders of Series L Shares:

Born: 1997  
 First elected: 2018  
 Term expires: 2019

**PABLO ROBERTO GONZÁLEZ  
GUAJARDO**

Director and Member of the Audit and Corporate Practices Committee

Born: 1967  
 First elected: 2007  
 Term expires: 2019  
 Principal occupation: Chief Executive Officer of Kimberly Clark de México

Other directorships: Director of Kimberly Clark de México, Sistema Integral de Abasto Rural, S.A.P.I de C.V., Grupo Sanborns, and Grupo Lala, S.A.B. de C.V.

Business experience: Various positions in the Kimberly Clark Corporation and Kimberly Clark de México, as well as Director of Acciones y Valores Banamex S.A. de C.V. Casa de Bolsa

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### **DAVID IBARRA MUÑOZ**

Director

Born: 1930  
 First elected: 2000  
 Term expires: 2019  
 Principal occupation: Retired  
 Other directorships: Director of Grupo Financiero Inbursa, IDEAL and Grupo Carso  
 Business experience: Chief Executive Officer of Nacional Financiera, S.N.C., served in the Mexican Ministry of Finance and Public Credit

The annual ordinary general shareholders meeting held on April 16, 2018, determined that the following directors are independent: Messrs. Ernesto Vega Velasco, Carlos Bremer Gutiérrez, Pablo Roberto González Guajardo, David Ibarra Muñoz, Antonio Cosío Pando, Louis C. Camilleri, Rafael Moisés Kalach Mizrahi and Francisco Medina Chávez.

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

Daniel Hajj Aboumrad and Arturo Elías Ayub are sons-in-law of Carlos Slim Helú and brothers-in-law of Patrick Slim Domit and Carlos Slim Domit. Patrick Slim Domit and Carlos Slim Domit are sons of Carlos Slim Helú. Vanessa Hajj Slim is the daughter of Daniel Hajj Aboumrad and the granddaughter of Carlos Slim Helú.

### **EXECUTIVE COMMITTEE**

Our bylaws provide that the Executive Committee may generally exercise the powers of the Board of Directors, with certain exceptions. In addition, the Board of Directors is required to consult the Executive Committee before deciding on certain matters set forth in the bylaws, and the Executive Committee must provide its views within 10 calendar days following a request from the Board of Directors, the Chief Executive Officer or the Chairman of the Board of Directors. If the Executive Committee is unable to make a recommendation within ten calendar days, or if a majority of the Board of Directors or any other corporate body duly acting within its mandate determines in good faith that action cannot be deferred until the Executive Committee makes a recommendation, the Board

of Directors is authorized to act without such recommendation. The Executive Committee may not delegate its powers to special delegates or attorneys-in-fact.

The Executive Committee is elected from among the directors and alternate directors by a majority vote of the holders of common shares (AA Shares and A Shares). The Executive Committee currently has three members. The majority of its members must be Mexican citizens and elected by Mexican shareholders. Three members of the Executive Committee were appointed by our Mexican controlling shareholders. See Major Shareholders under Part IV of this

annual report. The current members of the Executive Committee are Messrs. Carlos Slim Domit, Patrick Slim Domit and Daniel Hajj Aboumrad appointed by the Mexican controlling shareholders.

#### **AUDIT AND CORPORATE PRACTICES COMMITTEE**

Our Audit and Corporate Practices Committee is comprised of independent members of the Board of Directors. The Audit and Corporate Practices Committee consists of Messrs. Ernesto Vega Velasco (Chairman), Rafael Moisés Kalach Mizrahi, Pablo Roberto González Guajardo and Carlos Bremer Gutiérrez. The mandate of the Audit and Corporate Practices Committee is to assist our Board of Directors in overseeing our operations, establish and monitor procedures and controls in order to ensure that the financial information we distribute is useful, appropriate and reliable and accurately reflects our financial position. In particular, the Audit and Corporate Practices Committee is required to, among other things:

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provide opinions to the Board of Directors on certain matters as provided by the Mexican Securities Market Law;

call shareholders' meetings and recommend inclusion of matters it deems appropriate on the agenda;

inform the Board of Directors of our internal controls and their adequacy;

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

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

recommend procedures for preparing financial statements and internal controls;

monitor internal controls and accounting for specified types of matters;

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

assist the Board of Directors in preparing reports as provided by the Mexican Securities Market Law;

discuss with our auditors the annual financial statements and the accounting principles being applied in the annual and the interim financial statements and, based on such discussions, recommend their approval to the Board of Directors;

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

request the opinion of independent experts when deemed appropriate or when required by law;

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

obtain from our auditors a report that includes a discussion of critical accounting policies used by us, any alternative accounting treatments for material items that have been discussed by management with our auditor and any other written communications between our auditors and management;

report to the Board of Directors on its activities;  
develop procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including for the confidential submission of concerns regarding such matters by employees;

evaluate the performance of the external auditors;

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

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

recommend to the Board of Directors procedures for the selection and succession of our Chief Executive Officer and our other principal executives;

propose criteria for evaluating executive performance;

analyze the proposals of the Chief Executive Officer concerning the structure and amount of compensation for our senior executives and raise them with the Board of Directors;

review new executive compensation programs and the operations of existing programs;

establish contracting practices to avoid excessive payments to executives;

assist the Board of Directors in developing appropriate personnel policies;

participate with the Board of Directors in developing a plan for employees to invest in our L Shares and review the implementation of such plan; and

perform any other functions the Board of Directors may delegate to the Audit and Corporate Practices Committee. Under certain circumstances specified in our bylaws, the Audit and Corporate Practices Committee is required to provide its opinion to the Board of Directors. The Company is required to make public disclosure of any Board action that is inconsistent with the opinion of the Audit and Corporate Practices Committee.



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In addition, pursuant to our bylaws, the Audit and Corporate Practices Committee is in charge of our corporate governance functions under the Mexican securities laws and regulations and is required to submit an annual report to the Board of Directors with respect to our corporate and audit practices. The Audit and Corporate Practices Committee must request the opinions of our executive officers for purposes of preparing this annual report. The Board of Directors must seek the

opinion of the Audit and Corporate Practices Committee regarding any transaction with a related party that is outside the ordinary course of our business as defined under the Mexican Securities Market Law. Each member of the Audit and Corporate Practices Committee is independent, as determined by our shareholders pursuant to the Mexican Securities Market Law and as defined under Rule 10A-3 under the Exchange.

**SENIOR MANAGEMENT**

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

|                                           |                      |                                                                                                                                                                                                                                                                  |
|-------------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DANIEL HAJJ ABOUMRAD</b>               | Appointed:           | 2000                                                                                                                                                                                                                                                             |
| Chief Executive Officer                   | Business experience: | Director of Telmex; Chief Executive Officer of Compañía Hulera Euzkadi, S.A. de C.V.                                                                                                                                                                             |
| <b>CARLOS JOSÉ GARCÍA MORENO ELIZONDO</b> | Appointed:           | 2001                                                                                                                                                                                                                                                             |
| Chief Financial Officer                   | Business experience: | General Director of Public Credit at the Ministry of Finance and Public Credit; Managing Director of UBS Warburg; Associate Director of Financing at Petróleos Mexicanos (Pemex); Member of Telekom Austria's Supervisory Board; Member of KPN Supervisory Board |
| <b>ALEJANDRO CANTÚ JIMÉNEZ</b>            | Appointed:           | 2001                                                                                                                                                                                                                                                             |
| General Counsel                           | Business experience: | Member of Telekom Austria's Supervisory Board; Attorney at Mijares, Angoitia, Cortésy Fuentes, S.C.                                                                                                                                                              |
| <b>OSCAR VON HAUSKE SOLÍS</b>             | Appointed:           | 2010                                                                                                                                                                                                                                                             |

|                                     |                         |                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chief Fixed-line Operations Officer | Business<br>experience: | Chief Executive Officer of Telmex Internacional; Chief Systems and Telecommunications Officer of Telmex; Head of Finance at Grupo Condumex, S.A. de C.V.; Director of Telmex, Telmex Internacional, Empresa Brasileira de Telecomunicações S.A. ( Embratel ), and Net Serviços de Comunicação S.A. ( Net Serviços ); Member of Telekom Austria's Supervisory Board |
|-------------------------------------|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                         |                         |                                    |
|-----------------------------------------|-------------------------|------------------------------------|
| <b>ANGEL ALIJA GUERRERO</b>             | Appointed:              | 2012                               |
| Chief Wireless Operations Officer       | Business<br>experience: | Various positions in América Móvil |
| <b>AUDIT COMMITTEE FINANCIAL EXPERT</b> |                         |                                    |

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

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**COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

The aggregate compensation paid to our directors (including compensation paid to members of our Audit and Corporate Practices Committee) and senior management in 2017 was approximately Ps.5.1 million and Ps.66.7 million, respectively. None of our directors is a party to any contract with us or any of our subsidiaries that provides for benefits upon termination of employment. We do not provide pension, retirement or similar benefits to our directors in their capacity as directors. Our executive officers are eligible for retirement and severance benefits required by Mexican law on the same terms as all other employees, and we do not separately set aside, accrue or determine the amount of our costs that is attributable to executive officers.

**SHARE OWNERSHIP OF DIRECTORS AND SENIOR MANAGEMENT**

Carlos Slim Domit, Chairman of our Board of Directors, holds 647 million (or 3.1%) of our AA Shares and 1,567 million (or 3.5%) of our L Shares directly. Patrick Slim Domit, Vice Chairman of our Board of Directors, holds 323 million (or 1.6%) of our AA Shares and 859 million (or 1.9%) of our L Shares directly. Carlos Slim Helú, member of our Board of Directors, holds 1,879 million (or 9.1%) of our AA Shares and 3,072 million (or 6.8%) of our L shares directly. In addition, according to beneficial ownership reports filed with the SEC, Patrick Slim Domit and Carlos Slim Domit are beneficiaries of a trust that owns shares of the Company. See **Major Shareholders** under Part IV and **Bylaws Share Capital** under Part IV of this annual report.

Except as described above, according to information provided to us by our directors and members of senior management, none of our directors or executive officers is the beneficial owner of more than 1.0% of any class of our capital stock.

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Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also comply with the Mexican Code of Best Corporate Practices (*Código de Mejores Prácticas Corporativas*). On an annual basis, we file a report with the Mexican Banking and securities Commission and the Mexican Stock Exchange regarding our compliance with the Mexican Code of Best Corporate Practices.

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

| NYSE Standards | Our Corporate Governance Practices |
|----------------|------------------------------------|
|----------------|------------------------------------|

**DIRECTOR INDEPENDENCE**

Majority of board of directors must be independent.  
 §303A.01. Controlled companies are exempt from this requirement. A controlled company is one in which more than 50.0% of the voting power is held by an individual, group or another company, rather than the public.  
 §303A.00. As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

Pursuant to the Mexican Securities Market Law, our shareholders are required to appoint a board of directors of no more than 21 members, 25% of whom must be independent. Certain persons are per se non-independent, including insiders, control persons, major suppliers and any relatives of such persons. In accordance with the Mexican Securities Market Law, our shareholders meeting is required to make a determination as to the independence of our directors, though such determination may be challenged by the CNBV. There is no exemption from the independence requirement for controlled companies.

Currently, the majority of our Board of Directors is independent.

## **EXECUTIVE SESSIONS**

Non-management directors must meet at regularly scheduled executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03.

Our non-management directors have not held executive sessions without management in the past, and they are not required to do so.

## **NOMINATING/CORPORATE GOVERNANCE COMMITTEE**

Nominating/corporate governance committee composed entirely of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04.

Controlled companies are exempt from these requirements. §303A.00. As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

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

Currently, we do not have a nominating committee, and we are not required to have one. Our Audit and Corporate Practices Committee, which is composed of independent directors, oversees our corporate practices, including the compensation and appointment of directors and executives.

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CORPORATE GOVERNANCE

**Our Corporate Governance Practices**

**NYSE Standards**

**COMPENSATION COMMITTEE**

Compensation committee composed entirely of independent directors is required, which must evaluate and approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.02(a)(ii) and §303A.05. Controlled companies are exempt from this requirement. §303A.00.

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

**AUDIT COMMITTEE**

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

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

## **EQUITY COMPENSATION PLANS**

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

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

## **SHAREHOLDER APPROVAL FOR ISSUANCE OF SECURITIES**

Issuances of securities (1) that will result in a change of control of the issuer, (2) that are to a related party or someone closely related to a related party, (3) that have voting power equal to at least 20.0% of the outstanding common stock voting power before such issuance or (4) that will increase the number of shares of common stock by at least 20.0% of the number of outstanding shares before such issuance requires shareholder approval. §§312.03(b)-(d).

Mexican law requires us to obtain shareholder approval for any issuance of equity securities. Under certain circumstances, however, we may sell treasury stock subject to the approval of our Board of Directors.

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**Our Corporate Governance Practices**

**NYSE Standards**

**CODE OF BUSINESS CONDUCT AND ETHICS**

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

We have adopted a code of ethics, which applies to all of our directors and executive officers and other personnel. For more information, see [Corporate Governance Code of Ethics](#) under Part V of this annual report.

**CONFLICTS OF INTEREST**

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

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

**SOLICITATION OF PROXIES**

Solicitation of proxies and provision of proxy materials is required for all meetings of shareholders. Copies of such

We are not required to solicit proxies from our shareholders. In accordance with Mexican law and our

proxy solicitations are to be provided to NYSE. §§402.01 and 402.04.

bylaws, we inform shareholders of all meetings by public notice, which states the requirements for admission to the meeting. Under the deposit agreement relating to our ADSs, holders of our ADSs receive notices of shareholders' meetings and, where applicable, instructions on how to instruct the depositary to vote at the meeting. Under the deposit agreement relating to our ADS, we may direct the voting of any ADS as to which no voting instructions are received by the depositary, except with respect to any matter where substantial opposition exists or that materially and adversely affects the rights of holders.

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**(A) DISCLOSURE CONTROLS AND PROCEDURES.** We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2017. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**(B) MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.**

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

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

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

Based on our evaluation under the framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Mancera, S.C. ( Mancera ), a member practice of Ernst & Young Global Limited, an independent registered public accounting firm, our independent auditor, issued an attestation report on our internal control over financial reporting on April 26, 2018.

**(C) ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM.**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

**OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

We have audited América Móvil, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, América Móvil, S.A.B. de C.V. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of three years in the period ended December 31, 2017, and the related notes, and our report dated April 26, 2018 expressed an unqualified opinion thereon.

**BASIS FOR OPINION**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**DEFINITIONS AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

/s/ MANCERA, S.C.

Mexico City, Mexico

April 26, 2018

**(D) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.** There has been no change in our internal control over financial reporting during 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Our Code of Ethics codifies the ethical principles that govern our business and promotes, among other things, honest and ethical conduct, full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the SEC, compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of violations of the Code of Ethics and accountability for adherence to the Code of Ethics. We revised our Code of Ethics in early 2018. Our Code of Ethics applies to all of our officers, senior management, directors and employees.

The full text of our Code of Ethics may be found in Exhibit 14.1 of this annual report or on our website at [www.americamovil.com](http://www.americamovil.com).

Along with the updates to our Code of Ethics, we have created a new whistleblower portal, as well as an ethics committee which will follow investigations regarding violations to the Code of Ethics. The ethics committee will also coordinate training programs for employees to enhance the ethical culture in the Company.

We have created a corporate sustainability committee, which is composed of senior management, to define our corporate sustainability objectives and oversee their implementation. Our corporate sustainability objectives were developed following an extensive assessment of various sustainability factors on the basis of their materiality and impact and have been further tailored to enhance the dialogue between us and our constituents. Through the creation of a corporate sustainability committee, we seek to foster greater operational efficiencies, promote social responsibility and adopt environmentally friendly initiatives.

Our corporate sustainability reports are available on our website at [www.americamovil.com](http://www.americamovil.com).



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## **MEXICO**

### **Legal Framework**

Over the last five years, a new legal framework for the regulation of telecommunications and broadcasting services has been developed in Mexico. This legal framework is based on constitutional amendments passed in June 2013, the Federal Law on Telecommunications and Broadcasting (*Ley Federal de Telecomunicaciones y Radiodifusión*) enacted in July 2014 and the Federal Law on Economic Competition (*Ley Federal de Competencia Económica*) enacted in May 2014.

Under the current legal framework, the IFT may determine whether there is a preponderant economic agent in the telecommunications sector, based on number of customers, traffic or network capacity. In 2014, the IFT determined that an economic interest group consisting of us and our Mexican operating subsidiaries (Telcel, Telmex and Teléfonos del Noroeste, S.A. de C.V. (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 any 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 and Functional Separation of Telmex and Telnor under this Part VI.

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

### **Principal Regulatory Authorities**

The IFT is an autonomous authority that regulates telecommunications and broadcasting. It is headed by seven commissioners appointed by the President, and

ratified by the Senate, from among candidates nominated by an evaluation committee.

The IFT has authority over the application of legislation specific to telecommunications and broadcasting, and also over competition legislation as it applies to those sectors.

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

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

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

### **Asymmetric Regulation of the Preponderant Economic Agent**

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

**INTERCONNECTION RATES.** Since the enactment of the Federal Law on Telecommunications and Broadcasting, we were not permitted to charge other carriers for the termination services we provide in our networks. In August 2017, such provisions of the law were declared unconstitutional by the Mexican Supreme Court (*Suprema Corte de Justicia de la Nación*). As a result, the IFT ruled that, starting in January 1, 2018, Telcel would be able to charge such carriers Ps. 0.028562 per minute for calls to our network. On April 18, 2018, the Mexican Supreme Court issued a similar resolution regarding fixed interconnection rates, and as a result, starting in January 1, 2019, Telmex will be able to charge other carriers for termination services at a rate to be determined by the IFT. We continue to pay such carriers for their interconnection services in accordance with the fixed and mobile rates set by the IFT.

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**SHARING OF WIRELESS INFRASTRUCTURE AND SERVICES.** We must provide other carriers access to (i) passive infrastructure, including towers, sites, ducts and rights of way, (ii) elements of our network that allow other carriers and mobile virtual network operators ( MVNOs ) to resell those services we provide to our customers and (iii) domestic roaming services, in each case, pursuant to IFT pre-approved reference terms (*ofertas públicas de referencia*). If we cannot reach an agreement with other carriers or MVNOs, our rates may be determined by the IFT using, as applicable, a long-run average incremental costs methodology or, in the case of MVNOs, a retail-minus methodology.

For mobile services, the IFT has the right to verify the economic replicability of the end user rates with respect to rates applicable to services provided by mobile virtual network operators.

**SHARING OF FIXED INFRASTRUCTURE AND SERVICES.** We must provide other carriers access to (i) passive infrastructure, including towers, sites, ducts and rights of way, (ii) elements of our network that allow other carriers to resell those services we provide to our customers and (iii) our dedicated links. The IFT will determine the rates applicable to all wholesale regulated fixed services based on long-run average incremental cost methodologies.

For fixed services, the IFT has the right to verify the economic replicability of the end user rates.

**ACCESS TO LOCAL LOOP.** We must offer other carriers access to elements of our local network separately on terms and conditions pre-approved by the IFT. In March 2017, the IFT ordered the legal and functional separation of the provision of wholesale regulated fixed services related to local loop (acceso local) and shared access and use of passive infrastructure. On March 5, 2018, the IFT approved a separation plan. See Functional Separation of Telmex and Telnor under this Part VI.

**CERTAIN OBLIGATIONS RELATING TO RETAIL SERVICES.** Certain rates for the provision of telecommunications services to our customers are subject to the IFT's prior authorization, in the case of fixed-line and wireless services, and to rate controls, in the case of fixed-line services only, using historical cost methodologies to determine the maximum prices Telmex may charge its customers. We are also subject to certain obligations and restrictions relating to the sale of our services and products; such obligations include unlocking mobile devices for our customers and offering individually all services that we previously offered under a bundled scheme.

**CONTENT.** We are subject to specific limitations on acquisitions of exclusive transmission rights to relevant content (*contenidos audiovisuales relevantes*), as determined from time to time by the IFT, including, but not limited to, certain Mexican national soccer matches, the opening and closing ceremonies of the Summer Olympics,

the opening and closing ceremonies and certain matches of the FIFA World Cup and the finals of the Liga MX soccer tournament.

**REPORTING OF SERVICE OBLIGATIONS.** We are subject to obligations related to reporting of service, including the publication of reference terms for wholesale and interconnection services that are subject to asymmetric regulation.

The measures are transitory and may be terminated if the IFT declares that effective competition conditions exist in the telecommunications sector or if we cease to be considered a preponderant economic agent. The IFT reviews the impact of the asymmetrical measures every two years and may modify or eliminate measures or set forth new measures, including the structural or functional separation or divestiture of assets of the preponderant economic agent. In March 2017, the IFT issued a resolution that modified and added asymmetrical regulations for mobile and fixed services, including the legal and functional separation of Telmex and Telnor, among other measures.

In March 2014, the Company, Telcel, Telmex and Telnor filed challenges (*juicios de amparo*) against the declaration by the IFT that Telcel, Telmex and Telnor, together with certain affiliates, constitute an economic interest group that is a preponderant economic agent (*agente económico preponderante*) in the Mexican telecommunications market and imposed certain specific asymmetrical regulations. These challenges were denied in the case of Telmex, Telnor and the Company, and a final resolution is still pending in the case of Telcel. We have also challenged the 2017 resolution. However, given that, under the new regulatory framework, IFT's determinations are not suspended while legal challenges against them are resolved, the enforceability of the IFT's declaration cannot be suspended.

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**Functional Separation of Telmex and Telnor**

On March 5, 2018, we received notice of an IFT resolution directed to the Company setting forth the terms under which we are required to separate the provision of wholesale regulated fixed services by Telmex and Telnor (the Separation Plan ). The Separation Plan differs substantially from the proposed plan presented by Telmex and Telnor pursuant to the IFT's separation order of March 2017. We are currently reviewing the Separation Plan and analyzing its possible effects on us and our subsidiaries.

The Separation Plan establishes, among other provisions, the following:

**WHOLESALE UNIT.** Telmex and Telnor must establish a business unit to provide certain wholesale services to other concessionaires, including interconnection, co-location for interconnection, intercity and international long-distance dedicated links, resale of telephone lines, broadband and bundles, as well as certain passive infrastructure services, including shared use of towers.

**NEW COMPANIES.** Telmex and Telnor are required to establish separate new corporations (the New Companies ) to provide wholesale services related to the elements of the access network, including local access dedicated links, as well as those services related to passive infrastructure associated with the access network, such as ducts, poles and rights of way. The New Companies will be direct subsidiaries of Telmex. The main features of the New Companies are as follows:

**Financial Viability.** The Separation Plan contemplates that the New Companies will be financially viable. The implementation and consequences of this requirement are uncertain, both with respect to the initial composition of the New Companies' assets and resources and with respect to their subsequent operations. The prices and terms of the services to be provided are generally subject to IFT regulation, which could affect the viability and financial requirements of the New Companies.

**Corporate Governance.** The New Companies will have their own corporate governance, including: (i) a board of directors with at least seven members, of which a majority (including the Chairman) must be independent; (ii) a Chief Executive Officer and senior officers appointed by the boards of directors, different and independent from those of our Mexican concessionaire subsidiaries; (iii) an independent external auditor; (iv) an Audit Committee chaired by an independent member of the board of directors; and (v) a Regulatory Compliance Committee entirely composed of independent members. The bylaws of the New Companies must be previously approved by the IFT. Independence for these purposes is used as defined under Mexican Securities Market Law.

**Personnel.** The New Companies must have the personnel necessary to operate their assets and to provide wholesale services required by the Separation Plan.

**Systems and Procedures.** The New Companies must have procedures, operating and management systems that are independent from those of América Móvil and its other subsidiaries.

**Branding.** The New Companies must have their own branding distinct from América Móvil's concessionaire subsidiaries. The brands must be dissociated from those of Telmex and Telnor within four years.

**Principal Offices.** The New Companies must have their own principal offices distinct from those of América Móvil's concessionaire subsidiaries.

We have up to two years to implement the Separation Plan. The implementation will be complex, and many features remain uncertain and will require further development in consultation with the IFT. As a result, we are not yet able to identify all the possible consequences, but some of the consequences could have a material adverse impact on us.

We have challenged the resolution in Mexican courts. However, legal challenges will not suspend the implementation of the Separation Plan and may not be finally determined before the Separation Plan is fully implemented.

### **Substantial Market Power Investigations**

In 2007, the Federal Antitrust Commission (*Comisión Federal de Competencia*, or Cofeco) initiated two substantial market power investigations against Telcel and determined that Telcel had substantial market power in the mobile termination services market and in the nationwide wireless voice and data services market. Telcel filed challenges against both decisions, and a final resolution of these challenges is still pending. If upheld, these decisions would allow the IFT to impose additional requirements as to rates, quality of service and information, among other matters.

In 2007, Cofeco initiated various investigations to evaluate whether Telmex and its subsidiary Telnor have substantial



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power in the markets for termination, origination, transit and wholesale dedicated-link circuits. Cofeco issued final resolutions concluding that Telmex and Telnor have substantial power in all four markets, which were challenged by Telmex and Telnor. The challenges related to each one of these markets have been denied, effectively upholding Cofeco's findings. Consequently, the IFT may impose specific tariff requirements or other special regulations with respect to the matters for which the challenges were denied, such as additional requirements regarding disclosure of information or quality of service.

In the case of the market for wholesale dedicated-link leasing, the IFT's predecessor, Cofetel, published an agreement in the Official Gazette, establishing requirements regarding tariffs, quality of service and information for dedicated-link circuits. Telmex and Telnor have filed petitions for relief against such resolutions, which are still pending. However, an adverse resolution could have an impact on the Company's future revenues in this market.

## **Concessions**

Under the current legal framework, a carrier of public telecommunications networks, such as Telcel or Telmex, must operate under a concession. The IFT is an autonomous federal agency that grants new or extends existing concessions, which may only be granted to a Mexican citizen or corporation that has agreed to the concession terms and may not be transferred or assigned without the approval of the IFT. There are two types of concessions:

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

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

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

## **Termination of Concessions**

Mexican legislation provides that under certain circumstances, some assets of a concessionaire may be acquired by the federal government upon termination of these concessions.

There is no specific guidance or precedent for applying these provisions, so the scope of assets covered, the compensation to the concessionaire and the procedures to be followed would depend on the type of concession, the

type of assets and the interpretation of applicable legislation by the competent authorities at the time.

### **Migration of Concessions and Additional Services**

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

However, as a result of our preponderant economic agent status, Telmex and Telnor are subject to additional conditions for the migration to a unified concession or the addition of a service, such as Pay TV, to a current concession, including (i) payment of any new concession fee to be determined by the IFT, (ii) compliance with current requirements under the network concession, the 2013 constitutional amendments, the 2014 legislation and any additional measures imposed by the IFT on the preponderant economic agent and (iii) such other requirements, terms and conditions as the IFT may establish in the concession itself. We expect the process of migration or additional services to be lengthy and complex. Consequently, Telmex and Telnor may not be able to provide additional services, such as broadcasting, in the near term.

### **Telcel's Concessions**

Telcel operates under several different network and spectrum concessions covering particular frequencies and regions, holding an average of 129.5 MHz of capacity in Mexico's nine regions in the 850 MHz, 1900 MHz and 1.7/2.1 GHz bands. The following tables summarize Telcel's concessions.

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| Frequency                      | Region in Mexico | Initial Date | Termination Date         | Fee Structure |
|--------------------------------|------------------|--------------|--------------------------|---------------|
| Band A (1900 MHz)              | Nationwide       | Sep.1999     | Oct. 2039                | Upfront       |
| Band B (850 MHz)               | Regions 1, 2, 3  | Aug. 2011    | Aug. 2026                | Annual        |
| Band B (850 MHz)               | Regions 4, 5     | Aug. 2010    | Aug. 2025                | Annual        |
| Band B (850 MHz)               | Regions 6, 7, 8  | Oct. 2011    | Oct. 2026                | Annual        |
| Band B (850 MHz)               | Region 9         | Oct. 2015    | Oct. 2030                | Annual        |
| Band D (1900MHz)               | Nationwide       | Oct. 1998    | Oct. 2018 <sup>(1)</sup> | Upfront       |
| Band F (1900MHz)               | Nationwide       | Apr. 2005    | Apr. 2025                | Annual        |
| Bands A and B (1.7/2.1 GHz)    | Nationwide       | Oct. 2010    | Oct. 2030                | Annual        |
| Bands H, I and J (1.7/2.1 GHz) | Nationwide       | May 2016     | Oct. 2030                | Annual        |

<sup>(1)</sup> Request for renewal have been submitted and is currently subject to approval.

In 2017, Telcel received the required regulatory approval to close its indirect acquisition of approximately 60 MHz of spectrum owned by Grupo MVS, S.A. de C.V. in the 2.5 GHz band. Following this acquisition, Telcel holds approximately 60 MHz in the 2.5 GHz band in several municipalities, representing approximately 75% of Mexico's population.

**Concession Fees**

In addition to the upfront concession fees applicable to all of the 1900 MHz (Bands A, D and F) concessions, all 1.7/2.1 GHz (Bands A, B, H, I and J), 850 MHz (Regions 1 to 8) and 2.5 GHz concessions, owners of concessions granted or renewed on or after January 1, 2003 are also required to pay annual fees for the use and exploitation of radio spectrum bands. The amounts payable are set forth by the annual Federal Fees Law (*Ley Federal de Derechos*) and vary depending on the relevant region and radio spectrum band. Currently, Telcel is not required to pay these fees for its 1900 MHz concessions (Band A) since they were awarded prior to 2003.

**Telmex's Concessions**

Telmex's concession was granted in 1976 and is currently set to expire in 2026. In December 2016, the IFT granted Telmex a 30-year extension of this concession, which will become effective in 2026 and will be valid until 2056. The new terms of this concession will be issued in early 2023.

Telmex's subsidiary, Telnor, holds a separate concession, which covers one state and two municipalities in northwestern Mexico and will expire in 2026. The IFT also granted Telnor a 30-year extension of its concession, which will be effective in 2026 and will be valid until 2056. The material terms of Telnor's concession are similar to those of Telmex's concession.

In addition, Telmex currently holds concessions for the use of frequencies to provide wireless local access, as well as point-to-point and point-to-multipoint transmission. Telmex obtained these concessions from the now-defunct Federal Commission of Telecommunications (*Comisión Federal de Telecomunicaciones*, or *Cofetel*) through a competitive bidding process for a term of up to 20 years that may be extended for additional 20-year terms with the IFT.

### Wireless Rates

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

As a result of the preponderance determination, Telcel's retail prices are subject to pre-approval by the IFT before they can take effect. In addition, the 2014 legislation established that preponderant economic agents may not charge termination rates. See *Asymmetric Regulation of the Preponderant Economic Agent* under this Part VI.

The IFT is also authorized to impose specific rate requirements on any carrier that is determined by the IFT to have substantial market power under the Federal Antitrust Law (*Ley Federal de Competencia Económica*) and the 2014 legislation. For more information on litigation related to the Federal Antitrust Law and the 2014 legislation, see *Substantial Market Power Investigations* under this Part VI.

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### **Fixed Rates**

Telmex's concessions subject its rates for basic retail telephone services in any period, including installation, monthly rent, measured local-service and long-distance service, to a ceiling on the price of a basket of such services, weighted to reflect the volume of each service provided by Telmex during the preceding period. Telmex is required to file a survey with the IFT every four years with its projections of units of operation for basic services, costs and prices. Telmex is free to determine the structure of its own rates, with the exception of domestic long-distance rates, which were eliminated in 2015 under the 2014 legislation, and of the residential fixed-line rates, which have a cap based on the long-run average incremental cost. As a result of the preponderance determination, Telmex's retail prices are subject to pre-approval by the IFT before they can take effect.

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

In addition, basic retail telephone services, as well as broadband services and calling party pays charges, are subject to a separate price ceiling scheme based on productivity indicators. In each case, Telmex is required to submit a survey on productivity indicators to the IFT every two years, including a total factor productivity. The IFT establishes the productivity factor that will apply over the next two years, and, based on this, the IFT will approve the customer prices before they can take effect.

Prices for Telmex's wholesale services are established by the IFT; all of which are based on the long-run average incremental cost model methodology.

## **BRAZIL**

### **Legal Framework and Principal Regulatory Authorities**

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

As of the date of this annual report, Brazilian lawmakers are considering the passage of a revamped legal telecommunications framework aimed at modernizing the current concession-based model to an authorization-based model. The telecom reform bill under review would allow fixed-line concessionaires, such as Claro Brasil, to provide

services under an authorization instead of a concession, as long as certain investment-related obligations are met.

## Licenses

In 2014, we simplified our corporate structure, and our subsidiaries Embratel, Embratel Participações S.A. ( Embrapar ) and Net Serviços were merged into Claro Brasil. As a result, all licenses previously granted to Embratel and Net Serviços were transferred to Claro Brasil. Embrapar held no licenses to transfer.

Following its acquisition of Brasil Telecomunicações S.A. in 2016, Claro Brasil was transferred an additional cable TV license. This license has the same terms and conditions as Claro Brasil's other cable TV license.

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

| Subsidiary       | License                                                 | Termination Date |
|------------------|---------------------------------------------------------|------------------|
| Claro Brasil     | Fixed Local Voice Services                              | Indefinite       |
|                  | Domestic and International Long Distance Voice Services | 2025             |
|                  | Personal Communication Services                         | Indefinite       |
|                  | Data Services                                           | Indefinite       |
|                  | Cable TV Services                                       | Indefinite       |
|                  | Mobile Maritime Services                                | Indefinite       |
|                  | Global Mobile Satellite Services                        | Indefinite       |
| Claro TV         | DTH TV Services                                         | Indefinite       |
|                  | Data Services                                           | Indefinite       |
| Americel S.A.    | Data Services                                           | Indefinite       |
| Star One         | Data Services                                           | Indefinite       |
|                  | Satellite Exploitation                                  | See table below  |
| Primesys         | Data Services                                           | Indefinite       |
| Telmex do Brasil | Data Services                                           | Indefinite       |

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

| Authorization    |                   |                                        |            |                                |
|------------------|-------------------|----------------------------------------|------------|--------------------------------|
| Type             | Contract Number   | Orbital Position                       | Issue Date | Expiration Date <sup>(1)</sup> |
| Orbital Position | PVSS/SPV 007/2006 | 63°W, 65°W, 68°W, 70°W and 84°W C Band | Jan. 2006  | Dec. 2020                      |
| Orbital Position | PVSS/SPV 001/2003 | 65°W Ku Band                           | Feb. 2003  | Feb. 2033                      |

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|                  |                   |        |                |           |                          |
|------------------|-------------------|--------|----------------|-----------|--------------------------|
| Orbital Position | PVSS/SPV 12/2007  | 92°W   | C and Ku Band  | Nov. 2007 | Nov. 2022                |
| Orbital Position | PVSS/SPV 002/2003 | 70°W   | Ku Band        | Oct. 2003 | Oct. 2018 <sup>(2)</sup> |
| Orbital Position | PVSS/SPV 001/2007 | 75°W   | C and Ku Band  | Feb. 2007 | Feb. 2022                |
| Orbital Position | PVSS/SPV 156/2012 | 70°W   | Ka and Ku Band | Mar. 2012 | Mar. 2027                |
| Orbital Position | PVSS/SPV 076/2012 | 84°W   | Ka and Ku Band | Feb. 2012 | Feb. 2027                |
| Landing Rights   | PVSS/SPV 002/2009 | 37.5°W | C Band         | May 2009  | May 2019 <sup>(3)</sup>  |

<sup>(1)</sup> Unless otherwise noted, the standard license term is 15 years.

<sup>(2)</sup> Request for renewal have been submitted and is currently subject to approval.

<sup>(3)</sup> Expiration date to the landing rights coincides with the end of C12 Satellite s lifetime.

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Our Brazilian subsidiaries expect to continue acquiring spectrum should Anatel conduct additional public auctions, although Claro Brasil, like all of its peer competitors, is subject to a cap on the additional spectrum it may acquire per frequency band.

The following table sets forth the regions in Brazil in which Claro Brasil holds licenses to provide PCS as well as their termination dates:

| Frequency and Geographic Block | Termination Date |
|--------------------------------|------------------|
| <b>2500 MHZ:</b>               |                  |
| Nationwide                     | Oct. 2027        |
| Regional                       | Feb. 2024        |
| Regional                       | Oct. 2027        |
| Regional(1)                    | Oct. 2031        |
| <b>700 MHZ:</b>                |                  |
| Nationwide                     | Dec. 2029        |
| <b>1900-2100 MHZ:</b>          |                  |
| Nationwide                     | Mar. 2023        |
| <b>1800 MHZ:</b>               |                  |
| Regional                       | Apr. 2020        |
| Regional                       | Dec. 2022        |
| Regional                       | Mar. 2023        |
| Regional                       | July 2027        |
| Regional                       | Aug. 2027        |
| Regional                       | Apr. 2028        |
| Regional                       | Mar. 2028        |
| Regional                       | Dec. 2032        |
| <b>900 MHZ:</b>                |                  |
| Regional                       | Apr. 2020        |
| Regional                       | Dec. 2022        |
| Regional                       | July 2027        |
| Regional                       | Aug. 2027        |
| Regional                       | Apr. 2028        |
| Regional                       | Mar. 2028        |
| Regional                       | Dec. 2032        |
| <b>850 MHZ:</b>                |                  |
| Regional                       | Mar. 2023        |
| Regional                       | July 2027        |
| Regional                       | Aug. 2027        |
| Regional                       | Apr. 2028        |
| Regional                       | Mar. 2028        |

**450MHZ:**

Regional

Oct. 2027

<sup>(1)</sup> This is Claro Brasil's most recent license acquisition from a spectrum auction held by Anatel in 2015, in which it acquired 19 licenses (10+10 MHz Band P) in different regional blocks.

**Concessions**

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

**Concession Fees**

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

Claro Brasil is also required to pay a biennial fee during the term of its domestic and international long-distance concessions equal to 2.0% of the revenues from long-distance telephone services, net of taxes and social contributions, for the year preceding the payment.

**Termination of Concessions**

Our domestic and international long-distance fixed-line concessions provide that certain of our assets deemed indispensable for the provision of these services will revert to the Brazilian state upon termination of these concession. Compensation for those assets would be their depreciated cost. See Note 16 to our audited consolidated financial statements included in this annual report.

**Regulation of Rates**

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



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**Regulation of Wholesale Market Competition**

In November 2012, Anatel approved the General Competition Plan (*Plano Geral de Metas da Competição*, or PGMC), a comprehensive regulatory framework aimed at increasing competition in the telecommunications sector. The PGMC imposes asymmetric measures upon economic groups determined by Anatel to have significant market power in any of the five wholesale markets in the telecommunications sector, on the basis of several criteria, including having over 20.0% of market share in the applicable market.

In 2012, Claro Brasil and three of its primary competitors were determined to have significant market power in the mobile wireless termination and national roaming markets. As a result, Claro Brasil was required to reduce mobile termination rates to 75.0% of the 2013 rates by February 2014, and to 50.0% of the 2013 rates by February 2015. In July 2014, Anatel established termination rates for mobile services applicable to operators with significant market power through 2019. Claro Brasil is also required to publish, and Anatel must approve, its reference roaming prices for voice, data and SMS on a semi-annual basis, among other measures.

In addition, Embratel was determined to have significant market power in the market for long-distance leased lines, Claro Brasil and Embratel were determined to have significant market power in the telecommunications infrastructure market, and Net Serviços was determined to have significant market power in the local coaxial transmissions market, together with several of their mobile and fixed-line competitors. Following the merger of Embratel and Net Serviços into Claro Brasil in 2014, Claro Brasil is required to publish, and Anatel must approve, its reference offers in each of these markets. Moreover, wholesale contracts entered into by operators determined to have significant market power for the sale of such operators' services are overseen for compliance purposes by independent third-party companies.

Anatel has approved Claro Brasil's most recent wholesale reference offers with respect to national roaming, telecommunications infrastructure, long-distance leased lines, wireless termination rates, internet network interconnection and internet links, which it reviews on a biennial basis.

Anatel also reviews its determination of which operators have significant market power on a biennial basis. Anatel began its first review of all telecom operators in 2014, but this first review has not been completed. In addition to the review, Anatel has proposed modifications to the asymmetric measures applicable under the PGMC, which has been made available for public comment, although the new regulation has not yet been published.

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

In July 2014, Anatel approved a resolution establishing the reference terms for fees charged by operators in connection with the use of their mobile network and leased lines and set a price cap on fees charged for fixed network usage by operators deemed to have significant market power. Such fees, based on costs of allocation services (*coubicación*), have been applicable since 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. Claro Brasil was not determined to have significant market power in the local fixed-line market and thus may set interconnection rates up to 20.0% higher than such cap.

### **Other Obligations**

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

**Table of Contents****COLOMBIA****Legal Framework and Principal Regulatory Authorities**

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

**Concessions**

Comunicación Celular S.A. ( Comcel ) is qualified to provide fixed and mobile services and was included in the register of networks and services administered by the ICT Ministry. Such general authorization superseded all of Comcel s former concession contracts, and, consequently, such former concessions were terminated.

As a result of the termination of Comcel s former concessions, the ICT Ministry and Comcel began discussions with respect to the liquidation of the agreements governing those concessions. In light of the decision of the Colombian Constitutional Court (*Corte Constitucional de Colombia*) holding that certain laws limiting the reversion of assets of telecommunications providers did not apply to concessions granted prior to 1998 and, consequently, that reversion of assets under those earlier concessions would be governed by their contractual terms, the ICT Ministry obtained a domestic award ordering Comcel to revert assets under its earlier concessions to the Colombian government. Comcel challenged such award and the Company filed an international arbitration claim against Colombia arising from Colombia s measures. For further information on these proceedings, see Notes 1 and 16 to our audited consolidated financial statements included in this annual report.

**Licenses and Permits**

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

| Frequency | Bandwidth | Termination Date         |
|-----------|-----------|--------------------------|
| 850 MHz   | 25 MHz    | Mar. 2024                |
| 1900 MHz  | 10 MHz    | Dec. 2019                |
|           | 5 MHz     | Sept. 2021               |
|           | 15 MHz    | Apr. 2024                |
|           | 5 MHz     | June 2018 <sup>(1)</sup> |
| 2.5 GHz   | 30 MHz    | Aug. 2023                |

<sup>(1)</sup> Refers to a temporary license, which we renew on an annual basis.

In 2013, Telmex Colombia S.A. obtained permission to provide Pay TV services under any available technology, pursuant to ANTV's unified licensing system. The permission will expire in 2020 and may be renewed at the appropriate time for another 10-year term.

In 2017, the ICT Ministry issued a decree approving a higher cap on spectrum acquisitions by operators in low and high frequency bands. This new cap allows Comcel to participate in future spectrum auctions. The ICT Ministry has yet to release its final announcement regarding the upcoming spectrum auctions in the 700 MHz and 1900 MHz bands.

### Asymmetric Charges

In 2012, the CRC issued resolutions seeking to correct an alleged market failure and imposing the following measures on Comcel: (i) asymmetric charges for mobile and incoming long distance call terminations by other operators on Comcel's wireless network, with access rates lower than the rates we pay our competitors, and (ii) restrictions on the rates we charge our users for calls outside our network (off-net calls), which must not exceed the rates we charge for calls within our network (on-net calls).

These asymmetric access charges ended in December 2016. In January 2017, the Colombian government approved symmetrical access charges among established operators like Comcel, Movistar and Tigo. However, under current regulation, new market entrants continue to receive a higher access rate than established operators for a limited period.

In 2017, the CRC issued a resolution updating the list of relevant telecommunication markets by adding the mobile services market (including bundled mobile voice and data services) and by also including the mobile service market in the list of relevant markets subject to ex-ante regulation. In connection with the mobile services market, the CRC initiated a proceeding to evaluate Comcel's substantial market power in this new market and, if applicable, the imposition of asymmetric regulatory measures that could affect Comcel. As of the date of this annual report, a resolution is pending.

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**SOUTHERN CONE**

**ARGENTINA**

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

As part of the measures passed under the DNU, fixed and mobile services providers are prohibited from providing DTH technology, which is currently the fastest way to provide Pay TV services. In 2017, the Argentine government issued a decree allowing telecommunications providers, including AMX Argentina S.A. ( AMX Argentina ), to provide Pay TV services via cable within a limited number of territories as of January 2018. The start date for providing such Pay TV services to the rest of the country is to be determined by Enacom. AMX Argentina has obtained the permissions necessary to provide Pay TV services via cable in accordance with the decree to the territories approved by Enacom.

AMX Argentina holds licenses in the 700 MHz, 900 MHz, 1700/2100 MHz (AWS), 1900 MHz and 2600 MHz frequency bands, some of which expire in 15 years and some of which have no expiration date. Each license also contains certain coverage parameters, reporting and service requirements and provides Enacom a revocation right upon a material breach of the license terms.

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

**CHILE**

The General Telecommunications Law (*Ley General de Telecomunicaciones*) established the legal framework for telecommunications services in Chile, including the regulation of concessions, permits, rates and interconnection. The main regulatory agency of the telecommunications sector is the Chilean Transportation and Communications Ministry (*Ministerio de Transportes y Telecomunicaciones*), which acts primarily through the Undersecretary of Telecommunications (*Subsecretaría de Telecomunicaciones*).

Claro Chile S.A. ( Claro Chile ) holds concessions to provide mobile and fixed-line services in the 700 MHz, 850 MHz, 1900 MHz, 2.6 GHz, 3.4 to 3.6 GHz and 5.8 GHz frequency bands. Additionally, Claro Chile holds a 10-year license to provide DTH technology services and a license with an indefinite term to provide Pay TV services.

Some of Claro Chile's concessions impose additional requirements, such as coverage, reporting and service quality requirements. The Chilean Transportation and Communications Ministry is authorized to terminate any concession in the event of specified breaches under the terms of such concessions. Additionally, Claro Chile's concession in the 700 MHz band imposes certain obligations to expand mobile and data services in rural areas. In 2017, the Undersecretary of Telecommunication approved Claro Chile's expansion project in connection with its obligations under its concession in the 700 MHz band.

## 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 the event of specified breaches of the terms of a license.

AMX Paraguay, S.A. ( AMX Paraguay ) holds licenses to operate in the 1900 MHz and the 1700/2100 MHz bands. AMX Paraguay also holds a nationwide internet access and data transmission license. In addition, AMX Paraguay holds licenses to provide DTH services and cable TV services. Additionally, in January 2018, AMX Paraguay participated in a spectrum auction and was awarded a license to provide telecommunications services in the 700 MHz band. These licenses are renewable, subject to regulatory approval, and contain coverage, reporting and service requirements.

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### **URUGUAY**

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

AM Wireless Uruguay, S.A. holds licenses to operate in the 1900 MHz, 1700/2100 MHz and 700 MHz frequency bands that expire in 2024, 2033 and 2037, respectively, and Telstar, S.A. holds licenses to provide international long distance communications and mobile data services that have no expiration date.

The license initially granted to Flimay S.A. ( Flimay ) to provide DTH technology services in Uruguay has been contested by the government since 2012. In 2017, the executive branch of Uruguay held under a new ruling that Flimay does not have a valid license provide DTH services in the country. As of the date of this annual report, our challenge to such decision is pending.

### **ANDEAN REGION**

#### **ECUADOR**

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

The Telecommunications Law (*Ley Orgánica de Telecomunicaciones*), adopted in 2015, serves as the legal framework for telecommunications services. It established new regulations for operators with significant market power, new penalties based on their gross incomes as well as additional fees also based on an operator's gross income, but that can vary depending on the size of their market share. Consorcio Ecuatoriano de Telecomunicaciones, S.A. ( Conecel ) has been deemed to have significant market power in the advanced wireless services market, and as a result, such fee payments are made on a quarterly basis on the dates established by Arcotel.

For fiscal year 2017, Conecel has an obligation to pay the Ecuadorian government 5.0% of its advance wireless services for 2017, which represents approximately Ps.1.0 billion (U.S.\$51.6 million). As of the date of this annual report, Conecel has paid the Ecuadorian government Ps.0.8 billion (U.S.\$38.9 million), which represents 5.0% of such revenues generated in the first three quarters of 2017. Conecel has made a provision for Ps.0.3 billion (U.S.\$12.7 million), which corresponds to the approximate amount owed for the fourth quarter of 2017 and will be paid in due course. The regulator's decision to enact such penalties and the fee paid by Conecel are under dispute and subject to an arbitration proceeding.

Conecel holds concessions to operate in the 850MHz, 1900 MHz and AWS bands, which include concessions for PCS that expire in 2023. The PCS concession contains quality-of- service requirements for successful call completions,

SMS delivery times, customer service, geographic coverage and other service conditions. Conecel also holds licenses to provide internet value-added services, Pay TV Services (through DTH technology) and bearer services, expiring in 2021, 2023 and 2027, respectively.

Conecel, following the acquisition of Ecuador Telecom, S.A. in 2016, also holds a concession to offer fixed-line voice, public telephone and domestic and international long-distance wholesale services, as well as a license to provide Pay TV (through DTH technology) that expires in 2031.

In 2017, Arcotel eliminated the asymmetry in termination rates between Conecel and Telefónica S.A. starting in the second quarter of 2018 and reduced the asymmetry from 21.78% to 6.54%.

### **Recalculation of Concession Fees**

Arcotel has initiated several proceedings to recalculate the variable portion of the concession fees payable under Conecel's concessions, which, as of the date of this annual report, is equivalent to 2.93% of Conecel's annual revenues. In 2016, Conecel paid Ps.0.6 billion (U.S.\$31.3 million) in connection with such variable fees for the 2009 to 2011 period and Ps.0.3 billion (U.S.\$13.8 million) for the 2012 to 2014 period. The recalculations in connection with the 2015 and 2016 fiscal years continue to be under review by Arcotel.

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## PERU

The Supervisory Agency for Private Investment in Telecommunication (*Organismo Supervisor de la Inversión Privada en Telecomunicaciones*, or OSIPTEL ) is in charge of the regulation of the telecommunications industry in Peru. The Ministry of Transport and Communications (*Ministerio de Transportes y Comunicaciones*) grants concessions, permits and licenses. The Telecommunications Law (*Decreto Supremo N° 013-93-TCC Ley de Telecomunicaciones*), adopted in 1993, serves as the legal framework for telecommunications services.

América Móvil Perú, S.A.C. ( Claro Perú ) holds nationwide concessions to provide wireless, PCS, fixed-line, local wholesale, domestic and international long-distance, Pay TV services (through DTH and HFC technologies), public telephone and value-added services (including internet access). The concessions allow Claro Perú to operate on the 450 MHz, 700 MHz, 850 MHz, 1900 MHz, 3.5 GHz and 10.5 GHz bands. As part of Claro Perú's acquisition of Olo del Perú S.A.C., TVS Wireless S.A.C. and their respective subsidiaries in 2016, Claro has a resale agreement with such companies to operate on the 2.5 GHz band.

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

In 2015, new mobile termination rates were issued for 2015 through 2017, establishing two different rates, one for Claro Perú and Telefónica del Perú and a different one for our competitors, Viettel Perú S.A.C. and Entel. In 2017, the OSIPTEL announced the new mobile termination rate for the period 2018 to 2021, establishing a single rate for all operators.

**Table of Contents****EUROPE****Legal Framework and Principal Regulatory Authorities**

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

In 2015, the EU enacted Regulation (EU) 2015/2120, also known as the Telecoms Single Market Regulation, concerning retail roaming charges and net neutrality. The regulation (i) implemented additional regulations on net neutrality to protect the right of every European to non-discriminatory access to the internet, which came into effect in 2016 and (ii) ended most retail roaming surcharges in 2017. The net neutrality rules in the EU were similar to those enacted in the United States prior to their repeal by the Federal Communications Commission (FCC) in 2017. In the EU, all internet traffic must be treated equally, subject to strict and clearly identified exceptions. Telecommunications providers are still able to offer specialized services, so long as these services are not supplied at the expense of the quality of the open internet.

In 2016, the EU Commission initiated its second review of such framework (the first was in 2009) and presented a proposal for a new legal framework in the form of a European Electronic Communications Code (EECC), along with new connectivity policy objectives for Europe up to 2025, a draft regulation for internet access in public places and a 5G action plan. The draft proposal remains under negotiation between the European Parliament and the Council on the European Union.

In each European country in which we operate, we are also subject to a domestic telecommunications regulatory framework and to oversight by one or more local regulators.

**Licenses**

| Country         | Frequency | Termination Date |
|-----------------|-----------|------------------|
| <b>AUSTRIA</b>  | 800 MHz   | Dec. 2029        |
|                 | 900 MHz   | Dec. 2034        |
|                 | 1800 MHz  | Dec. 2034        |
|                 | 2100 MHz  | Dec. 2020        |
|                 | 2600 MHz  | Dec. 2026        |
| <b>BULGARIA</b> | 900 MHz   | June 2024        |

|                  |          |            |
|------------------|----------|------------|
| <b>CROATIA</b>   | 1800 MHz | June 2024  |
|                  | 2100 MHz | Apr. 2025  |
|                  | 800 MHz  | Oct. 2024  |
|                  | 900 MHz  | Oct. 2024  |
|                  | 1800 MHz | Oct. 2024  |
| <b>BELARUS</b>   | 1900 MHz | Oct. 2024  |
|                  | 2100 MHz | Oct. 2024  |
|                  | 900 MHz  | Dec. 2020  |
|                  | 1800 MHz | Dec. 2020  |
|                  | 2100 MHz | Dec. 2020  |
| <b>SLOVENIA</b>  | 800 MHz  | May 2029   |
|                  | 900 MHz  | Jan. 2031  |
|                  | 1800 MHz | Jan. 2031  |
|                  | 2600 MHz | May 2029   |
|                  | 2100 MHz | Sept. 2021 |
| <b>SERBIA</b>    | 800 MHz  | Jan. 2026  |
|                  | 900 MHz  | Nov. 2026  |
|                  | 1800 MHz | Nov. 2026  |
|                  | 2100 MHz | Nov. 2026  |
|                  | 800 MHz  | Dec. 2033  |
| <b>MACEDONIA</b> | 1800 MHz | Dec. 2033  |
|                  | 900 MHz  | Sept. 2023 |
|                  | 2100 MHz | Feb. 2028  |

Table of Contents**OTHER JURISDICTIONS**

| Country            | Principal Regulatory Authorities                                                                                                                                                                                                                                  | Concession and Licenses                                                                                                                                                                                                                                                                                                                                     |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>COSTA RICA</b>  | Superintendency of Telecommunications<br>( <i>Superintendencia de Telecomunicaciones</i> )                                                                                                                                                                        | Concessions in the AWS and 1800 MHz bands that expire in 2032<br><br>Concessions in the 2100 MHz band that expire in 2026<br><br>License to operate Pay TV services using DTH technology that will expire in 2027                                                                                                                                           |
| <b>EL SALVADOR</b> | Ministry of Science, Technology and Telecommunications<br>( <i>Ministerio de Ciencia, Tecnología y Telecomunicaciones</i> )<br><br>Electricity and Telecommunications Superintendency<br>( <i>Superintendencia General de Electricidad y Telecomunicaciones</i> ) | Concession of 50 MHz in the 1900 MHz band of which 30 MHz that expire in 2037, 10 MHz that expire in 2021 and 10 MHz that expire in 2028<br><br>Concession to provide public telephone service that expires in 2027                                                                                                                                         |
| <b>GUATEMALA</b>   | Guatemalan Telecommunications Agency ( <i>Superintendencia de Telecomunicaciones</i> )                                                                                                                                                                            | Licenses to provide Pay TV Services through HFC and DTH technologies have an indefinite term<br>Licenses to use 12 MHz in the 900 MHz band and 40 MHz in the 1900 MHz band that all expire in 2033                                                                                                                                                          |
| <b>NICARAGUA</b>   | Nicaraguan Telecommunications and Mailing Institute ( <i>Instituto Nicaragüense de Telecomunicaciones y Correos</i> )                                                                                                                                             | Concessions in the 700 MHz, 850 MHz, 1900 MHz and 1700/2100 MHz bands that all expire in 2032<br><br>Concession of 50 MHz in the 3.5 GHz band that will expire in 2042<br><br>Licenses to provide DTH technology that will expire in January 2028 (for which an application for renewal has been submitted) and Pay TV services that has an indefinite term |

**HONDURAS**

Honduran National  
Telecommunications Commission  
(*Comisión Nacional de  
Telecomunicaciones*)

Concessions to use 80 MHz in the 1900 MHz PCS  
band and 40 MHz in the LTE-4G 1700/2100 MHz  
band that all expire in 2033

Licenses to operate Pay TV services through (i) HFC  
technology that will expire in 2027 and (ii) DTH  
technology that will expire in 2020

**PANAMA**

National Authority of Public  
Services (*Autoridad Nacional de  
los Servicios Públicos*)

License to use 40 MHz in the 1900 MHz and 20 MHz  
in the 700 MHz bands that all expire in 2028

Licenses to provide fixed local and long distance  
services that expire in 2030

Licenses to provide international long-distance,  
value-added services, interactive television, and Pay  
TV service through DTH and IPTV technologies,  
which expire in 2028, 2030, 2037 and 2034,  
respectively

**UNITED STATES**

The FCC

Not required to hold wireless licenses to carry out its  
business

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| Country                   | Principal Regulatory Authorities                                                                    | Concession and Licenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DOMINICAN REPUBLIC</b> | Dominican Institute of Telecommunications ( <i>Instituto Dominicano de las Telecomunicaciones</i> ) | Concessions to use 25 MHz in the 800 MHz band, 30 MHz in the 1900 MHz band, 30 MHz in the 3.5 GHz band and 40 MHz in the 1.7/2.1 GHz (AWS) band that expire in 2030                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>PUERTO RICO</b>        | FCC and the Telecommunications Regulatory Board of Puerto Rico                                      | <p>Licenses to provide Pay TV Services through DTH and IPTV technologies that expire in 2030</p> <p>Concessions to use the 700 MHz, 1900 MHz and the 30 GHz bands that expire in 2021, 2027 and 2019, respectively</p> <p>Concessions to use the 800 MHz that expire in March 2018 (for which an application for renewal has been submitted), 2020, 2021 and 2026</p> <p>Concessions to use the 1.7/2.1 GHz bands that expire in 2026 and 2028</p> <p>Long-term transfer lease concessions to use 35.6 MHz of the 2.5 GHz EBS band that expire in 2020, 2022, 2023, 2025 and 2026</p> <p>Franchise to operate Pay TV Services using IPTV technology that expires in 2030</p> |

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

The following table sets forth the total number of employees and a breakdown of employees by main category of activity and geographic location, as of the end of each year in the three-year period ended December 31, 2017.

|                              | DECEMBER 31,   |                |                |
|------------------------------|----------------|----------------|----------------|
|                              | 2015           | 2016           | 2017           |
| <b>NUMBER OF EMPLOYEES</b>   | <b>195,475</b> | <b>194,431</b> | <b>191,851</b> |
| <b>CATEGORY OF ACTIVITY:</b> |                |                |                |
| Wireless                     | 77,701         | 78,887         | 78,910         |
| Fixed                        | 101,077        | 97,104         | 94,496         |
| Other businesses             | 16,697         | 18,440         | 18,445         |
| <b>GEOGRAPHIC LOCATION:</b>  |                |                |                |
| Mexico                       | 88,446         | 90,306         | 88,417         |
| South America                | 69,269         | 65,817         | 64,619         |
| Central America              | 9,581          | 9,767          | 9,694          |
| United States                | 902            | 848            | 852            |
| Caribbean                    | 9,605          | 9,488          | 9,311          |
| Europe                       | 17,672         | 18,205         | 18,958         |

*In each of the countries in which we operate, we are party to various legal proceedings in the ordinary course of business. These proceedings include tax, labor, antitrust, contractual matters and administrative and judicial*

*proceedings concerning regulatory matters such as interconnection and tariffs. We are party to a number of proceedings regarding our compliance with administrative rules and regulations and concession standards.*

Our material legal proceedings are described in Note 16 to our audited consolidated financial statements included in this annual report and in Regulation under Part VI.

**Table of Contents****AUDIT AND NON-AUDIT FEES**

The following table sets forth the fees billed to us and our subsidiaries by our independent registered public accounting firm, Mancera, during the fiscal years ended December 31, 2016 and 2017:

|                                   | YEAR ENDED DECEMBER 31,               |         |
|-----------------------------------|---------------------------------------|---------|
|                                   | 2016                                  | 2017    |
|                                   | <i>(in millions of Mexican pesos)</i> |         |
| Audit fees <sup>(1)</sup>         | Ps. 241                               | Ps. 245 |
| Audit-related fees <sup>(2)</sup> | 15                                    | 31      |
| Tax fees <sup>(3)</sup>           | 31                                    | 34      |
| Total fees                        | Ps. 287                               | Ps. 310 |

<sup>(1)</sup>Audit fees represent the aggregate fees billed by Mancera and its Ernst & Young Global affiliated firms in connection with the audit of our annual financial statements and statutory and regulatory audits.

<sup>(2)</sup> Audit-related fees represent the aggregate fees billed by Mancera and its Ernst & Young Global affiliated firms for the review of reports on our operations submitted to IFT and attestation services that are not required by statute or regulation.

<sup>(3)</sup>Tax fees represent fees billed by Mancera and its Ernst & Young Global affiliated firms for tax compliance services, tax planning services and tax advice services.

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

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

## EXCHANGE RATES

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

The following table sets forth, for the periods indicated, the high, low, average and period-end rate reported by Banco de México for December 31, 2017 as published in the Official Gazette, expressed in pesos per U.S. dollar.

| PERIOD                   | HIGH    | LOW     | AVERAGE <sup>(1)</sup> | PERIOD END |
|--------------------------|---------|---------|------------------------|------------|
| 2013                     | 13.4394 | 11.9807 | 12.8210                | 13.0765    |
| 2014                     | 14.7853 | 12.8462 | 13.3580                | 14.7180    |
| 2015                     | 17.3776 | 14.5559 | 16.0379                | 17.2065    |
| 2016                     | 21.0511 | 17.1767 | 18.6567                | 20.6640    |
| 2017                     | 21.9076 | 17.4937 | 18.9066                | 19.6629    |
| October                  | 19.2188 | 18.2113 | 18.8161                | 19.1478    |
| November                 | 19.2268 | 18.5190 | 18.9158                | 18.6229    |
| December                 | 19.7867 | 18.6399 | 19.1812                | 19.6629    |
| 2018                     |         |         |                        |            |
| January                  | 19.4899 | 18.4672 | 18.9074                | 18.6069    |
| February                 | 18.8949 | 18.3447 | 18.6592                | 18.8381    |
| March                    | 18.8508 | 18.1869 | 18.6027                | 18.1869    |
| April (through April 24) | 18.9429 | 18.0115 | 18.2956                | 18.8188    |

<sup>(1)</sup> Average of month-end rates.

On April 24, 2018 the rate published by the Official Gazette was Ps.18.8188 to U.S.\$1.00.

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*We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its public reference rooms in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.*

Any filings we make electronically will be available to the public over the internet at the SEC's web site at [www.sec.gov](http://www.sec.gov) and at our website at [www.americamovil.com](http://www.americamovil.com). This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report.

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

|         |                                                                                                                                                                     |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.1     | <u>Amended and Restated Bylaws (<i>estatutos sociales</i>) of América Móvil, S.A.B. de C.V., dated as of April 16, 2018 (together with an English translation).</u> |
| 7.1     | <u>Computation of Ratios of Earnings to Fixed Charges.</u>                                                                                                          |
| 8.1     | <u>List of certain subsidiaries of América Móvil, S.A.B. de C.V.</u>                                                                                                |
| 12.1    | <u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>                                                          |
| 12.2    | <u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>                                                          |
| 13.1    | <u>Certification pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.</u>                                                                                    |
| 14.1    | <u>Code of Ethics.</u>                                                                                                                                              |
| 15.1    | <u>Consent of independent registered public accounting firm.</u>                                                                                                    |
| 101.INS | XBRL Instance Document.                                                                                                                                             |
| 101.SCH | XBRL Taxonomy Extension Schema Document.                                                                                                                            |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.                                                                                                              |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document.                                                                                                                    |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document.                                                                                                             |
| 101.DEF | XBRL Taxonomy Extension Definition Document.                                                                                                                        |

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to long-term debt of América Móvil, none of which authorizes securities in a total amount that exceeds 10% of the total assets of América Móvil. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements as the Commission requests.



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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.

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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| <b>Term</b>           | <b>Definition</b>                                                                                                                                                                 |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AWS                   | Advanced Wireless Services. This is a wireless telecommunications spectrum band used for wireless voice and data services, video and messaging.                                   |
| Broadband             | High-speed data transmission in which a single cable (coaxial cable or optical fiber) can carry a large amount of data at once.                                                   |
| Bundle or bundling    | The marketing of different services as one combined service.                                                                                                                      |
| Churn rate            | Disconnection rate. The ratio of wireless subscribers disconnected during a given period to the number of subscribers at the beginning of that period.                            |
| Covered population    | Population covered by our wireless networks, expressed as the population count or as a percentage of the total population.                                                        |
| Cloud services        | Internet-based services providing users with on-demand access to resources, data and information.                                                                                 |
| Data administration   | Services that plan, organize and control data resources for customers according to their needs.                                                                                   |
| Data center           | A facility used to house computer systems and associated components. We use our data centers to manage a number of cloud solutions.                                               |
| DTH                   | Direct-to-home broadcasting is a method for transmitting satellite signals directly to the subscriber's home.                                                                     |
| Fixed-line            | Telephone services requiring the use of a metal wire or fiber optic telephone line for transmission.                                                                              |
| Fixed RGUs            | RGUs from fixed voice, fixed data and Pay TV services.                                                                                                                            |
| GSM                   | Global System for Mobile Communications. A standard used to describe the protocols for certain digital cellular networks.                                                         |
| GSM EDGE              | Enhanced Data Rates for GSM Evolution is a 3rd generation ( 3G ) standard for wireless communication of data for mobile phones and data terminals.                                |
| HFC                   | Hybrid fiber-coaxial is a broadband network that combines optical fiber and coaxial cable.                                                                                        |
| Hosting services      | Services allowing customers to provide content on the internet, either through maintaining a webpage, an email address or other services.                                         |
| IAAS                  | Infrastructure as a service is a cloud-service model offering virtual machines and other resources.                                                                               |
| IMT-2000              | International Mobile Telecommunications-2000 is a set of global standards by the International Telecommunication Union for 3G wireless telecommunications services and equipment. |
| Interconnection rates | The charges that one telecommunications network operator charges another network operator for allowing customers to access its network.                                           |

|                             |                                                                                                                                             |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| IPTV                        | Internet Protocol television, which refers to the use of Internet technology to deliver television programs on demand                       |
| Licensed population         | Population covered by the licenses that each of our subsidiaries manages.                                                                   |
| Long-distance               | Long-distance calls are calls made outside a defined area and may incur additional charges or be subject to specific regulations.           |
| LTE/4G                      | Long-term evolution is a 4th generation ( 4G ) standard for wireless communication of high-speed data for mobile phones and data terminals. |
| Machine-to-machine services | Services allowing direct communication between devices over a network, including fixed and wireless devices.                                |
| Market share                | A company's subscriber base in a given country divided by the total number of subscribers in that country.                                  |
| Mobile payment              | Refers to payment services and applications operated and performed on a mobile device.                                                      |

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| <b>Term</b>                 | <b>Definition</b>                                                                                                                                                                                                                                                                                                                        |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MHz                         | Megahertz. The unit of frequency to measure one thousand cycles per second that is used to determine radio frequencies.                                                                                                                                                                                                                  |
| MVNO                        | Mobile Virtual Network Operator. A wireless communications services provider that does not own the wireless network infrastructure but enters into agreements with other mobile service providers for the use of their networks.                                                                                                         |
| Net debt                    | Total debt minus cash and cash equivalents, minus marketable securities or other short-term investments.                                                                                                                                                                                                                                 |
| On-demand                   | Describes services providing customers with the ability to stream content over our network immediately upon their request.                                                                                                                                                                                                               |
| OTT services                | Over-the-top Services. The provision of content, including videos, television and other information, directly from the content provider to the viewer or end user.                                                                                                                                                                       |
| Pay TV                      | Pay Television. This refers to television services we offer to subscribers through cable and satellite networks.                                                                                                                                                                                                                         |
| PCS                         | Personal Communications Service refers to a wide range of wireless communication technologies, including cellular, mobile data, Internet or paging services. Similar but distinct from cellular telephone services in the frequencies on which they operate and the power levels each uses to transmit signals, among other differences. |
| Prepaid subscriber          | A subscriber who does not hold a contract with the company for voice and data services but pays in advance for specific use of services.                                                                                                                                                                                                 |
| Postpaid subscriber         | A subscriber who has a contract with the company for voice and data services and is billed recurrently for use of services.                                                                                                                                                                                                              |
| RGU                         | Revenue Generating Unit. This is an individual subscriber who provides recurring revenue.                                                                                                                                                                                                                                                |
| Roaming                     | Allows wireless subscribers to access networks other than our own, enabling them to use their devices, including for voice and data transmission. Typically refers to using accessing a network while abroad.                                                                                                                            |
| SMS                         | Short Message Service. A text messaging service component of a fixed or wireless communication system.                                                                                                                                                                                                                                   |
| SAAS                        | Software as a service is a cloud-service model offering users access to software applications and databases.                                                                                                                                                                                                                             |
| Subscriber acquisition cost | The sum of handset subsidies, marketing expenses and commissions to distributors for handset activation. Handset subsidy is the difference between equipment cost and equipment revenues.                                                                                                                                                |
| Total RGUs                  | Fixed RGUs and wireless subscribers.                                                                                                                                                                                                                                                                                                     |
| UMTS                        | Universal Mobile Telecommunications System is a 3G mobile cellular system for networks based on the GSM standard.                                                                                                                                                                                                                        |
| VPN                         | Virtual private network grants users access to a private network virtually across a public network.                                                                                                                                                                                                                                      |
| Wireless penetration        | Total wireless subscribers in a given country divided by the total population in that country.                                                                                                                                                                                                                                           |



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**DIRECTORS, SENIOR MANAGEMENT AND  
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| 6C Board practices                 | Management              | 72  |
|                                    | Management compensation | 80  |
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| 6E Share ownership                 | Major shareholders      | 56  |
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**7 MAJOR SHAREHOLDERS AND RELATED PARTY  
TRANSACTIONS**

|                                     |                            |    |
|-------------------------------------|----------------------------|----|
| 7A Major shareholders               | Major shareholders         | 56 |
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|            |                                                                               |                                                                        |     |
|------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------|-----|
|            | 12C Other securities                                                          | Not applicable                                                         |     |
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The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Dated: April 26, 2018

AMÉRICA MÓVIL, S.A.B. DE C.V.

By: /s/ Carlos José García Moreno Elizondo  
Name: Carlos José García Moreno Elizondo  
Title: Chief Financial Officer

By: /s/ Alejandro Cantú Jiménez  
Name: Alejandro Cantú Jiménez  
Title: General Counsel

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

**Consolidated Financial Statements**

Years Ended December 31, 2015, 2016 and 2017

with Report of Independent Registered Public Accounting Firm

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

**Consolidated Financial Statements**

Years Ended December 31, 2015, 2016, and 2017

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

América Móvil, S.A.B. de C.V.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of financial position of América Móvil, S.A.B. de C.V. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of three years in the period ended December 31, 2017, and the related notes (collectively referred to as the financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated April 26, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ MANCERA, S.C.

We have served as the Company's auditor since 1993.

Mexico City, Mexico

April 26, 2018



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

(In thousands of Mexican pesos)

|                                                             |      |     | At December 31, |     | 2017          |                          |
|-------------------------------------------------------------|------|-----|-----------------|-----|---------------|--------------------------|
|                                                             | Note |     | 2016            |     | 2017          | Millions of U.S. dollars |
| <b>Assets</b>                                               |      |     |                 |     |               |                          |
| Current assets:                                             |      |     |                 |     |               |                          |
| Cash and cash equivalents                                   | 3    | Ps. | 23,218,383      | Ps. | 24,270,473    | US\$ 1,227               |
| Marketable securities and other short-term investments      | 4    |     | 54,857,157      |     | 59,120,676    | 2,988                    |
| Accounts receivable:                                        |      |     |                 |     |               |                          |
| Subscribers, distributors, recoverable taxes and other, net | 5    |     | 205,774,539     |     | 193,776,144   | 9,793                    |
| Related parties                                             | 6    |     | 740,492         |     | 868,230       | 44                       |
| Derivative financial instruments                            | 7    |     | 909,051         |     | 8,037,384     | 406                      |
| Inventories, net                                            | 8    |     | 36,871,292      |     | 38,809,565    | 1,961                    |
| Other current assets, net                                   | 9    |     | 19,538,093      |     | 17,352,746    | 877                      |
| Total current assets                                        |      | Ps. | 341,909,007     | Ps. | 342,235,218   | US\$ 17,296              |
| Non-current assets:                                         |      |     |                 |     |               |                          |
| Property, plant and equipment, net                          | 10   | Ps. | 701,190,066     | Ps. | 676,343,198   | US\$ 34,182              |
| Intangibles, net                                            | 11   |     | 152,369,446     |     | 143,539,626   | 7,254                    |
| Goodwill                                                    | 11   |     | 152,632,635     |     | 151,463,232   | 7,655                    |
| Investments in associated companies                         |      |     | 3,603,484       |     | 3,735,172     | 189                      |
| Deferred income taxes                                       | 13   |     | 112,651,699     |     | 116,571,349   | 5,891                    |
| Accounts receivable, subscribers and distributors           | 5    |     | 11,184,860      |     | 9,786,581     | 495                      |
| Other assets, net                                           | 9    |     | 39,501,077      |     | 42,537,476    | 2,150                    |
| Total assets                                                |      | Ps. | 1,515,042,274   | Ps. | 1,486,211,852 | US\$ 75,112              |
| <b>Liabilities and equity</b>                               |      |     |                 |     |               |                          |
| Current liabilities:                                        |      |     |                 |     |               |                          |
| Short-term debt and current portion of long-term debt       | 14   | Ps. | 82,607,259      | Ps. | 51,745,841    | US\$ 2,615               |
| Accounts payable                                            | 15a  |     | 237,265,126     |     | 212,673,407   | 10,749                   |
| Accrued liabilities                                         | 15b  |     | 70,479,230      |     | 67,752,758    | 3,425                    |
| Income tax                                                  |      |     | 3,200,673       |     | 9,362,009     | 473                      |
| Other taxes payable                                         |      |     | 22,087,957      |     | 24,387,484    | 1,233                    |
| Derivative financial instruments                            | 7    |     | 14,136,351      |     | 10,602,539    | 536                      |
| Related parties                                             | 6    |     | 2,971,325       |     | 2,540,412     | 128                      |

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|                                                     |     |     |               |     |                      |      |                |
|-----------------------------------------------------|-----|-----|---------------|-----|----------------------|------|----------------|
| Deferred revenues                                   |     |     | 37,255,328    |     | <b>34,272,047</b>    |      | <b>1,732</b>   |
| Total current liabilities                           |     | Ps. | 470,003,249   | Ps. | <b>413,336,497</b>   | US\$ | <b>20,891</b>  |
| Non-current-liabilities:                            |     |     |               |     |                      |      |                |
| Long-term debt                                      | 14  | Ps. | 625,194,144   | Ps. | <b>646,139,058</b>   | US\$ | <b>32,655</b>  |
| Deferred income taxes                               | 13  |     | 14,061,881    |     | <b>11,997,364</b>    |      | <b>606</b>     |
| Income tax                                          |     |     | 2,348,069     |     | <b>8,622,500</b>     |      | <b>436</b>     |
| Deferred revenues                                   |     |     | 1,625,270     |     | <b>3,183,727</b>     |      | <b>161</b>     |
| Derivative financial instruments                    | 7   |     | 3,448,396     |     | <b>3,756,921</b>     |      | <b>190</b>     |
| Asset retirement obligations                        | 15c |     | 16,288,631    |     | <b>18,245,129</b>    |      | <b>922</b>     |
| Employee benefits                                   | 17  |     | 111,048,867   |     | <b>120,297,139</b>   |      | <b>6,080</b>   |
| Total non-current liabilities                       |     | Ps. | 774,015,258   | Ps. | <b>812,241,838</b>   | US\$ | <b>41,050</b>  |
| Total liabilities                                   |     | Ps. | 1,244,018,507 | Ps. | <b>1,225,578,335</b> | US\$ | <b>61,941</b>  |
| Equity:                                             |     |     |               |     |                      |      |                |
| Capital stock                                       | 19  | Ps. | 96,337,514    | Ps. | <b>96,338,508</b>    | US\$ | <b>4,869</b>   |
| Retained earnings:                                  |     |     |               |     |                      |      |                |
| Prior years                                         |     |     | 149,065,873   |     | <b>141,761,677</b>   |      | <b>7,164</b>   |
| Profit for the year                                 |     |     | 8,649,427     |     | <b>29,325,921</b>    |      | <b>1,482</b>   |
| Total retained earnings                             |     |     | 157,715,300   |     | <b>171,087,598</b>   |      | <b>8,646</b>   |
| Other comprehensive loss items                      |     |     | (45,137,571)  |     | <b>(73,261,794)</b>  |      | <b>(3,703)</b> |
| Equity attributable to equity holders of the parent |     |     | 208,915,243   |     | <b>194,164,312</b>   |      | <b>9,812</b>   |
| Non-controlling interests                           |     |     | 62,108,524    |     | <b>66,469,205</b>    |      | <b>3,359</b>   |
| Total equity                                        |     |     | 271,023,767   |     | <b>260,633,517</b>   |      | <b>13,171</b>  |
| Total liabilities and equity                        |     | Ps. | 1,515,042,274 | Ps. | <b>1,486,211,852</b> | US\$ | <b>75,112</b>  |

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

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

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

**For the year ended December 31**

|                                                       | Note        | 2015         | 2016            | 2017              | 2017<br>Millions of U.S.<br>dollars,<br>except<br>for earnings<br>per share |
|-------------------------------------------------------|-------------|--------------|-----------------|-------------------|-----------------------------------------------------------------------------|
| <b>Operating revenues:</b>                            |             |              |                 |                   |                                                                             |
| Mobile voice services                                 | Ps.         | 256,146,766  | Ps. 242,302,380 | Ps. 221,751,600   | US\$ 11,207                                                                 |
| Fixed voice services                                  |             | 95,470,187   | 95,299,154      | 89,856,743        | 4,541                                                                       |
| Mobile data services                                  |             | 226,723,039  | 256,936,895     | 308,526,994       | 15,593                                                                      |
| Fixed data services                                   |             | 109,257,140  | 126,278,206     | 139,277,613       | 7,039                                                                       |
| Pay television                                        |             | 66,050,857   | 78,268,778      | 86,882,606        | 4,391                                                                       |
| Sales of equipment,<br>accessories and<br>computers   |             | 115,938,623  | 143,527,123     | 143,222,212       | 7,238                                                                       |
| Other related services                                |             | 24,151,127   | 32,799,952      | 32,115,767        | 1,623                                                                       |
|                                                       | Ps.         | 893,737,739  | Ps. 975,412,488 | Ps. 1,021,633,535 | US\$ 51,632                                                                 |
| <b>Operating costs and expenses:</b>                  |             |              |                 |                   |                                                                             |
| Cost of sales and<br>services                         |             | 420,263,931  | 485,060,579     | 496,335,746       | 25,084                                                                      |
| Commercial,<br>administrative and<br>general expenses |             | 201,360,956  | 228,101,116     | 240,634,431       | 12,161                                                                      |
| Other expenses                                        |             | 4,984,956    | 4,114,562       | 24,345,113        | 1,230                                                                       |
| Depreciation and<br>amortization                      | 9,10 and 11 | 125,714,735  | 148,525,921     | 160,174,942       | 8,095                                                                       |
|                                                       | Ps.         | 752,324,578  | Ps. 865,802,178 | Ps. 921,490,232   | US\$ 46,570                                                                 |
| Operating income                                      | Ps.         | 141,413,161  | Ps. 109,610,310 | Ps. 100,143,303   | US\$ 5,062                                                                  |
| Interest income                                       |             | 4,853,012    | 4,192,595       | 2,925,648         | 148                                                                         |
| Interest expense                                      |             | (31,197,372) | (33,862,012)    | (30,300,781)      | (1,531)                                                                     |
| Foreign currency<br>exchange loss, net                |             | (78,997,988) | (40,427,407)    | (13,818,951)      | (698)                                                                       |
|                                                       | 21          | 21,496,316   | (16,225,841)    | (1,943,760)       | (98)                                                                        |

Valuation of  
derivatives, interest cost  
from labor obligations  
and other financial  
items, net

|                                                                    |  |             |  |         |  |        |  |   |
|--------------------------------------------------------------------|--|-------------|--|---------|--|--------|--|---|
| Equity interest in net<br>(loss) income of<br>associated companies |  | (1,426,696) |  | 189,950 |  | 91,385 |  | 5 |
|--------------------------------------------------------------------|--|-------------|--|---------|--|--------|--|---|

|                          |    |            |  |            |  |            |  |       |
|--------------------------|----|------------|--|------------|--|------------|--|-------|
| Profit before income tax |    | 56,140,433 |  | 23,477,595 |  | 57,096,844 |  | 2,888 |
| Income tax               | 13 | 19,179,651 |  | 11,398,856 |  | 24,941,511 |  | 1,261 |

|                         |  |                |  |                |  |                |  |            |
|-------------------------|--|----------------|--|----------------|--|----------------|--|------------|
| Net profit for the year |  | Ps. 36,960,782 |  | Ps. 12,078,739 |  | Ps. 32,155,333 |  | US\$ 1,627 |
|-------------------------|--|----------------|--|----------------|--|----------------|--|------------|

Net profit for the year  
attributable to:

|                                 |  |                |  |               |  |                |  |            |
|---------------------------------|--|----------------|--|---------------|--|----------------|--|------------|
| Equity holders of the<br>parent |  | Ps. 35,054,772 |  | Ps. 8,649,427 |  | Ps. 29,325,921 |  | US\$ 1,482 |
|---------------------------------|--|----------------|--|---------------|--|----------------|--|------------|

|                              |  |           |  |           |  |           |  |     |
|------------------------------|--|-----------|--|-----------|--|-----------|--|-----|
| Non-controlling<br>interests |  | 1,906,010 |  | 3,429,312 |  | 2,829,412 |  | 145 |
|------------------------------|--|-----------|--|-----------|--|-----------|--|-----|

|  |  |                |  |                |  |                |  |            |
|--|--|----------------|--|----------------|--|----------------|--|------------|
|  |  | Ps. 36,960,782 |  | Ps. 12,078,739 |  | Ps. 32,155,333 |  | US\$ 1,627 |
|--|--|----------------|--|----------------|--|----------------|--|------------|

Basic and diluted  
earnings per share  
attributable to equity  
holders of the parent

|  |  |          |  |          |  |          |  |           |
|--|--|----------|--|----------|--|----------|--|-----------|
|  |  | Ps. 0.52 |  | Ps. 0.13 |  | Ps. 0.44 |  | US\$ 0.02 |
|--|--|----------|--|----------|--|----------|--|-----------|

**Other comprehensive  
income (loss) items:**

**Net other  
comprehensive (loss)  
income that may be  
reclassified to profit or  
loss in subsequent  
years:**

|                                              |  |                  |  |                 |  |                  |  |            |
|----------------------------------------------|--|------------------|--|-----------------|--|------------------|--|------------|
| Effect of translation of<br>foreign entities |  | Ps. (35,606,320) |  | Ps. 107,498,708 |  | Ps. (18,309,877) |  | US\$ (925) |
|----------------------------------------------|--|------------------|--|-----------------|--|------------------|--|------------|

|                                                                  |  |        |  |        |  |        |  |   |
|------------------------------------------------------------------|--|--------|--|--------|--|--------|--|---|
| Effect of fair value of<br>derivatives, net of<br>deferred taxes |  | 37,495 |  | 49,129 |  | 12,292 |  | 1 |
|------------------------------------------------------------------|--|--------|--|--------|--|--------|--|---|

|                                                                                         |  |       |  |             |  |         |  |    |
|-----------------------------------------------------------------------------------------|--|-------|--|-------------|--|---------|--|----|
| Unrealized gain (loss)<br>on available for sale<br>securities, net of<br>deferred taxes |  | 4,011 |  | (6,673,731) |  | 622,424 |  | 31 |
|-----------------------------------------------------------------------------------------|--|-------|--|-------------|--|---------|--|----|

**Items that will not be  
reclassified to (loss) or  
profit in subsequent  
years:**

|                                                |  |              |  |            |  |             |  |       |
|------------------------------------------------|--|--------------|--|------------|--|-------------|--|-------|
| Re-measurement of<br>defined benefit plan, net |  | (17,980,418) |  | 14,773,399 |  | (7,046,089) |  | (356) |
|------------------------------------------------|--|--------------|--|------------|--|-------------|--|-------|

of deferred taxes

|                                                                                   |    |              |             |              |         |
|-----------------------------------------------------------------------------------|----|--------------|-------------|--------------|---------|
| Total other comprehensive (loss) income items for the year, net of deferred taxes | 20 | (53,545,232) | 115,647,505 | (24,721,250) | (1,249) |
|-----------------------------------------------------------------------------------|----|--------------|-------------|--------------|---------|

|                                                |                  |                 |               |          |
|------------------------------------------------|------------------|-----------------|---------------|----------|
| Total comprehensive (loss) income for the year | Ps. (16,584,450) | Ps. 127,726,244 | Ps. 7,434,083 | US\$ 378 |
|------------------------------------------------|------------------|-----------------|---------------|----------|

**Comprehensive (loss) income for the year attributable to:**

|                              |                  |                 |               |         |
|------------------------------|------------------|-----------------|---------------|---------|
| Equity holders of the parent | Ps. (16,750,963) | Ps. 120,974,842 | Ps. 1,201,698 | US\$ 62 |
|------------------------------|------------------|-----------------|---------------|---------|

|                           |         |           |           |     |
|---------------------------|---------|-----------|-----------|-----|
| Non-controlling interests | 166,513 | 6,751,402 | 6,232,385 | 316 |
|---------------------------|---------|-----------|-----------|-----|

|  |                  |                 |               |          |
|--|------------------|-----------------|---------------|----------|
|  | Ps. (16,584,450) | Ps. 127,726,244 | Ps. 7,434,083 | US\$ 378 |
|--|------------------|-----------------|---------------|----------|

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

Table of Contents**AMÉRICA MÓVIL, S.A.B. DE C.V. AND SUBSIDIARIES****Consolidated Statements of Changes in Shareholders' Equity****For the year ended December 31, 2015, 2016 and 2017**

(In thousands of Mexican pesos)

| <b>Legal<br/>reserve</b> | <b>Retained<br/>earnings</b> | <b>Effect of<br/>derivative<br/>financial<br/>instruments<br/>acquired for<br/>hedging<br/>purposes</b> | <b>Unrealized<br/>gain (loss) on<br/>available<br/>for sale<br/>securities</b> | <b>Re-measurement<br/>of defined<br/>benefit plans</b> | <b>Cumulative<br/>translation<br/>adjustment</b> | <b>Total equity<br/>attributable to<br/>equity holders<br/>of the parent</b> | <b>c</b> |
|--------------------------|------------------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------|----------|
| Ps. 358,440              | Ps. 191,975,968              | Ps. (1,556,693)                                                                                         | Ps.                                                                            | Ps. (62,992,683)                                       | Ps. (39,783,387)                                 | Ps. 184,384,276                                                              | Ps.      |
|                          | 35,054,772                   |                                                                                                         |                                                                                |                                                        |                                                  | 35,054,772                                                                   |          |
|                          |                              | 37,011                                                                                                  |                                                                                |                                                        |                                                  | 37,011                                                                       |          |
|                          |                              |                                                                                                         | 4,011                                                                          |                                                        |                                                  | 4,011                                                                        |          |
|                          |                              |                                                                                                         |                                                                                | (17,791,354)                                           |                                                  | (17,791,354)                                                                 |          |
|                          |                              |                                                                                                         |                                                                                |                                                        | (34,055,403)                                     | (34,055,403)                                                                 |          |
|                          | 35,054,772                   | 37,011                                                                                                  | 4,011                                                                          | (17,791,354)                                           | (34,055,403)                                     | (16,750,963)                                                                 |          |
|                          | (37,192,594)                 |                                                                                                         |                                                                                |                                                        |                                                  | (37,192,594)                                                                 |          |
|                          | (33,942,627)                 |                                                                                                         |                                                                                |                                                        |                                                  | (33,951,781)                                                                 |          |

|              |             |           |             |              |              |             |              |
|--------------|-------------|-----------|-------------|--------------|--------------|-------------|--------------|
| 16,193,640   |             |           |             |              |              |             | 16,158,640   |
|              |             |           |             |              |              |             |              |
|              |             | 1,458,894 |             |              | (2,060,910)  | 348,593     | (253,423)    |
|              |             |           |             |              |              |             |              |
| (116,160)    |             |           |             |              |              |             | (116,160)    |
|              |             |           |             |              |              |             |              |
| 358,440      | 171,972,999 | (60,788)  | 4,011       | (82,844,947) | (73,490,197) | 112,277,995 |              |
| 8,649,427    |             |           |             |              |              |             | 8,649,427    |
|              |             |           |             |              |              |             |              |
|              |             | 48,496    |             |              |              |             | 48,496       |
|              |             |           |             |              |              |             |              |
|              |             |           |             |              |              |             | (6,673,731)  |
|              |             |           |             |              |              |             |              |
|              |             |           |             |              |              |             | 14,771,770   |
|              |             |           |             |              |              |             |              |
|              |             |           |             |              |              |             | 104,178,880  |
|              |             |           |             |              |              |             |              |
| 8,649,427    |             | 48,496    | (6,673,731) | 14,771,770   | 104,178,880  | 120,974,842 |              |
| (18,339,294) |             |           |             |              |              |             | (18,339,294) |
| 4,606,274    |             |           |             |              |              |             | 4,607,786    |
| (7,213,397)  |             |           |             |              |              |             | (7,215,872)  |

|         |                     |               |                |                    |                     |                     |                     |
|---------|---------------------|---------------|----------------|--------------------|---------------------|---------------------|---------------------|
|         |                     |               |                |                    | 68,127              | (1,139,192)         | (1,071,065)         |
|         |                     |               |                |                    |                     |                     |                     |
|         |                     | (2,319,149)   |                |                    |                     |                     | (2,319,149)         |
|         |                     |               |                |                    |                     |                     |                     |
| 358,440 | 157,356,860         | (12,292)      | (6,669,720)    | (68,005,050)       | 29,549,491          |                     | 208,915,243         |
|         | <b>29,325,921</b>   |               |                |                    |                     |                     | <b>29,325,921</b>   |
|         |                     |               |                |                    |                     |                     |                     |
|         |                     | <b>12,292</b> |                |                    |                     |                     | <b>12,292</b>       |
|         |                     |               |                |                    |                     |                     |                     |
|         |                     |               | <b>622,424</b> |                    |                     |                     | <b>622,424</b>      |
|         |                     |               |                |                    |                     |                     |                     |
|         |                     |               |                |                    | <b>(7,075,606)</b>  |                     | <b>(7,075,606)</b>  |
|         |                     |               |                |                    |                     |                     |                     |
|         |                     |               |                |                    |                     | <b>(21,683,333)</b> | <b>(21,683,333)</b> |
|         |                     |               |                |                    |                     |                     |                     |
|         | <b>29,325,921</b>   | <b>12,292</b> | <b>622,424</b> | <b>(7,075,606)</b> | <b>(21,683,333)</b> |                     | <b>1,201,698</b>    |
|         | <b>(19,815,470)</b> |               |                |                    |                     |                     | <b>(19,815,470)</b> |
|         | <b>4,902,818</b>    |               |                |                    |                     |                     | <b>4,904,082</b>    |
|         | <b>(1,040,686)</b>  |               |                |                    |                     |                     | <b>(1,040,956)</b>  |
|         |                     |               |                |                    |                     |                     |                     |
|         | <b>(285)</b>        |               |                |                    |                     |                     | <b>(285)</b>        |

Ps. 358,440 Ps. 170,729,158 Ps. Ps. (6,047,296) Ps. (75,080,656) Ps. 7,866,158 Ps. 194,164,312 Ps.

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

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

(In thousands of Mexican pesos)

| For the year ended December 31                                                                            |          |              |                |                | 2017<br>Millions of U.S.<br>dollars |       |
|-----------------------------------------------------------------------------------------------------------|----------|--------------|----------------|----------------|-------------------------------------|-------|
|                                                                                                           | Note     | 2015         | 2016           | 2017           |                                     |       |
| <b>Operating activities</b>                                                                               |          |              |                |                |                                     |       |
| Profit before income tax                                                                                  | Ps.      | 56,140,433   | Ps. 23,477,595 | Ps. 57,096,844 | US\$                                | 2,888 |
| Items not requiring the use of cash:                                                                      |          |              |                |                |                                     |       |
| Depreciation                                                                                              | 10       | 110,155,403  | 127,662,344    | 135,206,080    |                                     | 6,833 |
| Amortization of intangible and other assets                                                               | 9 and 11 | 15,559,332   | 20,863,577     | 24,968,862     |                                     | 1,262 |
| Equity interest in net loss (income) of associated companies                                              |          | 1,426,696    | (189,950)      | (91,385)       |                                     | (5)   |
| Gain on derecognition of equity method investment                                                         |          | (11,988,038) |                |                |                                     |       |
| Loss on sale of property, plant and equipment                                                             |          | 127,379      | 8,059          | 145,225        |                                     | 7     |
| Net period cost of labor obligations                                                                      | 17       | 9,278,081    | 14,240,271     | 13,636,182     |                                     | 689   |
| Foreign currency exchange loss, net                                                                       |          | 59,251,486   | 34,049,726     | 11,699,985     |                                     | 591   |
| Interest income                                                                                           |          | (4,853,012)  | (4,192,595)    | (2,925,648)    |                                     | (148) |
| Interest expense                                                                                          |          | 31,197,372   | 33,862,012     | 30,300,781     |                                     | 1,531 |
| Employee profit sharing                                                                                   |          | 3,311,887    | 2,235,267      | 1,751,312      |                                     | 89    |
| Loss on partial sales of shares of associated company                                                     |          | 545          |                |                |                                     |       |
| (Gain) loss in valuation of derivative financial instruments, capitalized interest expense and other, net |          | (18,313,877) | 85,216         | (19,010,851)   |                                     | (961) |
| Working capital changes:                                                                                  |          |              |                |                |                                     |       |
| Accounts receivable from subscribers, distributors, recoverable taxes and other, net                      |          | (17,641,833) | (14,192,651)   | 1,799,095      |                                     | 91    |
| Prepaid expenses                                                                                          |          | (1,765,071)  | 792,979        | 4,588,584      |                                     | 232   |
| Related parties                                                                                           |          | 113,662      | 829,632        | (558,651)      |                                     | (28)  |

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|                                          |              |              |              |         |
|------------------------------------------|--------------|--------------|--------------|---------|
| Inventories                              | (83,902)     | 3,076,159    | (2,991,009)  | (151)   |
| Other assets                             | (8,378,977)  | (2,944,581)  | (4,763,394)  | (241)   |
| Employee benefits                        | (3,058,536)  | (5,384,944)  | (14,692,218) | (743)   |
| Accounts payable and accrued liabilities | (6,269,338)  | 18,196,349   | 5,190,137    | 262     |
| Employee profit sharing paid             | (4,055,711)  | (3,297,439)  | (1,471,946)  | (74)    |
| Financial instruments and other          | (1,882,540)  | 28,878,632   | 1,515,668    | 77      |
| Deferred revenues                        | 782,803      | (972,376)    | (452,913)    | (23)    |
| Interest received                        | 5,275,303    | 3,239,845    | 819,940      | 41      |
| Income taxes paid                        | (50,602,556) | (44,525,073) | (23,988,305) | (1,211) |

|                                                 |                 |                 |                 |             |
|-------------------------------------------------|-----------------|-----------------|-----------------|-------------|
| Net cash flows provided by operating activities | Ps. 163,726,991 | Ps. 235,798,054 | Ps. 217,772,375 | US\$ 11,008 |
|-------------------------------------------------|-----------------|-----------------|-----------------|-------------|

**Investing activities**

|                                                     |               |               |               |         |
|-----------------------------------------------------|---------------|---------------|---------------|---------|
| Purchase of property, plant and equipment           | (128,039,913) | (138,707,157) | (119,185,137) | (6,024) |
| Acquisition of intangibles                          | (23,532,826)  | (16,316,738)  | (17,538,541)  | (886)   |
| Dividends received                                  | 21 1,645,712  | 5,740,092     | 2,385,559     | 121     |
| Proceeds from sale of plant, property and equipment | 27,329        | 115,600       | 133,349       | 7       |
| Acquisition of businesses, net of cash acquired     | (3,457,153)   | (1,823,813)   | (6,878,793)   | (348)   |
| Partial sale of shares of associated company        | 633,270       |               | 340,040       | 17      |
| Proceeds from repayment of related party loan       | 21,000,000    |               |               |         |
| Investments in associate companies                  | (177,965)     | (3,487)       |               |         |

|                                             |                   |                   |                   |              |
|---------------------------------------------|-------------------|-------------------|-------------------|--------------|
| Net cash flows used in investing activities | Ps. (131,901,546) | Ps. (150,995,503) | Ps. (140,743,523) | US\$ (7,113) |
|---------------------------------------------|-------------------|-------------------|-------------------|--------------|

**Financing activities**

|                                          |               |               |               |         |
|------------------------------------------|---------------|---------------|---------------|---------|
| Loans obtained                           | 189,073,791   | 64,281,631    | 143,607,726   | 7,258   |
| Repayment of loans                       | (133,110,776) | (125,672,444) | (171,041,215) | (8,644) |
| Interest paid                            | (32,830,432)  | (32,125,872)  | (31,196,441)  | (1,577) |
| Repurchase of shares                     | (34,443,084)  | (7,021,247)   | (1,233,371)   | (62)    |
| Dividends paid                           | (37,359,600)  | (13,809,957)  | (16,091,390)  | (813)   |
| Derivative financial instruments         | (503,444)     | (351,213)     | (71,474)      | (4)     |
| Partial sale of shares in subsidiary     |               | 6,323,336     |               |         |
| Acquisition of non-controlling interests | (1,031,049)   | (2,280,278)   | (11,930)      | (1)     |

|                                             |                  |                   |                  |              |
|---------------------------------------------|------------------|-------------------|------------------|--------------|
| Net cash flows used in financing activities | Ps. (50,204,594) | Ps. (110,656,044) | Ps. (76,038,095) | US\$ (3,843) |
|---------------------------------------------|------------------|-------------------|------------------|--------------|

|                                                                                  |                  |                  |                |            |
|----------------------------------------------------------------------------------|------------------|------------------|----------------|------------|
| Net (decrease) increase in cash and cash equivalents                             | Ps. (18,379,149) | Ps. (25,853,493) | Ps. 990,757    | US \$ 52   |
| Adjustment to cash flows due to exchange rate fluctuations, net                  | (2,934,522)      | 3,911,844        | 61,333         | 3          |
| Cash and cash equivalents at beginning of the year                               | 66,473,703       | 45,160,032       | 23,218,383     | 1,172      |
| Cash and cash equivalents at end of the year                                     | Ps. 45,160,032   | Ps. 23,218,383   | Ps. 24,270,473 | US\$ 1,227 |
| Non-cash transactions related to:                                                |                  |                  |                |            |
| Acquisitions of property, plant and equipment in accounts payable at end of year | Ps. 12,785,347   | Ps. 13,497,804   | Ps. 18,869,210 | US\$ 954   |

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

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

**Notes to Consolidated Financial Statements**

Years ended December 31, 2015, 2016 and 2017

(In thousands of Mexican pesos [Ps.] and thousands of

U.S. dollars [US\$], unless otherwise indicated)

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

**I. Corporate Information**

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

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

Data services include value added, corporate networks, data and Internet services.

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

AMX provides other related services to advertising in telephone directories, publishing and call center services.

The Company also provides video, audio and other media content that is delivered through the internet directly from the content provider to the end user.

In order to provide these services, América Móvil has licenses, permits and concessions (collectively referred to herein as licenses) to build, install, operate and exploit public and/or private telecommunications networks and provide miscellaneous telecommunications services (mostly mobile and fixed voice and data services) and to operate frequency bands in the radio-electric spectrum for point-to-point and point-to-multipoint microwave links. The Company holds licenses in the 24 countries where it has networks, and such licenses have different dates of expiration through 2046.

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

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

The accompanying consolidated financial statements were approved for their issuance by the Company's Chief Financial Officer on April 26, 2018, and subsequent events have been considered through that date.

## **II. Relevant events in 2017**

- a) On July 25, 2017, an arbitration tribunal, constituted at the request of Colombia's Ministry of Information Technologies and Communications (the ITC Ministry ) to implement a decision of the Colombian

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Constitutional Court, ordered the reversion of certain assets of our subsidiary Comunicación Celular, S.A. ( Comcel ) to the ITC Ministry. Such asset reversion was ordered under Comcel's original concession agreements granted in 1994 and extended through 2013 without applying laws 422 of 1998 and 1341 of 2009 which had eliminated such reversion. In lieu of surrendering the assets, the arbitration tribunal ordered Comcel to pay the ITC Ministry an amount of 3,155 billion Colombian pesos (Ps.18,547,629). On that date Comcel booked the obligation as part of other expenses in the Consolidated Statement of Comprehensive Income. As required by the ITC Ministry, on August 29, 2017, Comcel made such payment under protest reserving all of its rights and those of its shareholders. The Company and Comcel have challenged the legality of the decisions of the Constitutional Court and the arbitration tribunal before all competent national and international fora. See Note 16 c).

- b) During 2017, there was a currency depreciation of the Mexican peso against the Euro and the Great Britain Pound (GBP). Because a significant portion of the Company's debt is denominated in Euros and in GBPs, even when the portion of the debt denominated in US dollars reported a foreign exchange gain due to the appreciation of the Mexican peso against the US dollar, the currency depreciation adversely affected the results of the Company as part of the foreign currency exchange loss of the period.
- c) In addition, during 2017 the Mexican peso appreciated against the Brazilian real. Due to the fact that a significant portion of the Company's subsidiary operations has the Brazilian real as functional currency, the Company recognized an adverse effect in the Cumulative Translation adjustment in the Shareholders' Equity.

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

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

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

The consolidated financial statements have been prepared on the historical cost basis, except for the derivative financial instruments, the trust assets of post-employment and other employee benefit plans and the investments in marketable securities which are presented at their market value.

The preparation of these consolidated financial statements under IFRS requires the use of critical estimates and assumptions that affect the amounts reported for certain assets, liabilities, income and expenses. It also requires that management exercise judgment in the application of the Company's accounting policies. Actual results could differ from these estimates and assumptions.

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

### **i) Basis of consolidation**

The consolidated financial statements include the accounts of América Móvil, S.A.B. de C.V. and those subsidiaries over which the Company exercises control. The consolidated financial statements for the subsidiaries were prepared for the same period as the Company's and applying consistent accounting policies. All of the subsidiary companies

operate in the telecommunications sector or related.

Subsidiaries are entities over which the Company has control. Control is achieved when the Company has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries

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are consolidated on a line by line basis from the date which control is achieved by the Company. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the equity attributable to owners of the parent and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received in the transaction is recognized directly in the equity attributable to the owners.

Subsidiaries are deconsolidated from the date which control ceases. When the Company ceases to have control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts, derecognizes the carrying amount of non-controlling interests in the former subsidiary and recognizes the fair value of any consideration received from the transaction. Any retained interest in the former subsidiary is then remeasured to its fair value.

All intra-Company balances and transactions, and any unrealized gains and losses arising from intra-Company transactions, are eliminated in preparing the consolidated financial statements.

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

**Associates:**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those decisions.

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

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

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

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

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The equity interest in the most significant subsidiaries at December 31, 2016 and 2017, is as follows:

| Company name                                                                               | Country            | Equity interest at  |        |
|--------------------------------------------------------------------------------------------|--------------------|---------------------|--------|
|                                                                                            |                    | December 31<br>2016 | 2017   |
| Subsidiaries:                                                                              |                    |                     |        |
| América Móvil B.V. <sup>a)</sup>                                                           | Netherlands        | 100.0%              | 100.0% |
| Compañía Dominicana de Teléfonos, S.A. ( Codetel <sup>b)</sup> )                           | Dominican Republic | 100.0%              | 100.0% |
| Sercotel, S.A. de C.V. <sup>a)</sup>                                                       | Mexico             | 100.0%              | 100.0% |
| Radiomóvil Dipsa, S.A. de C.V. and subsidiaries ( Telcel <sup>b)</sup> )                   | Mexico             | 100.0%              | 100.0% |
| Puerto Rico Telephone Company, Inc. <sup>b)</sup>                                          | Puerto Rico        | 100.0%              | 100.0% |
| Servicios de Comunicaciones de Honduras, S.A. de C.V.<br>( Sercom Honduras <sup>b)</sup> ) | Honduras           | 100.0%              | 100.0% |
| TracFone Wireless, Inc. ( TracFone <sup>b)</sup> )                                         | USA                | 100.0%              | 100.0% |
| Claro S.A. (Claro Brasil) <sup>b)</sup>                                                    | Brazil             | 97.7%               | 97.7%  |
| Telecomunicaciones de Guatemala, S.A. ( Telgua <sup>b)</sup> )                             | Guatemala          | 99.3%               | 99.3%  |
| Empresa Nicaragüense de Telecomunicaciones, S.A. ( Enitel <sup>b)</sup> )                  | Nicaragua          | 99.6%               | 99.6%  |
| Compañía de Telecomunicaciones de El Salvador, S.A. de C.V. ( CTE <sup>b)</sup> )          | El Salvador        | 95.8%               | 95.8%  |
| Comunicación Celular, S.A. ( Comcel <sup>b)</sup> )                                        | Colombia           | 99.4%               | 99.4%  |
| Telmex Colombia, S.A. <sup>b)</sup>                                                        | Colombia           | 99.3%               | 99.3%  |
| Consortio Ecuatoriano de Telecomunicaciones,<br>S.A. ( Conecel <sup>b)</sup> )             | Ecuador            | 100.0%              | 100.0% |
| AMX Argentina, S.A. <sup>b)</sup>                                                          | Argentina          | 100.0%              | 100.0% |
| AMX Paraguay, S.A. <sup>b)</sup>                                                           | Paraguay           | 100.0%              | 100.0% |
| AM Wireless Uruguay, S.A. <sup>b)</sup>                                                    | Uruguay            | 100.0%              | 100.0% |
| Claro Chile, S.A. <sup>b)</sup>                                                            | Chile              | 100.0%              | 100.0% |
| América Móvil Perú, S.A.C <sup>b)</sup>                                                    | Peru               | 100.0%              | 100.0% |
| Claro Panamá, S.A. <sup>b)</sup>                                                           | Panama             | 100.0%              | 100.0% |
| Teléfonos de México, S.A.B. de C.V. <sup>b)</sup>                                          | Mexico             | 98.7%               | 98.8%  |
| Telekom Austria AG <sup>b)</sup>                                                           | Austria            | 51.0%               | 51.0%  |

a) Holding companies

b) Operating companies of mobile and fixed services

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

The operating revenues of foreign subsidiaries jointly represent approximately 69%, 72% and 74% of consolidated operating revenues of 2015, 2016 and 2017, respectively, and their total assets jointly represent approximately 83% and 81% of consolidated total assets at December 31, 2016 and 2017, respectively.

The financial statements of foreign subsidiaries have been prepared under or translated to IFRS in the respective local currency (which is their functional currency) and then translated into the Company's reporting currency as follows:

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

all non-monetary assets and liabilities at the closing exchange rate of the period;

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

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

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the resulting difference from the translation process is recognized in equity in the caption Cumulative translation adjustment;

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

The difference resulting from the translation process is recognized in equity in the caption Effect of translation of foreign entities . At December 31, 2016 and 2017, the cumulative translation adjustment was Ps. 29,549,491 and Ps. 7,866,158, respectively.

### **b) Revenue recognition**

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

For some postpaid plans, the amount billed to customers combines a fixed tariff for a specific quantity of services, plus the rates for the use above the specified quantities (minutes and Mega Bytes included in each plan). Revenues billed for services to be rendered in the future are initially recorded as deferred revenues. Costs related to these services are recognized when the service is rendered.

The Company accounts separately for multiple elements. To recognize the multi-elements or multiple services at its fair value, the Company assigns its fair value to each type of element.

### **c) Cost of sales**

The cost of mobile equipment and computers is recognized at the time the client and distributor receives the device that is when all significant risks and rewards of ownership are transferred to the customer. The costs related to the sale of such equipment are recognized in the "cost of sales and services" line in the consolidated statements of comprehensive income.

### **d) Cost of services**

The cost of services represents the costs incurred to properly deliver the services to the customers, it includes the network operating costs and licenses related costs and is accounted at the moment in which such services are provided.

### **e) Comissions to distributors**

The Company pays commissions to its distribution network mainly for acquiring and retaining customers for the Company. Such commissions are recognized in commercial, administrative and general expenses in the consolidated statements of comprehensive income at the time in which the distributor either reports an activation or reaches certain number of lines activated or obtained at a certain point of time.

### **f) Cash and cash equivalents**

Cash and cash equivalents represent bank deposits and liquid investments with maturities of less than three months. These amounts are stated at cost plus accrued interest, which is similar to their market value.

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The Company also maintains restricted cash held as collateral to meet certain contractual obligations. Restricted cash is presented as part of *Other assets* within other non-current financial assets given that the restrictions are long-term in nature (See Note 9).

### **g) Marketable securities and other short term investments**

Marketable securities and other short term investments are primarily composed of investment securities available for sale and other short-term financial investments. Amounts are initially recorded at cost and adjusted to their estimated fair value. Fair value adjustments for available for sale securities are recorded through other comprehensive income, while fair value adjustments for other short-term investments are recorded in the Consolidated Statement of Comprehensive Income as they occur. An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered and if there is a significant or prolonged decline in the fair value of an investment below its cost to determine if such impairment exists.

### **h) Allowance for bad debts**

The Company periodically recognizes a provision for doubtful accounts based mainly on its past experience, the aging of its accounts receivable, the delay in resolving its disputes with other carriers, and the market segments conditions (government, business and mass market).

Collection policies and procedures vary depending on the credit history of the customer, the credit granted and the age of the unpaid balances among other reasons.

Cash deposits from customers in default are deducted from the account balance to be impaired once the deposit has been identified.

### **i) Inventories**

Inventories are initially recognized at historical cost and are valued using the average cost method without exceeding their net realizable value.

The estimate of the realizable value of inventories on-hand is based on their age and turnover.

### **j) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method, which in accordance with IFRS 3, *Business acquisitions*, consists in general terms as follows:

- (i) Identify the acquirer
- (ii) Determine the acquisition date
- (iii) Value the acquired identifiable assets and assumed liabilities

(iv) Recognize the goodwill or a bargain purchase gain

For acquired subsidiaries, goodwill represents the difference between the purchase price and the fair value of the net assets acquired at the acquisition date. The investment in acquired associates includes goodwill identified on acquisition, net of any impairment loss.

Goodwill is reviewed annually to determine its recoverability or more often if circumstances indicate that the carrying value of the goodwill might not be fully recoverable.

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The possible loss of value in goodwill is determined by analyzing the recovery value of the cash generating unit (or the group thereof) to which the goodwill is associated at the time it was originated. If this recovery value is lower than the carrying value, an impairment loss is charged to the results of operations.

For the years ended December 31, 2015, 2016 and 2017, no impairment losses were recognized for the goodwill shown in the Company's consolidated statements of financial position.

**k) Property, plant and equipment**

i) Property, plant and equipment are recorded at acquisition cost, net of accumulated depreciation. Depreciation is computed on the cost of the assets using the straight line method, based on the estimated useful lives of the related assets, beginning the month after they become available for use.

Borrowing costs that are incurred for general financing for construction in progress for periods exceeding six months are capitalized as part of the cost of the asset. During 2015, 2016 and 2017 the borrowing costs that were capitalized amounted to Ps. 3,524,841, Ps. 2,861,307 and Ps. 2,875,034, respectively.

In addition to the purchase price and costs directly attributable to preparing an asset in terms of its physical location and condition for operating as intended by management, when required, the cost also includes the estimated costs of dismantling and removal of the asset and for restoration of the site where it is located (See Note 15c).

ii) The net book value of property, plant and equipment is removed from the consolidated statements of financial position at the time the asset is sold or when no future economic benefits are expected from its use or sale. Any gains or losses on the sale of property, plant and equipment represent the difference between net proceeds of the sale and the net book value of the item at the time of sale. These gains or losses are recognized as either other operating income or other operating expenses upon sale.

iii) The Company periodically assesses the residual values, useful lives and depreciation methods associated with its property, plant and equipment. If necessary, the effects of any changes in accounting estimates is recognized prospectively, at the closing of each period, in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

For property, plant and equipment made up of several components with different useful lives, the major individual components are depreciated over their individual useful lives. Maintenance costs and repairs are expensed as incurred.

Annual depreciation rates are as follows:

|                                     |         |
|-------------------------------------|---------|
| Network infrastructure              | 5%-33%  |
| Buildings and leasehold improvement | 2%-33%  |
| Other assets                        | 10%-50% |

iv) The carrying value of property, plant and equipment is reviewed if there are indicators of impairment in such assets. If an asset's recovery value is less than the asset's net carrying value, the difference is recognized as an impairment loss.

During the years ended December 31, 2015, 2016 and 2017, no impairment losses were recognized.

v) Inventory for network operation is valued using the average cost method, without exceeding its net realizable value.

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The valuation of inventory for network considered obsolete, defective or slow-moving, is reduced to their estimated net realizable value. The estimate of the recovery value of inventories is based on their age and turnover.

### **I) Intangibles**

#### **i) Licenses**

Licenses to operate wireless telecommunications networks granted by the governments of the countries in which the Company operates are recorded at acquisition cost or at fair value at their acquisition date, net of accumulated amortization. Certain licenses require payments to the governments, such payments are recognized in the cost of service and equipment.

The licenses that in accordance with government requirements are categorized as automatically renewable, for a nominal cost and with substantially consistent terms, are considered by the Company as intangible assets with an indefinite useful life. Accordingly, they are not amortized. Licenses are amortized when the Company does not have a basis to conclude that they are indefinite lived. Licenses are amortized using the straight-line method over a period ranging from 3 to 30 years, which represents the usage period of the assets.

The Company has conducted an internal analysis on the applicability of the International Financial Reporting Interpretation Committee ( IFRIC ) No. 12 (Service Concession Agreements) and has concluded that its concessions are outside the scope of IFRIC 12. To determine the applicability of IFRIC 12, the Company analyzes each concession or group of similar concessions in a given jurisdiction. As a threshold matter, the Company identifies those government concessions that provide for the development, financing, operation or maintenance of infrastructure used to render a public service, and that set out performance standards, mechanisms for adjusting prices and arrangements for arbitrating disputes.

With respect to those services, the Company evaluates whether the grantor controls or regulates (i) what services the operator must provide, (ii) to whom it must provide them and (iii) the applicable price (the Services Criterion ). In evaluating whether the applicable government, as grantor, controls the price at which the Company provides its services, the Company looks at the terms of the concession agreement according to all applicable regulations. If the Company determines that the concession under analysis meets the Services Criterion, then the Company evaluates whether the grantor would hold a significant residual interest in the concession's infrastructure at the end of the term of the arrangement.

In some of the jurisdictions where the Company operates and under certain circumstances, the Company may be required to transfer certain assets covered by some of its concessions to the government pursuant to valuation methodologies that vary in each jurisdiction. In Brazil, for example, Claro Brasil is required to maintain and file before the Brazilian Agency of Telecommunications (*Agência Nacional de Telecomunicações*, or *Anatel* ) a list of assets potentially subject to reversion. The list of potentially reversible assets, delivered in 2017 (referring to the base year 2016) identified an estimated gross book value of Ps. 20,637,743 (3,450,100 Brazilian reals). The Company believes that this list significantly overstates the extent of assets that would as a legal matter be subject to reversion, but there is no regulatory requirement or legal basis for a more refined analysis. See also Notes 10 and 16c).

#### **ii) Trademarks**

Trademarks are recorded at their fair value at the valuation date when acquired. The useful lives of trademarks are assessed as either definite or indefinite. Trademarks with finite useful lives are amortized using the straight-line method over a period ranging from 1 to 10 years. Trademarks with indefinite useful lives are not amortized, but are

tested for impairment annually at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable, if not, the change in useful life from indefinite to definite is made on a prospective basis.

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iii) Rights of use

Rights of use are recognized according to the amount paid for the right and are amortized over the period in which they are granted.

The carrying values of the Company's licenses and trademarks are reviewed annually and whenever there are indicators of impairment in the value of such assets. When an asset's recoverable amount, which is the higher of the asset's fair value, less disposal costs and its value in use (the present value of future cash flows), is less than the asset's carrying value, the difference is recognized as an impairment loss.

iv) Customer relationships

The value of customer relations is determined and valued at the time that a new subsidiary is acquired, as determined by the Company with the assistance of independent appraisers, and is amortized on a 5 year period.

During the years ended December 31, 2015, 2016 and 2017, no impairment losses were recognized for licenses, trademarks, rights of use or customer relationships.

**m) Impairment in the value of long-lived assets**

The Company assesses the existence of indicators of impairment in the carrying value of long-lived assets, investments in associates, goodwill and intangible assets according to IAS 36 *Impairment of assets*. When there are such indicators, or in the case of assets whose nature requires an annual impairment analysis (goodwill and intangible assets with indefinite useful lives), the Company estimates the recoverable amount of the asset, which is the higher of its fair value, less disposal costs, and its value in use. Value in use is determined by discounting estimated future cash flows, applying a pre-tax discount rate that reflects the time value of money and taking into consideration the specific risks associated with the asset. When the recoverable amount of an asset is below its carrying value, impairment is considered to exist. In this case, the carrying value of the asset is reduced to the asset's recoverable amount, recognizing the loss in results of operations for the respective period. Depreciation and/or amortization expense of future periods is adjusted based on the new carrying value determined for the asset over the asset's remaining useful life. Impairment is computed individually for each asset. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

In the estimation of impairments, the Company uses the strategic plans established for the separate cash-generating units to which the assets are assigned. Such strategic plans generally cover a period from 3 to 5 years. For longer periods, beginning in the fifth year, projections are based on such strategic plans while applying a constant or declining expected growth rate.

**Key assumptions used in value in use calculations**

The forecasts are made in real terms (net of inflation) and in the functional currency of the subsidiary as of December 31, 2017.

Financial forecasts, premises and assumptions are similar to what any other market participant in similar conditions would consider.

Local synergies, that any other market participant would not have taken into consideration to prepare similar forecasted financial information, have not been included.

The assumptions used to develop the financial forecasts were validated for each of the cash generating units ( CGUs ), typically identified by country and by service (in the case of Mexico) taking into consideration the following:

Current subscribers and expected growth.

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Type of subscribers (prepaid, postpaid, fixed line, multiple services)

Market environment and penetration expectations

New products and services

Economic environment of each country

Expenses for maintaining the current assets

Investments in technology for expanding the current assets

Market consolidation and synergies

The foregoing forecasts could differ from the results obtained through time; however, América Móvil prepares its estimates based on the current situation of each of the CGUs.

The recoverable amounts are based on value in use. The value in use is determined based on the method of discounted cash flows. The key assumptions used in projecting cash flows are:

Margin on EBITDA is determined by dividing EBITDA (operating income plus depreciation and amortization) by total revenues.

Margin on CAPEX is determined by dividing capital expenditures ( CAPEX ) by total revenues.

Pre-tax weighted average cost of capital ( WACC ) used to discount the projected cash flows. As discount rate, the Company uses the WACC which was determined for each of the cash generating units and is described in the following paragraphs.

The estimated discount rates to perform the IAS 36 *Impairment of assets* , impairment test for each CGU consider market participants assumptions. Market participants were selected taking into consideration size, operations and characteristics of the business that were similar to those of América Móvil.

The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments. The WACC takes into account both debt and equity costs. The cost of equity is derived from the expected return on investment by América Móvil's investors. The cost of debt is based on the interest bearing borrowings América Móvil is obliged to service. Segment-specific risk is incorporated by applying individual beta factors.

The beta factors are evaluated annually based on publicly available market data.

Market participant assumptions are important because, not only do they include industry data for growth rates, but also management assesses how the CGU's position, relative to its competitors, might change over the forecasted period.

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The most significant forward looking estimates used for the 2016 and 2017 impairment evaluations are shown below:

|                                      | Average margin<br>on<br>EBIDTA | Average margin on<br>CAPEX | Average pre-tax<br>discount rate<br>(WACC) |
|--------------------------------------|--------------------------------|----------------------------|--------------------------------------------|
| <b>2016:</b>                         |                                |                            |                                            |
| Europe (7 countries)                 | 23.61% - 51.58%                | 8.29% - 20.72%             | 8.74% - 20.07%                             |
| Brazil (fixed line, wireless and TV) | 31.65%                         | 18.21%                     | 9.70%                                      |
| Puerto Rico                          | 28.91%                         | 9.08%                      | 11.29%                                     |
| Dominican Republic                   | 45.83%                         | 10.55%                     | 19.70%                                     |
| Mexico (fixed line and wireless)     | 33.38%                         | 10.75%                     | 14.34%                                     |
| Ecuador                              | 35.80%                         | 7.92%                      | 22.84%                                     |
| Peru                                 | 28.92%                         | 14.18%                     | 14.20%                                     |
| El Salvador                          | 39.43%                         | 23.69%                     | 21.95%                                     |
| Chile                                | 25.92%                         | 8.61%                      | 7.87%                                      |
| Colombia                             | 38.34%                         | 14.40%                     | 13.93%                                     |
| Other countries                      | 10.1% - 48.92%                 | 0.5% - 21.39%              | 7.39% - 23.79%                             |

|                                      | Average margin on<br>EBITDA | Average margin<br>on<br>CAPEX | Average pre-tax<br>discount rate<br>(WACC) |
|--------------------------------------|-----------------------------|-------------------------------|--------------------------------------------|
| <b>2017:</b>                         |                             |                               |                                            |
| Europe (7 countries)                 | 25.59% - 52.46%             | 7.34% - 14.97%                | 9.06% - 19.04%                             |
| Brazil (fixed line, wireless and TV) | 35.28%                      | 22.13%                        | 11.71%                                     |
| Puerto Rico                          | 23.31%                      | 8.31%                         | 4.42%                                      |
| Dominican Republic                   | 45.79%                      | 15.55%                        | 19.23%                                     |
| Mexico (fixed line and wireless)     | 35.48%                      | 8.72%                         | 16.13%                                     |
| Ecuador                              | 37.83%                      | 10.07%                        | 23.57%                                     |
| Peru                                 | 29.64%                      | 16.75%                        | 13.61%                                     |
| El Salvador                          | 40.36%                      | 17.99%                        | 25.14%                                     |
| Chile                                | 22.04%                      | 12.45%                        | 6.15%                                      |
| Colombia                             | 41.93%                      | 19.88%                        | 19.06%                                     |
| Other countries                      | 9.16% - 48.18%              | 0.43% - 23.43%                | 7.89% - 24.28%                             |

Sensitivity to changes in assumptions:

The implications of the key assumptions for the recoverable amount are discussed below:

**Margin on CAPEX-** The Company performed a sensitivity analysis by increasing its CAPEX by 5% and maintaining all other assumptions the same. The sensitivity analysis would require the Company to adjust the amount of its long-lived assets in its CGUs with potential impairment of approximately Ps. 2,386,782.

**WACC-** Additionally, should the Company increase by 50 base points in WACC per CGU and maintain all other assumptions the same, the carrying amount of the long-lived assets in its CGUs with potential impairment, would be impaired by approximately Ps. 3,517,584.

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**n) Leases**

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement and requires the Company to assess if performance of the agreement is dependent on the use of a specific asset and whether the agreement transfers the right of use of the asset to the Company.

**Operating leases**

Leases under which the lessor retains a significant portion of the risks and benefits inherent to the ownership of the leased asset are considered operating leases. Payments made under operating lease agreements are charged to results of operations on a straight-line basis over the rental period.

**Finance leases**

Lease agreements that substantially transfer all the risks and benefits of ownership of the leased assets to the Company are accounted for as finance leases. Accordingly, upon commencement of the lease, the asset, which is classified based on its nature, and its associated debt are recorded at the lower of the fair value of the leased asset or the present value of the lease payments. Finance lease payments are apportioned between the reduction of lease liability and the finance cost so that a constant interest rate is determined on the outstanding liability balance. Finance costs are charged to results of operations over the life of the agreement.

**o) Financial assets and liabilities**

**Financial assets**

Financial assets are categorized, at initial recognition, as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investments, (iv) available-for-sale financial assets, or as (v) derivatives designated as hedging instruments in an effective hedge, as appropriate.

**Initial recognition and measurement**

Financial assets are initially recognized at fair value, plus directly attributable transactions costs, except for financial assets designated upon initial recognition at fair value through profit or loss.

**Subsequent measurement**

The subsequent measurement of assets depends on their categorization as either financial assets and liabilities measured at fair value through profit and loss, loans and receivables, held to maturity or available for sale financial assets, or derivatives designated as hedging instruments in an effective hedge.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading if they are acquired for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading fair value through profit or loss, unless they are designated as effective hedging instruments as defined in IAS 39. Financial assets at fair value through profit or loss are recorded in the consolidated statements of financial position at fair value with net changes in fair value in the consolidated statements of comprehensive income within Valuation of derivatives, interest cost from labor obligations and other financial items .

**Held-to-maturity investments**

Held-to-maturity investments are those that the Company has the intention and ability to hold to maturity and are recorded at cost which includes transaction costs and premiums or discounts related to the investment that are amortized over the life of the investment based on its outstanding balance, less any impairment. Interest and dividends on investments classified as held-to-maturity are included within interest income.

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**Available-for-sale financial assets**

Available-for-sale financial assets are recorded at fair value, with gains and losses, net of tax, reported in other comprehensive income. Interest and dividends on investments classified as available-for-sale are included in valuation of derivatives, interest cost from labor obligations and other financial items. The fair value of investments is readily available based on market value. The foreign exchange gain or losses of securities available for sale are recognized in the caption "Foreign currency exchange loss, net" of the consolidated statement of comprehensive income.

**Loans and receivables**

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables with a relevant period (including accounts receivable to subscribers, distributors and other receivables) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for accounts receivable from subscribers, distributors and other in the short term when the recognition of interest would be immaterial.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the consolidated statement of financial position) when: the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**Impairment of financial assets**

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indicators that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment

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exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

## **Financial liabilities**

Financial liabilities are classified into the following categories based on the nature of the financial instruments contracted or issued: (i) financial liabilities measured at fair value, and (ii) financial liabilities measured at amortized cost. The Company's financial liabilities include accounts payable to suppliers, deferred revenues, other accounts payable, loans and derivative financial instruments. Derivative financial instruments are measured at fair value; short- and long-term debt and accounts payable are accounted for as financial liabilities and measured at amortized cost.

## **Initial recognition**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

## **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on financial liabilities held for trading are recognized in the consolidated statements of comprehensive income in the line valuation of derivatives, interest cost from labor obligations and other financial items.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition only if the criteria in IAS 39 are satisfied.

## **Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the effective interest rate (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statements of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information refer to Note 14.

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### **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or when it expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statements of financial position if, and only if, there is:

- (i) a current legally enforceable right to offset the recognized amounts, and
- (ii) the intention to either settle them on a net basis, or to realize the assets and settle the liabilities simultaneously.

### **Fair value of financial instruments**

At each financial statement reporting date, the fair value of financial instruments traded in active markets is determined based on market prices, or prices quoted by brokers (purchase price for asset positions and sales price for liability positions), without any deduction for transaction costs.

For financial instruments that are not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, references to the current fair value of another financial instrument that is substantially similar, a discounted cash flow analysis or other valuation models.

Notes 7 and 18 provide an analysis of the fair values of the Company's financial instruments.

### **p) Transactions in foreign currency**

Transactions in foreign currency are initially recorded at the prevailing exchange rate at the time of the related transactions. Foreign currency denominated assets and liabilities are subsequently translated at the prevailing exchange rate at the financial statement reporting date. Exchange differences determined from the transaction date to the time foreign currency denominated assets and liabilities are settled or translated at the financial statement reporting date are charged or credited to the results of operations.

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The exchange rates used for the translation of foreign currencies against the Mexican peso are as follows:

| Country or Zone          | Currency               | Average exchange rate |         |                | Closing exchange rate at |                |
|--------------------------|------------------------|-----------------------|---------|----------------|--------------------------|----------------|
|                          |                        | 2015                  | 2016    | 2017           | December 31,             | 2017           |
| Argentina <sup>(1)</sup> | Argentine Peso (AR\$)  | 1.7152                | 1.2632  | <b>1.1489</b>  | 1.3047                   | <b>1.0610</b>  |
| Brazil                   | Real (R\$)             | 4.8068                | 5.3868  | <b>5.9346</b>  | 6.3611                   | <b>5.9815</b>  |
| Colombia                 | Colombian Peso (COP\$) | 0.0058                | 0.0061  | <b>0.0064</b>  | 0.0069                   | <b>0.0066</b>  |
| Guatemala                | Quetzal                | 2.0704                | 2.4548  | <b>2.5755</b>  | 2.7561                   | <b>2.6940</b>  |
| U.S.A. <sup>(2)</sup>    | US Dollar              | 15.8504               | 18.6529 | <b>18.9400</b> | 20.7314                  | <b>19.7867</b> |
| Uruguay                  | Uruguay Peso           | 0.5810                | 0.6206  | <b>0.6606</b>  | 0.7066                   | <b>0.6869</b>  |
| Nicaragua                | Cordoba                | 0.5813                | 0.6515  | <b>0.6307</b>  | 0.7071                   | <b>0.6428</b>  |
| Honduras                 | Lempira                | 0.7171                | 0.8109  | <b>0.8007</b>  | 0.8759                   | <b>0.8330</b>  |
| Chile                    | Chilean Peso           | 0.0243                | 0.0276  | <b>0.0292</b>  | 0.0310                   | <b>0.0322</b>  |
| Paraguay                 | Guaraní                | 0.0031                | 0.0033  | <b>0.0034</b>  | 0.0036                   | <b>0.0035</b>  |
| Peru                     | Sol (PEN\$)            | 4.9746                | 5.5232  | <b>5.8054</b>  | 6.1701                   | <b>6.0976</b>  |
| Dominican Republic       | Dominican Peso         | 0.3515                | 0.4048  | <b>0.3983</b>  | 0.4438                   | <b>0.4095</b>  |
| Costa Rica               | Colon                  | 0.0293                | 0.0338  | <b>0.0331</b>  | 0.0369                   | <b>0.0346</b>  |
| European Union           | Euro                   | 17.3886               | 20.6334 | <b>21.3649</b> | 21.8032                  | <b>23.7539</b> |
| Bulgaria                 | Lev                    | 9.3785                | 10.5483 | <b>10.9223</b> | 11.1561                  | <b>12.1406</b> |
| Belarus <sup>(3)</sup>   | New Belarusian Ruble   | 9.9808                | 9.3929  | <b>9.8087</b>  | 10.5622                  | <b>9.9882</b>  |
| Croatia                  | Croatian Kuna          | 2.4096                | 2.7392  | <b>2.8619</b>  | 2.8886                   | <b>3.1954</b>  |
| Macedonia                | Macedonian Denar       | 0.2984                | 0.3350  | <b>0.3471</b>  | 0.3546                   | <b>0.3861</b>  |
| Serbia                   | Serbian Denar          | 0.1517                | 0.1676  | <b>0.1762</b>  | 0.1768                   | <b>0.2009</b>  |

(1) In the years ended December 31, 2016 and 2017, the Argentine peso depreciated against the US dollar by 21.8% and 17.4%, respectively. The Company considers on the basis of the quantitative and qualitative indicators in IAS 29, that Argentina should not be considered a hyperinflationary economy as of December 31, 2017. However, it is possible that certain market participants and regulators could have varying views on this topic during 2018 as Argentina's economy evolves. The Company will continue to carefully monitor the situation and make appropriate changes if and when necessary.

(2) Includes U.S.A., Ecuador, El Salvador, Puerto Rico and Panama.

(3) In July 2016, a new ruble was introduced, at a rate of 1 BYN = 10,000 BYR. Old and new rubles circulated in parallel from July 1 to December 31, 2016.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Company are recognized in the consolidated statements of comprehensive income.

As of April 26, 2018, the exchange rate between the US dollar and the Mexican Peso was \$18.8139.

**q) Accounts payable, accrued liabilities and provisions**

Liabilities are recognized whenever (i) the Company has current obligations (legal or assumed) resulting from a past event, (ii) when it is probable the obligation will give rise to a future cash disbursement for its settlement, and (iii) the amount of the obligation can be reasonably estimated.

When the effect of the time value of money is significant, the amount of the liability is determined as the present value of the expected disbursements to settle the obligation. The discount rate is determined on a pre-tax basis and reflects current market conditions at the financial statements' reporting date and, where appropriate, the risks specific to the liability. Where discounting is used, an increase in the liability is recognized as finance expense.

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Contingent liabilities are recognized only when it is probable they will give rise to a future cash disbursement for their settlement. Also, contingencies are only recognized when they will generate a loss.

**r) Employee benefits**

The Company has defined benefit pension plans for its subsidiaries Puerto Rico Telephone Company, Teléfonos de Mexico, Claro Brasil, and Telekom Austria. Claro Brasil also has medical plans and defined contribution plans and Telekom Austria provides retirement benefits to its employees under a defined contribution plan. The Company recognizes the costs of these plans based upon independent actuarial computations and are determined using the projected unit credit method. The latest actuarial computations were prepared as of December 31, 2017.

**Mexico**

Mexican subsidiaries have the obligation to pay seniority premiums to personnel based on the Mexican Federal labor law which also establishes the obligation to make certain payments to personnel who cease to provide services under certain circumstances. Pensions (for Telmex) and seniority premiums are determined based on the salary of employees in their final year of service, the number of years worked at and their age at the moment of retirement.

The costs of pensions, seniority premiums and severance benefits, are recognized based on calculations by independent actuaries using the projected unit credit method using financial hypotheses, net of inflation.

Telmex has established an irrevocable trust fund and makes annual contributions to that fund.

**Puerto Rico**

In Puerto Rico, the Company has noncontributing pension plans for full-time employees, which are tax qualified as they meet Employee Retirement Income Security Act of 1974 requirements.

The pension benefit is composed of two elements:

- (i) An employee receives an annuity at retirement if they meet the rule of 85 (age at retirement plus accumulated years of service). The annuity is calculated by applying a percentage times years of services to the last three years of salary.
- (ii) The second element is a lump-sum benefit based on years of service ranging from 9 to 12 months of salary. Health care and life insurance benefits are also provided to retirees under a separate plan (post-retirement benefits).

**Brazil**

Claro Brasil provides a defined benefit plan and post-retirement medical assistance plan, and a defined contribution plan, through a pension fund that supplements the government retirement benefit for certain employees.

Under the defined benefit plan, the Company makes monthly contributions to the pension fund equal to 17.5% of the employee's aggregate salary. In addition, the Company contributes a percentage of the aggregate salary base for funding the post-retirement medical assistance plan for the employees who remain in the defined benefit plan. Each employee makes contributions to the pension fund based on age and salary. All newly hired employees automatically adhere to the defined contribution plan and no further admittance to the defined benefit plan is allowed. For the defined contribution plan, see Note 17.

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### **Austria**

Telekom Austria provides retirement benefits to its employees under defined contribution and defined benefit plans.

The Company pays contributions to publicly or privately administered pension or severance insurance plans on mandatory or contractual basis. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions are recognized as employee expenses in the year in which they are due.

All other employee benefit obligations provided in Austria are unfunded defined benefit plans for which the Company records provisions which are calculated using the projected unit credit method. The future benefit obligations are measured using actuarial methods on the basis of an appropriate assessment of the discount rate, rate of employee turnover, rate of compensation increase and rate of increase in pensions.

For severance and pensions, the subsidiary recognizes actuarial gains and losses in other comprehensive income. The re-measurement of defined benefit plans relates to actuarial gains and losses only as Telekom Austria holds no plan assets. Interest expense related to employee benefit obligations is reported in the Valuation of derivatives, interests cost from labor obligation and other financial item, net.

### **Other subsidiaries**

For the rest of the Company's subsidiaries, there are no defined benefit plans or compulsory defined contribution structures. However, certain subsidiaries make contributions to national pension, social security and severance plans in accordance with the percentages and rates established by the applicable social security and labor laws of each country. Such contributions are made to the entities designated by the countries legislation and are recorded as direct labor expenses in the consolidated statements of comprehensive income as they are incurred.

Remeasurements of defined benefit plans, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

(i) The date of the plan amendment or curtailment, and

(ii) The date that the Company recognizes restructuring-related costs

Net interest on liability for defined benefits is calculated by applying the discount rate to the net defined benefit liability or asset and it is recognized in the valuation of derivatives, interest cost from labor obligations and other financial items in the consolidated statements of comprehensive income. The Company recognizes the changes in the net defined benefit obligation under Cost of sales and services and Commercial, administrative and general expenses in the consolidated statements of comprehensive income.

### **Paid absences**

The Company recognizes a provision for the cost of paid absences, such as vacation time, based on the accrual method.

**s) Employee profit sharing**

Employee profit sharing is paid by certain subsidiaries of the Company to its eligible employees. The Company has employee profit sharing in Mexico, Ecuador and Peru. In Mexico, employee profit sharing is computed at the rate of 10% on the individual subsidiaries taxable base adjusted for employee profit sharing purposes as provided by law.

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Employee profit sharing is presented as an operating expense in the consolidated statements of comprehensive income.

**t) Taxes**

**Income taxes**

Current income tax payable is presented as a short-term liability, net of prepayments made during the year.

Deferred income tax is determined using the liability method based on the temporary differences between the tax values of the assets and liabilities and their book values at the consolidated financial statements reporting date.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be in effect in the period when the asset will materialize or the liability will be settled, based on the enacted tax rates (and tax legislation) that have been enacted or substantially enacted at the financial statements reporting date. The value of deferred tax assets is reviewed by the Company at each financial statements reporting date and is reduced to the extent that it is more likely that the Company will not have sufficient future tax profits to allow for the realization of all or a part of its deferred tax assets. Unrecognized deferred tax assets are revalued at each financial statements reporting date and are recognized when it is more likely that there will be sufficient future tax profits to allow for the realization of these assets.

Deferred taxes relating to items recognized in Other Comprehensive Income are recognized together with the concept that generated such deferred taxes. Deferred taxes consequence on unremitted foreign earnings are considered as temporary differences, except to the extent that the Company is not able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future. Taxes withheld on remitted foreign earnings are creditable against Mexican taxes, thus to the extent that a remittance is to be made, the deferred tax would be limited to the incremental difference between the Mexican tax rate and the rate of the remitting country. As of December 31, 2016 and 2017, the Company has not provided for any deferred taxes related to unremitted foreign earnings.

The Company offsets tax assets and liabilities if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

**Sales tax**

Revenues, expenses and assets are recognized net of the amount of sales tax, except:

When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authorities is included as part of the current receivables or payables in the consolidated statements of financial position unless they are due in more than a year in

which case they are classified as non-current.

**u) Advertising**

Advertising expenses are recognized as incurred. For the years ended December 31, 2015, 2016 and 2017, advertising expenses were Ps. 24,673,557, Ps. 28,180,538 and Ps. 28,718,563, respectively, and are recorded in the consolidated statements of comprehensive income in the caption Commercial, administrative and general expenses .

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**v) Earnings per share**

Basic and diluted earnings per share are determined by dividing net profit of the year by the weighted-average number of shares outstanding during the year. In determining the weighted average number of outstanding shares, shares repurchased by the Company have been excluded.

**w) Financial risks**

The main risks associated with the Company's financial instruments are: (i) liquidity risk, (ii) market risk (foreign currency exchange risk and interest rate risk) and (iii) credit risk and counterparty risk. The Board of Directors approves the policies submitted by management to mitigate these risks.

**i) Liquidity risk**

Liquidity risk is the risk that the Company may not meet its financial obligations associated with financial instruments when they are due. The Company's financial obligations and commitments are included in Notes 14 and 16.

**ii) Market risk**

The Company is exposed to certain market risks derived from changes in interest rates and fluctuations in exchange rates of foreign currencies. The Company's debt is denominated in foreign currencies, mainly in US dollars and euros, other than its functional currency. In order to reduce the risks related to fluctuations in the exchange rate of foreign currency, the Company uses derivative financial instruments such as cross-currency swaps and forwards to adjust exposures resulting from foreign exchange currency. The Company does not use derivatives to hedge the exchange risk arising from having operations in different countries.

Additionally, the Company occasionally uses interest rate swaps to adjust its exposure to the variability of the interest rates or to reduce their financing costs. The Company's practices vary from time to time depending on judgments about the level of risk, expectations of change in the movements of interest rates and the costs of using derivatives. The Company may terminate or modify a derivative financial instrument at any time. See Note 7 for disclosure of the fair value of derivatives as of December 31, 2016 and 2017.

**iii) Credit risk**

Credit risk represents the loss that could be recognized in case the counterparties fail to comply with their contractual obligations.

The financial instruments that potentially represent concentrations of credit risk are cash and short-term deposits, trade accounts receivable and financial instruments related to debt and derivatives. The Company's policy is designed in order to limit its exposure to any one financial institution; therefore, the Company's financial instruments are contracted with several different financial institutions located in different geographic regions.

The credit risk in accounts receivable is diversified because the Company has a broad customer base that is geographically dispersed. The Company continuously evaluates the credit conditions of its customers and generally does not require collateral to guarantee collection of its accounts receivable. The Company monitors on a monthly basis its collection cycle to avoid deterioration of its results of operations.

A portion of the Company's cash surplus is invested in short-term deposits with financial institutions with high credit ratings.

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iv) Sensitivity analysis for market risks

The Company uses sensitivity analyses to measure the potential losses based on a theoretical increase of 100 basis points in interest rates and a 5% fluctuation in exchange rates:

**Interest rate**

In the event that the Company's agreed-upon interest rates at December 31, 2017 increased/(decreased) by 100 basis points, the increase in net interest expense would increase/(decrease) by Ps. 8,221,411 and Ps. (8,002,209), respectively.

**Exchange rate fluctuations**

Should the Company's debt at December 31, 2017 of Ps. 697,884,899, suffer a 5% increase/(decrease) in exchange rates, the debt would increase/(decrease) by Ps. 36,079,857 and Ps. (33,821,548), respectively.

v) Concentration of risk

The Company depends on several key suppliers and sellers. During the years ended December 31, 2015, 2016 and 2017, approximately 67%, 73% and 69%, respectively, of the total cost of the cellular phones of the Company represented purchases made from three suppliers. If any of these suppliers were to cease to provide equipment and services to the Company, or to provide them in a timely manner and at a reasonable cost, the Company's business and results of operations might be adversely affected.

vi) Capital management

The Company manages its capital to ensure that its subsidiaries continue as going concerns while maximizing the return to stakeholders through the optimization of their balances and debt capital to maintain the lowest cost of capital available. The Company manages its capital structure and makes adjustments according to economic conditions. To maintain the capital structure, the Company may adjust the dividend payment to shareholders or its share buyback program for which the Company holds a reserve. In addition, the Company creates a legal reserve, as required by law (See Note 19).

**x) Derivative financial instruments**

Derivative financial instruments are recognized in the consolidated statement of financial position at fair value. Valuations obtained by the Company are compared against those of the financial institutions with which the agreements are entered into, and it is the Company's policy to compare such fair value to a valuation provided by an independent pricing provider in case of discrepancies. Changes in the fair value of derivatives that do not qualify as hedging instruments are recognized immediately in the line Valuation of derivatives, interest cost from labor obligations and other financial items, net.

The Company is exposed to interest rate and foreign currency risks, which tries to mitigate through a controlled risk management program that includes the use of derivative financial instruments. The Company principally uses cross-currency swaps and foreign currency forwards to offset the risk of exchange rate fluctuations. For purposes of reducing the risks from changes in interest rates, the Company utilizes interest rate swaps through which it pays or receives the net amount resulting from paying or receiving a fixed rate, and from receiving or paying cash based on a variable rate. Additionally, for the years ended December 31, 2016 and 2017, certain of the Company's derivative

financial instruments had been designated, and had qualified, as cash flow hedges. The effective portion of gains or losses on the cash flow derivatives is recognized in equity under the heading "Effect for fair value of derivatives", and the ineffective portion is charged to results of operations of the period.

The change in fair value recognized in results of operations, corresponding to derivatives that qualify as hedges, is presented in the same caption of the consolidated statements of comprehensive income as the gain or loss of the hedged item (interests and foreign exchange rate).

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The policy of the Company in this regard comprises: (i) the formal documentation of all transactions between the hedging instruments and hedged positions, (ii) risk management objectives, and (iii) the strategy for executing hedging transactions. This documentation also includes the relationship between the cash flows of the derivatives with those of the Company's assets and liabilities recognized in the consolidated statement of financial position.

The hedge effectiveness of the Company's derivatives is evaluated prior to their designation as hedges, as well as during the hedging period, which is performed at least quarterly based on recognized statistical techniques. Whenever it is determined that a derivative ceases to be a highly effective hedge, the Company ceases to apply hedge accounting for the derivative on a prospective basis.

### **y) Current versus non-current classification**

The Company presents assets and liabilities in its consolidated statements of financial position based on current/non-current classification.

An asset is current when it is either:

- (i) Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- (ii) Held primarily for the purpose of trading.
- (iii) Expected to be realized within twelve months after the reporting period.
- (iv) Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is current when:

It is expected to be settled in the normal operating cycle.

It is held primarily for the purpose of trading.

It is due to be settled within twelve months after the reporting period.

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other assets and liabilities, including deferred tax assets and liabilities, as non-current.

### **z) Presentation of consolidated statements of comprehensive income**

The costs and expenses shown in the consolidated statements of comprehensive income are presented in combined manner (based on both their function and nature), which allows a better understanding of the components of the Company's operating income. This classification allows a comparison to the telecommunications industry.

The Company presents operating income in its consolidated statements of comprehensive income since it is a key indicator of the Company's performance. Operating income represents operating revenues less operating costs and expenses.

The employee benefits expense recognized in 2015, 2016 and 2017 of Ps. 41,366,183, Ps. 46,759,415 and Ps. 48,696,331, respectively is presented as Cost of sales and services and of Ps. 58,977,212, Ps. 63,691,855 and Ps. 66,920,537 is presented respectively in Commercial, administrative and general expenses.

#### **aa) Operating Segments**

Segment information is presented based on information used by management in its decision-making processes. Segment information is presented based on the geographic areas in which the Company operates.

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The management of the Company is responsible for making decisions regarding the resources to be allocated to the Company's different segments, as well as evaluating the performance of each segment. Intersegment revenues and costs, intercompany balances as well as investments in shares in consolidated entities are eliminated upon consolidation and reflected in the "eliminations" column in Note 22.

None of the segments records revenue from transactions with a single external customer amounting to at least 10% or more of the revenues.

### **ab) Convenience Translation**

At December 31, 2017, amounts in U.S. dollars have been included in the financial statements solely for the convenience of the reader and have been translated from Mexican pesos at December 31, 2017 at an exchange rate of Ps. 19.7867 per U.S. dollar, which was the exchange rate at that date. Such translation should not be construed as a representation that the Mexican peso can be converted to U.S. dollars at the exchange rate in effect on December 31, 2017 or any other exchange rate.

### **ac) Significant Accounting Judgments, Estimates and Assumptions**

In preparing its consolidated financial statements, América Móvil makes estimates concerning a variety of matters. Some of these matters are highly uncertain, and its estimates involve judgments it makes based on the available information. In the discussion below, América Móvil has identified several of these matters for which its financial statements would be materially affected if either (1) América Móvil uses different estimates that it could have reasonably used or (2) in the future América Móvil changes its estimates in response to changes that are reasonably likely to occur.

The following discussion addresses only those estimates that América Móvil considers most important based on the degree of uncertainty and the likelihood of a material impact had it used a different estimate. There are many other areas in which América Móvil uses estimates about uncertain matters, but the reasonably likely effect of changed or different estimates is not material to the financial presentation for those other areas.

### **Fair Value of Financial Assets and Liabilities**

América Móvil has substantial financial assets and liabilities that it recognizes at their fair value, which is an estimate of the amount at which the instrument could be exchanged in a current transaction between willing parties. The methodologies and assumptions América Móvil uses to estimate an instrument's fair value depend on the type of instrument and include (i) recognizing cash and cash equivalents, trade receivables, trade payables and other current liabilities at close to their carrying amount, (ii) recognizing quoted instruments at their price quotations on the reporting date, (iii) recognizing unquoted instruments, such as loans from banks and obligations under financial leases, by discounting future cash flows using rates for similar instruments and (iv) applying various valuation techniques, such as net present value calculations. Using different methodologies or assumptions to estimate the fair value of América Móvil's financial assets and liabilities could materially impact the reported financial results. See Note 18.

The Company maintains investments in available for sale securities that are valued at market prices obtained from the stock exchange where these shares are listed. At each reporting date, the Company evaluates whether impairment exists on its available for sale securities according to the accounting policy outlined in Note 2. This analysis first involves an evaluation of the objective measures of impairment as described in IAS 39. The Company will then evaluate whether the loss recognized in other comprehensive income on its available for sale securities is either

prolonged or significant, as described in the accounting policies in Note 2. At December 31, 2017, the Company has not observed an objective measure of impairment on its available for sale securities, nor has significant or prolonged unrealized losses on its available for sale securities.

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**Table of Contents****Estimated useful lives of plant, property and equipment**

América Móvil currently depreciates most of its network infrastructure based on an estimated useful life determined upon the expected particular conditions of operation and maintenance in each of the countries in which it operates. The estimates are based on AMX's historical experience with similar assets, anticipated technological changes and other factors, taking into account the practices of other telecommunications companies. América Móvil reviews estimated useful lives each year to determine, for each particular class of assets, whether they should be changed. América Móvil may shorten/extend the estimated useful life of an asset class in response to technological changes, changes in the market or other developments. This results in increased/decreased depreciation expense. See Notes 2k) and 10.

**Impairment of Long-Lived Assets**

América Móvil has large amounts of long-lived assets, including property, plant and equipment, intangible assets, investments in affiliates and goodwill on its consolidated statements of financial position. América Móvil is required to test long-lived assets for impairment when circumstances indicate a potential impairment or, in some cases, at least on an annual basis. The impairment analysis for long-lived assets requires the Company to estimate the recovery value of the asset, which is the higher of its fair value (minus any disposal costs) and its value in use. To estimate the fair value of a long-lived asset, América Móvil typically takes into account recent market transactions or, if no such transactions can be identified, América Móvil uses a valuation model that requires making certain assumptions and estimates. Similarly, to estimate the value in use of long-lived assets, América Móvil typically makes various assumptions about the future prospects for the business to which the asset relates, considers market factors specific to that business and estimates future cash flows to be generated by that business. Based on this impairment analysis, including all assumptions and estimates related thereto, as well as guidance provided by IFRS relating to the impairment of long-lived assets different assumptions and estimates could materially impact the Company's reported financial results. More conservative assumptions of the anticipated future benefits from these businesses could result in impairment charges, which would decrease net income and result in lower asset values on the consolidated statements of financial position. Conversely, less conservative assumptions could result in smaller or no impairment charges, higher net income and higher asset values. The key assumptions used to determine the recoverable amount for the Company's CGUs, are further explained in Notes 2m), 10 and 11.

**Deferred Income Taxes**

América Móvil is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves the jurisdiction-by-jurisdiction estimation of actual current tax exposure and the assessment of temporary differences resulting from the differing treatment of certain items, such as accruals and amortization, for tax and financial reporting purposes, as well as net operating loss carry-forwards and other tax credits. These items result in deferred tax assets and liabilities as discussed in Note 2 t). The analysis is based on estimates of taxable income in the jurisdictions in which América Móvil operates and the period on which the deferred tax assets and liabilities will be recovered or settled. If actual results differ from these estimates, or América Móvil adjusts these estimates in future periods, its financial position and results of operations may be materially affected.

In assessing the future realization of deferred tax assets, the Company considers future taxable income, ongoing planning strategies and future results in its operations. In the event that the estimates of projected future taxable income are lowered, or changes in current tax regulations are enacted that would impose restrictions on the timing or extent of the ability to utilize the tax benefits of net operating loss carry-forwards in the future, an adjustment to the recorded amount of deferred tax assets would be made, with a related charge to income. See Note 13.

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**Table of Contents****Accruals**

Accruals are recorded when, at the end of the period, the Company has a present obligation as a result of past events, whose settlement requires an outflow of resources that is considered probable and can be measured reliably. This obligation may be legal or constructive, arising from, but not limited to, regulation, contracts, common practice or public commitments, which have created a valid expectation for third parties that the Company will assume certain responsibilities. The amount recorded is the best estimation performed by the Company's management in respect of the disbursement that will be required to settle the obligations, considering all the information available at the date of the financial statements, including the opinion of external experts, such as legal advisors or consultants. Accruals are adjusted to account for changes in circumstances for ongoing matters and the establishment of additional accruals for new matters.

If América Móvil is unable to reliably measure the obligation, no accrual is recorded and information is then presented in the notes to its consolidated financial statements. Because of the inherent uncertainties in these estimations, actual expenditures may be different from the originally estimated amount recognized. See Note 15.

América Móvil is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 16(c).

**Labor Obligations**

América Móvil recognizes liabilities on its consolidated statement of financial position and expenses in its statement of comprehensive income to reflect its obligations related to its post-retirement seniority premiums, pension and retirement plans in the countries in which it operates and offer defined contribution and benefit pension plans. The amounts the Company recognizes are determined on an actuarial basis that involves estimations and accounts for post-retirement and termination benefits.

América Móvil uses estimates in four specific areas that have a significant effect on these amounts: (i) the rate of return América Móvil assumes its pension plans will earn on its investments, (ii) the salaries increase rate that the Company assumes it will observe in future years, (iii) the discount rates that the Company uses to calculate the present value of its future obligations and (iv) the expected inflation rate. The assumptions applied are further disclosed in Note 17. These estimates are determined based on actuarial studies performed by independent experts using the projected unit-credit method.

**Allowance for Bad Debts**

América Móvil maintains an allowance for bad debts for estimated losses resulting from the failure of its customers, distributors and telecommunications operators to make required payments. The Company bases these estimates on the individual conditions of each of the markets in which it operates that may impact the collectability of accounts. In particular, in making these estimates, the Company takes into account the number of days invoices are overdue and with telecommunications operators, both the number of days since the invoices are due and any disputes with respect to such invoiced traffic. The loss that América Móvil actually experiences with respect to these accounts may differ from the amount of the estimated allowance maintained in connection with them. See Note 5.

**3. Cash and Cash Equivalents**

Cash and cash equivalents are comprised of short-term deposits with different financial institutions. Cash equivalents only include instruments with purchased maturity of less than three months. The amount includes the amount

deposited, plus any interest earned.

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**Table of Contents****4. Marketable securities and other short-term investments**

As of December 31, 2016 and 2017, marketable securities and other short-term investments includes an available for sale investment in KPN for Ps. 41,463,511 and Ps. 46,682,657, respectively, and other short-term investments for Ps. 13,393,646 and Ps. 12,438,019, respectively.

The investment in KPN is carried at fair value with changes in fair value being recognized through other comprehensive (loss) items (equity) in the Company's consolidated statements of financial position. When the Company changed the classification of its KPN investment, the Company recorded a pre-tax gain of approximately Ps. 11,988,038 in its 2015 consolidated statements of comprehensive income. As of December 31, 2016 and 2017, the Company has recognized in equity changes in fair value of the investment of Ps. (6,673,731) and Ps. 622,424, respectively, net of deferred taxes, through other comprehensive (loss) gain items (equity).

At December 31, 2017, the Company has not observed an objective measure of impairment on its available for sale securities, nor has unrealized losses on its available for sale securities been considered either significant or prolonged.

During the years ended December 31, 2015, 2016 and 2017, the Company received dividends from KPN for an amount of Ps. 1,645,712, Ps. 5,740,092 and Ps. 2,370,559, respectively; which are included within Valuation of derivatives, interest cost from labor obligations, and other financial items, net in the consolidated statements of comprehensive income. Another short-term investment item of Ps. 12,438,019, as of December 31, 2017 (Ps. 13,393,646 in 2016) represents a cash deposit used to guarantee a short term obligation for one of the Company's foreign subsidiaries and are presented at their carrying value, which approximates fair value.

**5. Accounts receivable from subscribers, distributors, recoverable taxes and other, net**

a) An analysis of accounts receivable by component at December 31, 2016 and 2017 is as follows:

|                                                                                  | <b>At December 31,</b> |                        |
|----------------------------------------------------------------------------------|------------------------|------------------------|
|                                                                                  | <b>2016</b>            | <b>2017</b>            |
| Subscribers and distributors                                                     | Ps. 186,744,954        | Ps. 178,722,706        |
| Telecommunications carriers for network interconnection and other services       | 9,649,849              | 8,671,416              |
| Recoverable taxes                                                                | 41,899,517             | 40,477,188             |
| Sundry debtors                                                                   | 16,016,756             | 14,736,340             |
|                                                                                  | 254,311,076            | 242,607,650            |
| Less: Allowance for bad debts                                                    | (37,351,677)           | (39,044,925)           |
| <b>Net</b>                                                                       | <b>Ps. 216,959,399</b> | <b>Ps. 203,562,725</b> |
| Non-current subscribers and distributors                                         | 11,184,860             | 9,786,581              |
| <b>Total current Subscribers, distributors, recoverable taxes and other, net</b> | <b>Ps. 205,774,539</b> | <b>Ps. 193,776,144</b> |



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b) Changes in the allowance for bad debts were as follows:

|                                | <b>For the years ended December 31,</b> |                  |                  |
|--------------------------------|-----------------------------------------|------------------|------------------|
|                                | <b>2015</b>                             | <b>2016</b>      | <b>2017</b>      |
| Balance at beginning of year   | Ps. (25,685,528)                        | Ps. (27,495,158) | Ps. (37,351,677) |
| Increases recorded in expenses | (13,171,120)                            | (16,987,769)     | (20,744,242)     |
| Write-offs                     | 9,555,734                               | 12,587,567       | 17,713,992       |
| Business combination           |                                         |                  | (22,120)         |
| Translation effect             | 1,805,756                               | (5,456,317)      | 1,359,122        |
| Balance at end of year         | Ps. (27,495,158)                        | Ps. (37,351,677) | Ps. (39,044,925) |

c) The following table shows the aging of accounts receivable at December 31, 2016 and 2017, for subscribers and distributors:

|                   | <b>Total</b>    | <b>Unbilled services provided</b> | <b>Past due</b>  |                   |                   | <b>Greater than 90 days</b> |
|-------------------|-----------------|-----------------------------------|------------------|-------------------|-------------------|-----------------------------|
|                   |                 |                                   | <b>1-30 days</b> | <b>31-60 days</b> | <b>61-90 days</b> |                             |
| December 31, 2016 | Ps. 186,744,954 | Ps. 113,014,706                   | Ps. 19,175,008   | Ps. 5,835,162     | Ps. 4,209,456     | Ps. 44,510,622              |
| December 31, 2017 | Ps. 178,722,706 | Ps. 78,384,174                    | Ps. 46,758,825   | Ps. 6,780,671     | Ps. 4,375,188     | Ps. 42,423,848              |

In accordance with the Company's accounting policy for the allowance for bad debts, as of December 31, 2016 and 2017, there are certain accounts receivable greater than 90 days that are not impaired as they are primarily due from government institutions and distributors for which the Company has a collateral. To estimate the recoverability of accounts receivable, the Company considers any change in the credit quality of the subscribers and distributors from the date the credit was granted until the end of period.

d) The following table shows the accounts receivable from subscribers and distributors included in the allowance for doubtful accounts, as of December 31, 2016 and 2017:

|                   | <b>Total</b>   | <b>61-90 days</b> | <b>Greater than 90 days</b> |
|-------------------|----------------|-------------------|-----------------------------|
| December 31, 2016 | Ps. 37,351,677 | Ps. 3,970,770     | Ps. 33,380,907              |
| December 31, 2017 | Ps. 39,044,925 | Ps. 3,807,945     | Ps. 35,236,980              |

**Table of Contents****6. Related Parties**

a) The following is an analysis of the balances with related parties as of December 31, 2016 and 2017. All of the companies were considered affiliates of América Móvil since the Company's principal shareholders are either direct or indirect shareholders in the related parties.

|                                                                     | 2016        | 2017        |
|---------------------------------------------------------------------|-------------|-------------|
| <b>Accounts receivable:</b>                                         |             |             |
| Sears Roebuck de Mexico, S.A. de C.V.                               | Ps. 230,974 | Ps. 211,491 |
| Sanborns Hermanos, S.A.                                             | 119,423     | 91,233      |
| Carso Infraestructura y Construcción, S.A. de C.V. and Subsidiaries | 112,834     | 89,585      |
| Enesa, S.A. de C.V. and Subsidiaries                                | 93,360      | 33,208      |
| Grupo Condumex, S.A. de C.V. and Subsidiaries                       | 41,057      | 47,269      |
| Operadora de Sites Mexicanos, S.A. de C.V.                          | 22,629      | 14,252      |
| Patrimonial Inbursa, S.A.                                           | 9,299       | 246,874     |
| Other                                                               | 110,916     | 134,318     |
| <b>Total</b>                                                        | Ps. 740,492 | Ps. 868,230 |

|                                                                     | 2016          | 2017          |
|---------------------------------------------------------------------|---------------|---------------|
| <b>Accounts payable:</b>                                            |               |               |
| Carso Infraestructura y Construcción, S.A. de C.V. and Subsidiaries | Ps. 1,291,062 | Ps. 947,761   |
| Grupo Condumex, S.A. de C.V. and Subsidiaries                       | 753,603       | 812,427       |
| Fianzas Guardiania Inbursa, S.A. de C.V.                            | 409,293       | 276,633       |
| PC Industrial, S.A. de C.V. and Subsidiaries                        | 117,841       | 136,859       |
| Grupo Financiero Inbursa, S.A.B. de C.V.                            | 40,737        | 38,847        |
| Enesa, S.A. de C.V. and Subsidiaries                                | 53,670        | 50,609        |
| Other                                                               | 305,119       | 277,276       |
| <b>Total</b>                                                        | Ps. 2,971,325 | Ps. 2,540,412 |

For the years ended December 31, 2015, 2016 and 2017, the Company has not recorded any impairment of receivables in connection with amounts owed by related parties.

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b) For the years ended December 31, 2015, 2016 and 2017, the Company conducted the following transactions with related parties:

|                                                                                                                        | 2015           | 2016           | 2017                  |
|------------------------------------------------------------------------------------------------------------------------|----------------|----------------|-----------------------|
| <b>Investments and expenses:</b>                                                                                       |                |                |                       |
| Construction services, purchases of materials, inventories and property, plant and equipment <sup>(i)</sup>            | Ps. 5,975,677  | Ps. 9,917,280  | <b>Ps. 11,030,944</b> |
| Insurance premiums, fees paid for administrative and operating services, brokerage services and others <sup>(ii)</sup> | 4,332,331      | 4,118,469      | <b>4,135,578</b>      |
| Rent of towers <sup>(iii)</sup>                                                                                        | 927,678        | 4,748,503      | <b>5,326,366</b>      |
| Other services                                                                                                         | 1,379,269      | 1,899,818      | <b>2,802,667</b>      |
|                                                                                                                        | Ps. 12,614,955 | Ps. 20,684,070 | <b>Ps. 23,295,555</b> |
| <b>Revenues:</b>                                                                                                       |                |                |                       |
| Telecommunications services                                                                                            | Ps. 271,196    | Ps. 411,076    | <b>Ps. 416,047</b>    |
| Sale of materials and other services                                                                                   | 2,398,994      | 2,679,591      | <b>2,313,840</b>      |
|                                                                                                                        | Ps. 2,670,190  | Ps. 3,090,667  | <b>Ps. 2,729,887</b>  |

- i) In 2017, this amount includes Ps. 9,829,991 (Ps. 9,547,530 in 2016 and Ps. 5,823,537 in 2015) for network construction services and construction materials purchased from subsidiaries of Grupo Carso, S.A.B. de C.V. (Grupo Carso).
- ii) In 2017, this amount includes Ps. 789,253 (Ps. 812,247 in 2016 and 721,416 in 2015) for network maintenance services performed by Grupo Carso subsidiaries; Ps. 15,695 in 2017 (Ps. 705,074 in 2016, and Ps. 216,910 in 2015) for software services provided by an associate; Ps. 3,330,038 in 2017 (Ps. 2,406,058 in 2016 and Ps. 2,635,342 in 2015) for insurance premiums with Seguros Inbursa S.A. and Fianzas Guardiania Inbursa, S.A., which, in turn, places most of such insurance with reinsurers.
- iii) In October 2015, following the approval of the Federal Telecommunications Institute (*Instituto Federal de Telecomunicaciones*, or IFT) and confirmation by the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) of its tax implications the Company completed the spin-off process of its telecom towers located in Mexico creating the company Telesites, S.A.B. de C.V. (Telesites). Such spin-off was approved in an extraordinary meeting of shareholders held in April 2015. The National Securities and Banking Commission (*Comisión Nacional Bancaria y de Valores*) authorized the registration of the shares of Telesites in December 2015, and the Company concluded the listing process on December 21, 2015.
- c) During 2017, the Company paid Ps. 1,229,442 (Ps. 1,255,326 and Ps. 915,135 in 2016 and 2015, respectively) for short-term direct benefits to its executives.

The aggregate compensation paid to the Company's directors (including compensation paid to members of the Audit and Corporate Practices Committee), and senior management in 2017 was approximately Ps. 5,100 and Ps. 66,700, respectively. None of the Company's directors is a party to any contract with the Company or any of its subsidiaries that provides for benefits upon termination of employment. The Company does not provide pension, retirement or

similar benefits to its directors in their capacity as directors. The Company's executive officers are eligible for retirement and severance benefits required by Mexican law on the same terms as all other employees.

**d)** Österreichische Bundes- und Industriebeteiligungen GmbH (ÖBIB) is considered a related party due to it is a significant non-controlling shareholder in Telekom Austria. Through Telekom Austria, América Móvil is related to the Republic of Austria and its subsidiaries, which are mainly ÖBB Group, ASFINAG Group and Post Group

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as well as Rundfunk und Telekom Regulierungs-GmbH, all of which these are related parties. In 2017, 2016 and 2015, none of the individual transactions associated with government agencies or government-owned entities of Austria are considering significant to América Móvil.

**7. Derivative Financial Instruments**

To mitigate the risks of future increases in interest rates and foreign exchange rates for the servicing of its debt, the Company has entered into interest-rate swap contracts in over-the-counter transactions carried out with financial institutions. No collateral is given as security in connection with these transactions. In 2017 the weighted-average interest rate of the total debt including the impact of interest rate derivatives held by the Company is 4.0% (3.7% and 3.9% in 2016 and 2015, respectively).

An analysis of the derivative financial instruments contracted by the Company at December 31, 2016 and 2017 is as follows:

| <b>Instrument</b>                 | <b>2016</b>                    |             | <b>At December 31,</b>         |  | <b>2017</b>   |  |
|-----------------------------------|--------------------------------|-------------|--------------------------------|--|---------------|--|
|                                   | Notional amount in<br>millions | Fair value  | Notional amount in<br>millions |  | Fair value    |  |
| <b>Assets:</b>                    |                                |             |                                |  |               |  |
| Swaps US Dollar-Mexican peso      | US\$                           |             | US\$ 2,800                     |  | Ps. 4,766,102 |  |
| Swaps Euro-Mexican peso           | 70                             | Ps. 479,007 |                                |  |               |  |
| Swaps Yen-US Dollar               | ¥ 13,000                       | 430,044     | ¥ 13,000                       |  | 521,270       |  |
| Forwards US Dollar-Mexican peso   | US\$                           |             | US\$ 1,744                     |  | 1,600,666     |  |
| Forwards US Dollar-Brazilian real | US\$                           |             | US\$ 100                       |  | 44,280        |  |
| Swaps Swiss Franc-US Dollar       | CHF                            |             | CHF 475                        |  | 178,710       |  |
| Swaps Euro-Brazilian real         |                                |             | 450                            |  | 359,671       |  |
| Interest rate swap                | Ps.                            |             | Ps. 200                        |  | 916           |  |
| Forwards Euro-Brazilian real      |                                |             | 400                            |  | 330,427       |  |
| Forwards US Dollar-Swiss franc    | CHF                            |             | CHF 75                         |  | 121,981       |  |
| Forwards Euro-US Dollar           |                                |             | 204                            |  | 113,361       |  |
| <b>Total Assets</b>               |                                | Ps. 909,051 |                                |  | Ps. 8,037,384 |  |

| <b>Instrument</b>                   | <b>2016</b>                    |               | <b>At December 31,</b>         |  | <b>2017</b> |  |
|-------------------------------------|--------------------------------|---------------|--------------------------------|--|-------------|--|
|                                     | Notional amount<br>in millions | Fair value    | Notional amount<br>in millions |  | Fair value  |  |
| <b>Liabilities:</b>                 |                                |               |                                |  |             |  |
| Interest rate swaps in Mexican peso | Ps. 15,750                     | Ps. (131,998) | Ps.                            |  | Ps.         |  |
| Forwards US Dollar-Mexican peso     | US\$ 80                        | (99,228)      | US\$                           |  |             |  |
| Forwards Euro-US Dollar             | 460                            | (1,142,155)   |                                |  |             |  |

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|                               |            |                  |            |                  |
|-------------------------------|------------|------------------|------------|------------------|
| Swaps Euro-US Dollar          | 500        | (1,807,332)      |            |                  |
| Swaps US Dollar-Euro          | US\$ 2,192 | (698,917)        | US\$ 2,092 | (8,340,970)      |
| Swaps Swiss franc-US Dollar   | CHF 745    | (745,263)        | CHF        |                  |
| Swaps Pound sterling-Euro     | £ 740      | (2,585,890)      | £ 740      | (3,376,091)      |
| Swap Pound sterling-US Dollar | £ 2,010    | (5,961,324)      | £ 2,010    | (1,676,636)      |
| Call spread option            | 750        | (155,950)        | 750        | (48,422)         |
| Put option                    | 374        | (2,379,434)      | 374        | (482,645)        |
| Call spread option            | 3,000      | (1,877,256)      | 3,000      | (434,696)        |
| <b>Total liability</b>        |            | Ps. (17,584,747) |            | Ps. (14,359,460) |
| Non-current liability         |            | Ps. (3,448,396)  |            | Ps. (3,756,921)  |
| Total current liability       |            | Ps. (14,136,351) |            | Ps. (10,602,539) |

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The changes in the fair value of these derivative financial instruments for the years ended December 31, 2015, 2016 and 2017 amounted to a gain (loss) of Ps. 15,128,269, Ps. (9,622,233) and Ps. 8,192,567, respectively, and such amounts are included in the consolidated statements of comprehensive income as part of the caption Valuation of derivatives interest cost from labor obligations and other financial items, net and Ps. 37,011, Ps. 48,496 and Ps. 12,292, net of tax, respectively, that are accounted for as Effect of derivative financial instruments acquired for hedging purposes in equity.

The maturities of the notional amount of the derivatives are as follows:

| <b>Instrument</b>                 | <b>Notional<br/>amount in<br/>millions</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022<br/>Thereafter</b> |
|-----------------------------------|--------------------------------------------|-------------|-------------|-------------|-------------|----------------------------|
| <b>Assets</b>                     |                                            |             |             |             |             |                            |
| Swaps US Dollar-Mexican peso      | <b>US\$ 2,800</b>                          |             |             |             |             | 2,800                      |
| Swaps Yen-US Dollar               | <b>¥ 13,000</b>                            |             |             |             |             | 13,000                     |
| Forwards US Dollar-Mexican peso   | <b>US\$ 1,744</b>                          | 1,744       |             |             |             |                            |
| Forwards US Dollar-Brazilian real | <b>US\$ 100</b>                            | 100         |             |             |             |                            |
| Swaps Swiss franc-US Dollar       | <b>CHF 475</b>                             | 475         |             |             |             |                            |
| Swaps Euro-Brazilian real         | <b>450</b>                                 | 150         | 300         |             |             |                            |
| Interest rate swap                | <b>Ps. 200</b>                             |             | 200         |             |             |                            |
| Forwards Euro-Brazilian real      | <b>400</b>                                 | 400         |             |             |             |                            |
| Forwards US Dollar-Swiss franc    | <b>CHF 75</b>                              | 75          |             |             |             |                            |
| Forwards Euro-US Dollar           | <b>204</b>                                 | 204         |             |             |             |                            |
| <b>Liabilities</b>                |                                            |             |             |             |             |                            |
| Swaps US Dollar-Euro              | <b>US\$ 2,092</b>                          | 67          | 25          |             |             | 2,000                      |
| Swaps Pound sterling-Euro         | <b>£ 740</b>                               |             |             |             |             | 740                        |
| Swap Pound sterling-US Dollar     | <b>£ 2,010</b>                             |             |             | 550         |             | 1,460                      |
| Call spread option                | <b>750</b>                                 | 750         |             |             |             |                            |
| Put option                        | <b>374</b>                                 |             |             |             |             | 374                        |
| Call spread option                | <b>3,000</b>                               |             |             | 3,000       |             |                            |

**8. Inventories, net**

An analysis of inventories at December 31, 2016 and 2017 is as follows:

|                                                                          | <b>2016</b>           | <b>2017</b>           |
|--------------------------------------------------------------------------|-----------------------|-----------------------|
| Mobile phones, accessories, computers,<br>TVs, cards and other materials | Ps. 41,020,172        | <b>Ps. 42,262,511</b> |
| Less: Reserve for obsolete and<br>slow-moving inventories                | (4,148,880)           | <b>(3,452,946)</b>    |
| <b>Total</b>                                                             | <b>Ps. 36,871,292</b> | <b>Ps. 38,809,565</b> |

For the years ended December 31, 2015, 2016 and 2017, the cost of inventories recognized in cost of sales was Ps. 145,491,598, Ps. 172,495,376 and Ps. 170,154,336, respectively.

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**Table of Contents****9. Other assets, net**

An analysis of other assets at December 31, 2016 and 2017 is as follows:

|                                                                           | 2016 |            | 2017 |            |
|---------------------------------------------------------------------------|------|------------|------|------------|
| <b>Current portion:</b>                                                   |      |            |      |            |
| Advances to suppliers (different from PP&E and inventories)               | Ps.  | 12,078,114 | Ps.  | 9,536,654  |
| Costs of mobile equipment and computers associated with deferred revenues |      | 5,914,166  |      | 6,182,010  |
| Prepaid insurance                                                         |      | 786,683    |      | 683,091    |
| Other                                                                     |      | 759,130    |      | 950,991    |
|                                                                           | Ps.  | 19,538,093 | Ps.  | 17,352,746 |
| <b>Non-current portion:</b>                                               |      |            |      |            |
| Recoverable taxes                                                         | Ps.  | 9,971,482  | Ps.  | 12,249,372 |
| Prepayments for the use of fiber optics                                   |      | 4,262,387  |      | 4,361,668  |
| Prepaid expenses and judicial deposits <sup>(1)</sup>                     |      | 25,267,208 |      | 25,926,436 |
| Total                                                                     | Ps.  | 39,501,077 | Ps.  | 42,537,476 |

For the years ended December 31, 2015, 2016 and 2017, amortization expense for other assets was Ps. 558,457, Ps. 1,340,609 and Ps. 620,680, respectively.

- (1) Judicial deposits represent cash and cash equivalents pledged in order to fulfill the collateral requirements for tax contingencies mainly in Brazil. At December 31, 2016 and 2017, the amount for these deposits is Ps. 20,030,041 and Ps. 20,288,382, respectively. Based on its evaluation of the underlying contingencies, the Company believes that such amounts are recoverable.

**Table of Contents****10. Property, Plant and Equipment, net**

a) An analysis of property, plant and equipment, net at December 31, 2015, 2016 and 2017 is as follows:

| At<br>December 31,<br>2014 | Additions       | Retirements       | Business<br>combinations | Spin-off<br>effects<br>(Note 12)                       | Effect of<br>translation of<br>foreign<br>subsidiaries | Depreciation<br>of<br>the year | De  |
|----------------------------|-----------------|-------------------|--------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------|-----|
| Ps. 642,617,237            | Ps. 78,632,899  | Ps. (16,061,956)  | Ps. 4,293,671            | Ps.                                                    | Ps. (68,097,149)                                       | Ps.                            | Ps. |
| 56,463,536                 | 2,559,088       | (2,492,288)       | 54,902                   |                                                        | (1,790,852)                                            |                                |     |
| 105,550,807                | 27,711,493      | (10,169,829)      | 820,329                  | (12,643,381)                                           | (4,800,817)                                            |                                |     |
| 39,107,185                 | 72,899,705      | (68,666,020)      | 160,311                  | (348,395)                                              | (4,302,010)                                            |                                |     |
| 20,848,714                 | 44,423,898      | (43,911,307)      |                          |                                                        | (1,018,916)                                            |                                |     |
| 864,587,479                | 226,227,083     | (141,301,400)     | 5,329,213                | (12,991,776)                                           | (80,009,744)                                           |                                |     |
| 234,527,131                |                 | (31,529,529)      |                          | (7,403,656)                                            | (51,082,202)                                           | 92,219,984                     |     |
| 3,728,405                  |                 | (433,368)         |                          |                                                        | (1,334,962)                                            | 2,607,513                      |     |
| 38,276,028                 |                 | (4,533,893)       |                          |                                                        | (1,995,119)                                            | 15,310,068                     |     |
| (50,265)                   |                 | (13,405)          |                          |                                                        | 1,409                                                  | 17,838                         |     |
| Ps. 276,481,299            | Ps.             | Ps. (36,510,195)  | Ps.                      | Ps. (7,403,656)                                        | Ps. (54,410,874)                                       | Ps. 110,155,403                | Ps. |
| Ps. 588,106,180            | Ps. 226,227,083 | Ps. (104,791,205) | Ps. 5,329,213            | Ps. (5,588,120)                                        | Ps. (25,598,870)                                       | Ps. (110,155,403)              | Ps. |
| At<br>December 31,<br>2015 | Additions       | Retirements       | Business<br>combinations | Effect of<br>translation of<br>foreign<br>subsidiaries | Depreciation<br>of<br>the year                         | At<br>December<br>2016         |     |

|                                             |                 |                 |                  |               |                 |                   |             |
|---------------------------------------------|-----------------|-----------------|------------------|---------------|-----------------|-------------------|-------------|
| work in<br>tion and<br>ment                 | Ps. 641,384,702 | Ps. 101,794,197 | Ps. (8,963,076)  | Ps. 1,873,445 | Ps. 235,186,745 | Ps.               | Ps. 971,270 |
| and                                         |                 |                 |                  |               |                 |                   |             |
| ings                                        | 54,794,386      | 2,900,511       | (2,845,298)      | 3,839         | 7,281,973       |                   | 62,135      |
| assets                                      | 106,468,602     | 24,368,918      | (10,717,096)     | 69,937        | 24,736,655      |                   | 144,927     |
| ruccion                                     |                 |                 |                  |               |                 |                   |             |
| cess and<br>ces plant<br>ers <sup>(1)</sup> | 38,850,776      | 70,517,319      | (70,911,593)     | 11,255        | 11,252,127      |                   | 49,719      |
| ories for<br>tion<br>network                | 20,342,389      | 34,010,751      | (27,641,919)     | 5,520         | 1,566,307       |                   | 28,283      |
|                                             | 861,840,855     | 233,591,696     | (121,078,982)    | 1,963,996     | 280,023,807     |                   | 1,256,341   |
| culated<br>ciation                          |                 |                 |                  |               |                 |                   |             |
| ork in<br>tion and<br>ment                  | 236,731,728     |                 | (1,968,376)      |               | 153,147,349     | 107,976,385       | 495,887     |
| ings                                        | 4,567,588       |                 | (975,284)        |               | 3,709,952       | 3,179,066         | 10,481      |
| assets                                      | 47,057,084      |                 | (25,099,710)     |               | 10,396,438      | 16,105,885        | 48,459      |
| ories for<br>tion of<br>network             | (44,423)        |                 | (54,280)         |               | 20,896          | 401,008           | 323         |
|                                             | Ps. 288,311,977 | Ps.             | Ps. (28,097,650) | Ps.           | Ps. 167,274,635 | Ps. 127,662,344   | Ps. 555,151 |
| ost                                         | Ps. 573,528,878 | Ps. 233,591,696 | Ps. (92,981,332) | Ps. 1,963,996 | Ps. 112,749,172 | Ps. (127,662,344) | Ps. 701,190 |



|                             |                      |                      |
|-----------------------------|----------------------|----------------------|
| Assets under capital leases | Ps. 8,210,557        | <b>Ps. 8,116,532</b> |
| Accumulated depreciation    | (4,839,007)          | <b>(3,475,014)</b>   |
|                             | <b>Ps. 3,371,550</b> | <b>Ps. 4,641,518</b> |

c) At December 31, 2017, Claro Brasil has land and buildings and other equipment that are pledged in guarantee of legal proceedings in the amount of Ps. 3,521,082 (Ps. 3,530,845 as of December 31, 2016).

d) Relevant information related to the computation of the capitalized borrowing costs is as follows:

|                                                         | Years ended December 31, |                |                       |
|---------------------------------------------------------|--------------------------|----------------|-----------------------|
|                                                         | 2015                     | 2016           | 2017                  |
| Amount invested in the acquisition of qualifying assets | Ps. 52,922,105           | Ps. 52,974,400 | <b>Ps. 49,642,370</b> |
| Capitalized interest                                    | 3,524,841                | 2,861,307      | <b>2,875,034</b>      |
| Capitalization rate                                     | 6.7%                     | 5.4%           | <b>5.8%</b>           |

Capitalized interest is being amortized over a period of seven years, which is the estimated useful life of the related assets.

e) On October 20, 2017, our subsidiary Star One signed a contract with SSL – Space Systems Loral for construction of the Star One D2 satellite, which will be equipped with transponders 52 in the C and Ku bands,

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20 Gbps of capacity in Band Ka and a certain capacity in X-band. The cost of this Project is estimated to be approximately Ps. 6,391,104 (US\$ 323,000) and the launch will take place at the end of 2019. At December 31, 2017 the amount recorded in Construction in progress amounts to Ps. 916,240 (R\$153,179).

**f)** The Company's concessions in Brazil establish certain conditions under which assets may be reverted to the government, as discussed in Note 16(c).

**g)** During 2016, Claro Brasil reviewed the useful life of its set top boxes. Such review was supported by historical data, change in the economic environment in which Claro Brasil operates and based on a professional technical evaluation. Based on the review the Company shortened such useful lives and recorded an increase in depreciation expense for Ps. 2,468,415 (R\$458,234).

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

**11. Intangible assets, net and goodwill**

**a)** An analysis of intangible assets at December 31, 2015, 2016 and 2017 is as follows:

|                            | For the year ended December 31, 2015 |                |                                       |                     |                          |  | Effect of translation of foreign subsidiaries | Balance at end of year |
|----------------------------|--------------------------------------|----------------|---------------------------------------|---------------------|--------------------------|--|-----------------------------------------------|------------------------|
|                            | Balance at beginning of year         | Acquisitions   | Acquisitions in business combinations | Disposals and other | Amortization of the year |  |                                               |                        |
| Licenses and rights of use | Ps. 174,795,094                      | Ps. 19,507,462 | Ps. 448,364                           | Ps. 1,109,172       | Ps.                      |  | Ps. (20,564,317)                              | Ps. 175,295,775        |
| Accumulated amortization   | (91,231,249)                         |                |                                       | (25,976)            | (7,419,551)              |  | 13,830,252                                    | (84,846,524)           |
| Net                        | 83,563,845                           | 19,507,462     | 448,364                               | 1,083,196           | (7,419,551)              |  | (6,734,065)                                   | 90,449,251             |
| Trademarks                 | 22,274,991                           |                | 252,728                               | 207,251             |                          |  | 89,043                                        | 22,824,013             |
| Accumulated amortization   | (10,829,402)                         |                |                                       |                     | (936,606)                |  | 242,301                                       | (11,523,707)           |
| Net                        | 11,445,589                           |                | 252,728                               | 207,251             | (936,606)                |  | 331,344                                       | 11,300,306             |
| Customer relationships     | 15,306,167                           |                | 949,915                               | 791,548             |                          |  | 1,346,777                                     | 18,394,407             |
| Accumulated amortization   | (485,951)                            |                |                                       |                     | (3,452,760)              |  | (24,164)                                      | (3,962,875)            |
| Net                        | 14,820,216                           |                | 949,915                               | 791,548             | (3,452,760)              |  | 1,322,613                                     | 14,431,532             |

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|                                 |                 |                |               |               |                  |                 |                 |
|---------------------------------|-----------------|----------------|---------------|---------------|------------------|-----------------|-----------------|
| software<br>licenses            | 7,297,177       | 2,245,027      | 42,760        | (307,955)     |                  | (494,241)       | 8,782,768       |
| accumulated<br>amortization     | (1,510,514)     |                |               | 1,434,129     | (2,921,767)      | 573,554         | (2,424,598)     |
| Net                             | 5,786,663       | 2,245,027      | 42,760        | 1,126,174     | (2,921,767)      | 79,313          | 6,358,170       |
| Content<br>rights               | 1,862,030       | 768,888        |               |               |                  | 3,609           | 2,634,527       |
| accumulated<br>amortization     | (158,555)       |                |               |               | (270,191)        |                 | (428,746)       |
| Net                             | 1,703,475       | 768,888        |               |               | (270,191)        | 3,609           | 2,205,781       |
| Total of<br>intangibles,<br>Net | Ps. 117,319,788 | Ps. 22,521,377 | Ps. 1,693,767 | Ps. 3,208,169 | Ps. (15,000,875) | Ps. (4,997,186) | Ps. 124,745,040 |
| Goodwill<br>(Note 12)           | Ps. 140,903,391 | Ps. 220,124    | Ps. 711,723   | Ps.           | Ps.              | Ps. (4,721,522) | Ps. 137,113,716 |

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|                           | For the year ended December 31, 2016 |                |                                       |                     |                          |                                               |                        |
|---------------------------|--------------------------------------|----------------|---------------------------------------|---------------------|--------------------------|-----------------------------------------------|------------------------|
|                           | Balance at beginning of year         | Acquisitions   | Acquisitions in business combinations | Disposals and other | Amortization of the year | Effect of translation of foreign subsidiaries | Balance at end of year |
| Patents and rights of use | Ps. 175,295,775                      | Ps. 9,129,949  | Ps. 360,144                           | Ps. 1,269,478       | Ps.                      | Ps. 56,684,016                                | Ps. 242,739,362        |
| Accumulated amortization  | (84,846,524)                         |                |                                       |                     | (10,255,271)             | (31,606,303)                                  | (126,708,098)          |
| Net                       | 90,449,251                           | 9,129,949      | 360,144                               | 1,269,478           | (10,255,271)             | 25,077,713                                    | 116,031,264            |
| Trademarks                | 22,824,013                           |                | 101,655                               | (13,820)            |                          | 4,877,302                                     | 27,789,150             |
| Accumulated amortization  | (11,523,707)                         |                |                                       |                     | (330,576)                | (3,367,974)                                   | (15,222,257)           |
| Net                       | 11,300,306                           |                | 101,655                               | (13,820)            | (330,576)                | 1,509,328                                     | 12,566,893             |
| Customer relationships    | 18,394,407                           |                | 1,904,503                             |                     |                          | 5,946,598                                     | 26,245,508             |
| Accumulated amortization  | (3,962,875)                          |                |                                       |                     | (3,231,518)              | (5,240,681)                                   | (12,435,074)           |
| Net                       | 14,431,532                           |                | 1,904,503                             |                     | (3,231,518)              | 705,917                                       | 13,810,434             |
| Software licenses         | 8,782,768                            | 3,854,066      | 26,871                                | (829,680)           |                          | 1,040,771                                     | 12,874,796             |
| Accumulated amortization  | (2,424,598)                          | (41,185)       | (8,367)                               | 829,680             | (3,469,461)              | (9,809)                                       | (5,123,740)            |
| Net                       | 6,358,170                            | 3,812,881      | 18,504                                |                     | (3,469,461)              | 1,030,962                                     | 7,751,056              |
| Content rights            | 2,634,527                            | 2,242,556      |                                       | (217,057)           |                          | 216,272                                       | 4,876,298              |
| Accumulated amortization  | (428,746)                            |                |                                       | (1,612)             | (2,236,141)              |                                               | (2,666,499)            |
| Net                       | 2,205,781                            | 2,242,556      |                                       | (218,669)           | (2,236,141)              | 216,272                                       | 2,209,799              |
| Total of intangibles, net | Ps. 124,745,040                      | Ps. 15,185,386 | Ps. 2,384,806                         | Ps. 1,036,989       | Ps. (19,522,967)         | Ps. 28,540,192                                | Ps. 152,369,446        |
| Goodwill (Note 12)        | Ps. 137,113,716                      | Ps.            | Ps. 3,953,023                         | Ps. (356,832)       | Ps.                      | Ps. 11,922,728                                | Ps. 152,632,635        |

## For the year ended December 31, 2017

|                                 | Balance at<br>beginning of<br>year | Acquisitions   | Acquisitions<br>in business<br>combinations | Disposals<br>and other | Amortization<br>of the year | Effect of<br>translation of<br>foreign<br>subsidiaries | Balance at<br>end<br>of year |
|---------------------------------|------------------------------------|----------------|---------------------------------------------|------------------------|-----------------------------|--------------------------------------------------------|------------------------------|
| Patents and<br>rights of use    | Ps. 242,739,362                    | Ps. 12,347,051 | Ps. 53,923                                  | Ps. (1,037,458)        | Ps.                         | Ps. (6,689,054)                                        | Ps. 247,413,824              |
| Accumulated<br>amortization     | (126,708,098)                      |                |                                             | 244,564                | (11,879,489)                | 4,233,585                                              | (134,109,438)                |
| Net                             | 116,031,264                        | 12,347,051     | 53,923                                      | (792,894)              | (11,879,489)                | (2,455,469)                                            | 113,304,386                  |
| Trademarks                      | 27,789,150                         | 127,823        | 82,868                                      | (29,804)               |                             | 809,175                                                | 28,779,212                   |
| Accumulated<br>amortization     | (15,222,257)                       |                |                                             | 34,464                 | (3,179,461)                 | (474,151)                                              | (18,841,405)                 |
| Net                             | 12,566,893                         | 127,823        | 82,868                                      | 4,660                  | (3,179,461)                 | 335,024                                                | 9,937,807                    |
| Customer<br>relationships       | 26,245,508                         |                | 512,667                                     | (882,338)              |                             | 1,109,877                                              | 26,985,714                   |
| Accumulated<br>amortization     | (12,435,074)                       |                |                                             | 882,338                | (3,769,777)                 | (806,982)                                              | (16,129,495)                 |
| Net                             | 13,810,434                         |                | 512,667                                     |                        | (3,769,777)                 | 302,895                                                | 10,856,219                   |
| Software<br>licenses            | 12,874,796                         | 3,351,200      |                                             | (1,698,118)            |                             | 527,720                                                | 15,055,598                   |
| Accumulated<br>amortization     | (5,123,740)                        |                |                                             | 1,212,669              | (3,699,363)                 | (204,727)                                              | (7,815,161)                  |
| Net                             | 7,751,056                          | 3,351,200      |                                             | (485,449)              | (3,699,363)                 | 322,993                                                | 7,240,437                    |
| Content<br>rights               | 4,876,298                          | 2,099,084      |                                             | (63,137)               |                             | (194,803)                                              | 6,717,442                    |
| Accumulated<br>amortization     | (2,666,499)                        |                |                                             | (195,658)              | (1,820,092)                 | 165,584                                                | (4,516,665)                  |
| Net                             | 2,209,799                          | 2,099,084      |                                             | (258,795)              | (1,820,092)                 | (29,219)                                               | 2,200,777                    |
| Total of<br>intangibles,<br>net | Ps. 152,369,446                    | Ps. 17,925,158 | Ps. 649,458                                 | Ps. (1,532,478)        | Ps. (24,348,182)            | Ps. (1,523,776)                                        | Ps. 143,539,626              |
| Goodwill<br>(Note 12)           | Ps. 152,632,635                    | Ps.            | Ps. 951,348                                 | Ps. (134,525)          | Ps.                         | Ps. (1,986,226)                                        | Ps. 151,463,232              |

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b) The aggregate carrying amount of goodwill is allocated as follows:

|                                 | <b>December 31,</b> |                 |
|---------------------------------|---------------------|-----------------|
|                                 | <b>2016</b>         | <b>2017</b>     |
| Europe (7 countries)            | Ps. 52,207,877      | Ps. 53,143,542  |
| Brazil (Fixed, wireless and TV) | 26,106,623          | 24,708,740      |
| Puerto Rico                     | 17,463,393          | 17,463,394      |
| Dominican Republic              | 14,186,724          | 14,186,723      |
| Mexico (includes Telmex)        | 9,936,857           | 9,852,912       |
| Ecuador                         | 2,155,385           | 2,155,385       |
| Peru                            | 3,792,950           | 3,958,110       |
| El Salvador                     | 2,510,596           | 2,510,577       |
| Chile                           | 2,758,653           | 2,834,134       |
| Colombia                        | 14,659,892          | 13,981,033      |
| Other countries                 | 6,853,685           | 6,668,682       |
|                                 | Ps. 152,632,635     | Ps. 151,463,232 |

c) The following is a description of the major changes in the Licenses and rights of use caption during the years ended December 31, 2015, 2016 and 2017:

**2015 Acquisitions**

i) In October 2015, Radiomóvil Dipsa renewed a license to provide cellular service in the 800 MHz frequency band. The frequency band expires in 2030. The amount paid was Ps. 1,007,410.

ii) In May 2015, Claro Ecuador acquired licenses related to 4G/LTE services. The frequency band expires in 2023. The amount paid was Ps. 2,861,060.

iii) In 2015, Claro Brasil obtained renewals related with the frequency bands of national 700Mhz. Funding for these procedures must be transmitted by operators in four annual installments adjusted by the IGP-ID of Ps. 4,412,730 (R\$ 1,001,414) for which the corresponding renewal was performed.

iv) In November 2015, Vipnet located in Croatia acquired 2 x 3 MHz and 2 x 4.8 MHz in the 1.800 MHz spectrum for EUR 18,513. Vipnet already holds 2 x 29.4 MHz in the lower frequency band (below 1 GHz), 2 x 25.0 in the higher frequency band (above 1 GHz) as well as 5.0 MHz TDD spectrum. The amount paid was Ps. 321,915.

v) In November 2015, Vip mobile, the Serbian subsidiary acquired 2 x 5 MHz of the 800 MHz spectrum. The new spectrum will be used by VIP mobile for the LTE rollout and will enhance the high-speed data service in rural areas as well as data usage in connection with smartphones. Vip mobile already holds a 2 x 4.2 MHz in the lower frequency band (below 1 GHz) as well as 2 x 45.0 MHz in the higher frequency band (above 1 GHz). The amount paid was Ps. 1,129,988 (EUR 60,942).

As a part of the business combinations, the Company recognized licenses for an amount of Ps. 448,364. The Company holds licenses provided by the regulatory authorities in those jurisdictions. These licenses are estimated to have a remaining useful life of 10 years.

vi) In 2015, Argentina paid Ps. 5,599,745 (AR\$ 3,269,312) for the acquisition of 4G licenses to increase the service throughout the country.

vii) Additionally the Company acquired other licenses in Puerto Rico, Panama and others countries in the amount of Ps. 4,174,614.

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### **2016 Acquisitions**

- i) In February 2016, the Company's subsidiary in Paraguay was granted with the use of 30 MHz of spectrum in the 1700/2100 Mhz frequency. The total cost was Ps. 830,719 (US\$ 46,000).
- ii) In February 2016, the Company through its subsidiary Radiomóvil Dipsa, S.A. de C.V. (Telcel), acquired through an auction a total of 20MHz in the national wide AWS-1 band and 40 MHz in the AWS-3 band. The concession expires in October 2030. The Company paid an amount of Ps. 2,098,060.
- iii) In May 2016, Mtel, located in Bulgaria, acquired 2 x 5 MHz in the 1,800-MHz spectrum for Ps. 135,441 (EUR 6,212). During 2016, Telekom Austria paid Ps. 410,713 (EUR 18,837) for the renewals referring to an obligation obtained from concessions granted in previous years.
- iv) On May 26, 2016, the Company's subsidiary in Peru acquired spectrum in a public auction of the 700 MHz band. The frequency band expires in 2036. The cost of the spectrum was Ps. 5,627,316 (PEN\$. 1,002,523).
- v) In July 2016, Ecuador Telecom acquired a license to operate TV in Ecuador for a period that ends in 2031. The amount paid was Ps. 27,700 (US\$ 1,500).

### **2017 Acquisitions**

- i) In 2017, Claro Brasil increased its licenses value by Ps. 3,592,034 due to the cleaning process of the 700 MHz national frequency acquired in September 2014.
- ii) On February 24, 2017 Radiomóvil Dipsa renewed its 8.4 MHz national license by paying Ps. 917,431, and on July 14, 2017, it acquired 43 concession titles for frequencies of 2.5 GHz in the amount of Ps. 5,305,498.
- iii) Additionally in 2017, the Company acquired other licenses in Chile, Europe, Uruguay and others countries in the amount of Ps. 2,532,088.

Amortization of intangibles for the years ended December 31, 2015, 2016 and 2017 amounted to Ps. 15,000,875, Ps. 19,522,968 and Ps. 24,348,182, respectively.

In September 2017, the Company decided to consolidate the brands in Telekom Austria Group. Depending on the respective markets, the Austrian brand A1 will be rolled out to all the subsidiaries through the third quarter 2019, at the latest, and the local brands are amortized accordingly.

Some of the jurisdictions in which the Company operates can revoke their concessions under certain circumstances such as imminent danger to national security, national economy and natural disasters.

## **12. Business combinations, acquisitions, sale and non-controlling interest**

a) The following is a description of the major acquisitions of investments in associates and subsidiaries during the years ended December 31, 2015, 2016 and 2017:

### **Acquisitions 2015**

- a) In February 2015, the Company acquired throughout its Telmex and Consertel subsidiaries an additional 35% of Hitss Solutions, S. A. de C.V. (Hitss) increasing its equity interest in this entity to 68.9%. Hitss offers information technology service. This acquisition was valued at its fair value at the purchase date. The Company started consolidating this subsidiary beginning March, 2015. The amount paid for the additional equity interest was Ps. 472,481, net of cash, and the goodwill recorded as part of this acquisition was Ps. 205,141. The identified goodwill has been allocated to the Mexico segment. The goodwill recognized is not deductible for income tax purposes.

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b) The following entities were acquired by Telekom Austria:

- i) In June 2015, acquired 100% of eight cable operators in the Republic of Macedonia through its subsidiary Blizoo.
- ii) In September 2015, acquired 100% of Amisco NV ( Amis ), the holding entity of Amis Slovenia and Amis Croatia. Amis operates as a fixed-line reseller in Slovenia and owns a fiber network in Croatia. The companies offer internet, IPTV and telephone services.

iii) In September 2015, acquired 100% of Bultel Cable Bulgaria EAD ( Blizoo Bulgaria ).

The acquired companies were consolidated beginning October 2015. The amount paid was Ps. 2,864,968, net of cash, and the goodwill recognized as part of these acquisitions was Ps. 711,723. The identified goodwill has been allocated to the Europe segment. The goodwill recognized is not deductible for income tax purposes.

- c) During 2015, the Company acquired throughout its Mexican and Brazil subsidiaries other entities for which they paid Ps. 119,704, net of cash.
- d) The Company acquired an additional non-controlling interest in its Mexican and Brazil entities for an amount of Ps. 1,031,049.

## **Acquisitions and sale 2016**

a) In January 2016, in order to expand and strengthen its operations in Brazil, the Company through its Brazilian subsidiary, acquired a controlling interest of 99.99% in Brazil Telecomunicações S.A. ( BRTel ), a company operating in the market for Pay TV, Internet and broadband services and serving various municipalities of Brazil under the BLUE brand. The amount paid for the business acquisition was Ps. 1,088,668, net of acquired cash. The goodwill recognized amounted to Ps. 1,046,253.

b) In May 2016, the Company acquired an additional non-controlling interest of 1.8% in Tracfone Wireless Inc. thereby obtaining 100% of its capital stock. The amount paid was Ps. 2,300,553 (US\$ 124,673). This transaction was recorded as an equity transaction, and therefore, no gain or loss was recognized.

c) In May 2016, the Company through his subsidiary, América Móvil Perú, S.A.C. acquired 100% of the capital stock of Olo del Perú S.A.C. ( Olo ), and TVS Wireless S.A.C. ( TVS ). Olo and TVS provide telecommunications services throughout Peru and hold radio spectrum in the 2.5 GHz band. The transaction was conditioned to the obtention of the approval of the Peruvian regulator, such approval was finally obtained in December 2016. The amount of the transaction was Ps. 1,854,379 (US\$. 102,343) net of acquired cash. In May 2016 the Company paid Ps. 152,214 (US\$ 7,554) and in January 2017, after the approval, Ps. 2,079,095 (US\$ 94,789). The goodwill recognized amounted to Ps. 1,454,333 in December 2016 and Ps. 188,452 in December 2017.

d) Based on a 2014 shareholder agreement, the Company agreed to ensure a minimal free float of Telekom Austria shares in the market. Consequently, in July 2016, the Company sold shares corresponding to 7.8% of the outstanding common stock of Telekom Austria AG. This sale reduced the overall shareholding of América Movil in Telekom

Austria AG from 59.70% to 51.89%. Additionally, in August 2016, the Company sold 0.89% of the outstanding common stock of Telekom Austria AG. Following the successful completion of this transaction, AMX's stake was reduced to 51.0%. The amount of cash received for these transactions was Ps. 6,323,336. As América Móvil still retains control over Telekom Austria AG, these transactions were recorded as equity transactions.

e) In September 2016, the Company, through his subsidiary Tracfone, acquired certain assets of T-Mobile, that represented a business, which included the brands known as Walmart Mobile and Go Smart. These assets were acquired in order to expand the Company's distribution channels, add an incremental revenue stream, and assist in the growth of subscribers. There was no cash exchanged in the acquisition. The goodwill recognized amounted to Ps. 1,251,464.

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f) In November 2016, Telekom Austria Group acquired 100% of the Belarusian fixed-line operator Atlant Telecom (Atlant) and its subsidiary TeleSet. After the acquisition, Atlant was renamed velcom ACS. Both companies are the leading privately owned fixed-line operators in Belarus offering fixed-line broadband, IPTV and cable TV as well as a video and audio library. The acquisition of Atlant and TeleSet is a further step in Telekom Austria Group's convergence strategy. The final allocation of consideration transferred will be determined once all necessary information regarding identifiable assets is available. The amount paid for the business acquisition was Ps. 582,931, net of acquired cash. The goodwill recognized amounted to Ps. 200,973.

**Acquisitions 2017**

a) In February 2017, Telekom Austria Group acquired 97.68% of Metronet telekomunikacije through its Croatian subsidiary Vipnet. Metronet is one of the leading alternative fixed business solutions provider in Croatia. The fair values of the assets acquired and liabilities assumed at the acquisition date are reported in the Europe segment. The amount paid for the business acquisition was Ps. 1,550,534, net of acquired cash. The goodwill recognized amounted to Ps. 502,574.

b) During 2017, the Company acquired through its subsidiaries, other entities for which it paid Ps. 3,249,164, net of acquired cash. The identified goodwill has been allocated to the Europe segment. The goodwill recognized amounted to Ps. 260,355.

c) The Company acquired an additional non-controlling interest in its Mexican entities for an amount of Ps. 23,881.

**b) Consolidated subsidiaries with non-controlling interests**

The Company has a material non-controlling interest in Telekom Austria. Set out below is summarized information as of December 31, 2016 and 2017 of TKA's consolidated financial statements. The amounts disclosed for this subsidiary are before inter-company eliminations and using the same accounting policies of América Móvil.

**Selected financial data from the statements of financial position**

|                                                     | <b>December 31,</b> |                        |
|-----------------------------------------------------|---------------------|------------------------|
|                                                     | <b>2016</b>         | <b>2017</b>            |
| <b>Assets:</b>                                      |                     |                        |
| Current assets                                      | Ps. 31,371,809      | <b>Ps. 29,128,486</b>  |
| Non-current assets                                  | 143,708,470         | <b>150,225,260</b>     |
| Total assets                                        | Ps. 175,080,279     | <b>Ps. 179,353,746</b> |
| <b>Liabilities and equity:</b>                      |                     |                        |
| Current liabilities                                 | Ps. 40,961,299      | <b>Ps. 30,192,384</b>  |
| Non-current liabilities                             | 80,966,903          | <b>89,048,150</b>      |
| Total liabilities                                   | 121,928,202         | <b>119,240,534</b>     |
| Equity attributable to equity holders of the parent | 23,527,370          | <b>25,808,318</b>      |
| Non-controlling interest <sup>(1)</sup>             | 29,624,707          | <b>34,304,894</b>      |

|                              |                 |                        |
|------------------------------|-----------------|------------------------|
| Total equity                 | Ps. 53,152,077  | <b>Ps. 60,113,212</b>  |
| Total liabilities and equity | Ps. 175,080,279 | <b>Ps. 179,353,746</b> |

(1) In 2017 this amount includes Ps. 14,942,886 (Ps. 13,715,747 in 2016) for the undated subordinated fixed rate bond (see Note 19).

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**Table of Contents****Summarized statements of comprehensive income**

|                                       | <b>For the year ended December 31,</b> |                |                       |
|---------------------------------------|----------------------------------------|----------------|-----------------------|
|                                       | <b>2015</b>                            | <b>2016</b>    | <b>2017</b>           |
| Operating revenues                    | Ps. 73,159,960                         | Ps. 85,185,177 | <b>Ps. 93,644,173</b> |
| Operating costs and expenses          | 66,913,434                             | 81,590,233     | <b>86,920,692</b>     |
| Operating income                      | 6,246,526                              | 3,594,944      | <b>6,723,481</b>      |
| Net income                            | 6,157,758                              | 7,065,770      | <b>5,656,132</b>      |
| Total comprehensive income            | Ps. 4,968,909                          | Ps. 8,450,837  | <b>Ps. 7,737,797</b>  |
| Net income attributable to:           |                                        |                |                       |
| Equity holders of the parent          | Ps. 3,674,886                          | Ps. 3,241,556  | <b>Ps. 2,884,627</b>  |
| Non-controlling interest              | 2,482,872                              | 3,824,214      | <b>2,771,505</b>      |
|                                       | Ps. 6,157,758                          | Ps. 7,065,770  | <b>Ps. 5,656,132</b>  |
| Comprehensive income attributable to: |                                        |                |                       |
| Equity holders of the parent          | Ps. 2,967,698                          | Ps. 4,311,801  | <b>Ps. 3,978,263</b>  |
| Non-controlling interest              | 2,001,211                              | 4,139,036      | <b>3,759,534</b>      |
|                                       | Ps. 4,968,909                          | Ps. 8,450,837  | <b>Ps. 7,737,797</b>  |

**13. Income Taxes**

As explained previously in these consolidated financial statements, the Company is a Mexican corporation which has numerous consolidated subsidiaries operating in different countries. Presented below is a discussion of income tax matters that relates to the Company's consolidated operations, its Mexican operations and significant foreign operations.

**i) Consolidated income tax matters**

The composition of income tax expense for the years ended December 31, 2015, 2016 and 2017 is as follows:

|                         | <b>2015</b>    | <b>2016</b>    | <b>2017</b>           |
|-------------------------|----------------|----------------|-----------------------|
| <b>In Mexico:</b>       |                |                |                       |
| Current year income tax | Ps. 17,156,638 | Ps. 14,316,005 | <b>Ps. 16,568,274</b> |
| Deferred income tax     | (4,095,128)    | (12,086,232)   | <b>2,582,287</b>      |
| <b>Foreign:</b>         |                |                |                       |
| Current year income tax | 17,775,360     | 15,367,903     | <b>13,524,729</b>     |

|                     |              |             |             |
|---------------------|--------------|-------------|-------------|
| Deferred income tax | (11,657,219) | (6,198,820) | (7,733,779) |
|---------------------|--------------|-------------|-------------|

|  |                |                |                |
|--|----------------|----------------|----------------|
|  | Ps. 19,179,651 | Ps. 11,398,856 | Ps. 24,941,511 |
|--|----------------|----------------|----------------|

Deferred tax related to items recognized in OCI during the year:

|                                                               | 2015          | 2016            | 2017          |
|---------------------------------------------------------------|---------------|-----------------|---------------|
| Remeasurement of defined benefit plans                        | Ps. 7,786,292 | Ps. (7,734,732) | Ps. 3,032,403 |
| Effect of financial instruments acquired for hedging purposes | (16,069)      | (21,046)        | (5,337)       |
| Available for sale securities                                 | 169,529       | 2,858,452       | (266,753)     |
| Other                                                         | (4,019)       | 136,879         |               |
| Deferred tax benefit (expense) recognized in OCI              | Ps. 7,935,733 | Ps. (4,760,447) | Ps. 2,760,313 |

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A reconciliation of the statutory income tax rate in Mexico to the consolidated effective income tax rate recognized by the Company is as follows:

|                                                              | <b>Year ended December 31,</b> |             |               |
|--------------------------------------------------------------|--------------------------------|-------------|---------------|
|                                                              | <b>2015</b>                    | <b>2016</b> | <b>2017</b>   |
| Statutory income tax rate in Mexico                          | 30.0%                          | 30.0%       | <b>30.0%</b>  |
| Impact of non-deductible and non-taxable items:              |                                |             |               |
| Tax inflation effects                                        | 6.2%                           | 15.9%       | <b>17.8%</b>  |
| Derivatives                                                  | 0.5%                           | 8.0%        | <b>1.0%</b>   |
| Employee benefits                                            | 1.7%                           | 4.4%        | <b>2.2%</b>   |
| Other                                                        | (0.1%)                         | 9.8%        | <b>2.6%</b>   |
| Effective tax rate on Mexican operations                     | 38.3%                          | 68.1%       | <b>53.6%</b>  |
| Use of tax credits in Brazil                                 | 0.4%                           | (0.6%)      | <b>(0.4%)</b> |
| Equity interest in net loss (income) of associated companies | 0.8%                           | (0.2%)      |               |
| Gain on derecognition of equity method investment            | (6.4%)                         |             |               |
| Dividends received from associates                           | (0.9%)                         | (7.9%)      | <b>(1.2%)</b> |
| Foreign subsidiaries and other non-deductible items, net     | 2.0%                           | (10.8%)     | <b>(8.3%)</b> |
| Effective tax rate                                           | 34.2%                          | 48.6%       | <b>43.7%</b>  |

An analysis of temporary differences giving rise to the net deferred tax liability is as follows:

|                                | <b>Consolidated statement of financial position</b> |                        | <b>Consolidated statement of comprehensive income</b> |               |               |
|--------------------------------|-----------------------------------------------------|------------------------|-------------------------------------------------------|---------------|---------------|
|                                | <b>2016</b>                                         | <b>2017</b>            | <b>2015</b>                                           | <b>2016</b>   | <b>2017</b>   |
| Provisions                     | Ps. 25,850,131                                      | Ps. 26,268,666         | Ps. (126,330)                                         | Ps. 1,622,132 | Ps. 1,579,604 |
| Deferred revenues              | 8,222,412                                           | 7,461,802              | 1,065,242                                             | (12,128)      | (965,010)     |
| Tax losses carry forward       | 38,208,079                                          | 38,332,408             | (1,222,172)                                           | 12,706,245    | (323,506)     |
| Property, plant and equipment  | (9,716,615)                                         | (9,929,129)            | 7,110,085                                             | 2,445,783     | 1,974,753     |
| Inventories                    | 1,522,739                                           | 2,003,049              | (1,527,453)                                           | (229,571)     | 519,046       |
| Licenses and rights of use     | (2,530,747)                                         | (2,455,877)            | 2,548,353                                             | 54,182        | 348,201       |
| Employee benefits              | 28,243,207                                          | 33,253,071             | 2,614,932                                             | 3,616,952     | 1,225,310     |
| Other                          | 8,790,612                                           | 9,639,995              | 5,289,690                                             | (1,918,543)   | 793,094       |
| <b>Net deferred tax assets</b> | <b>Ps. 98,589,818</b>                               | <b>Ps. 104,573,985</b> |                                                       |               |               |

**Deferred tax expense in net profit for the year** Ps. 15,752,347 Ps. 18,285,052 **Ps. 5,151,492**

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Reconciliation of deferred tax assets and liabilities, net:

|                                                  | 2015           | 2016           | 2017            |
|--------------------------------------------------|----------------|----------------|-----------------|
| <b>Opening balance as of January 1,</b>          | Ps. 52,310,097 | Ps. 69,817,147 | Ps. 98,589,818  |
| Deferred tax benefit                             | 15,752,347     | 18,285,052     | 5,151,492       |
| Effect of translation                            | (6,259,252)    | 15,273,228     | (1,687,276)     |
| Deferred tax benefit (expense) recognized in OCI | 7,935,732      | (4,760,447)    | 2,760,313       |
| Deferred taxes acquired in business combinations | 78,223         | (25,162)       | (240,362)       |
| <b>Closing balance as of December 31,</b>        | Ps. 69,817,147 | Ps. 98,589,818 | Ps. 104,573,985 |

**Presented in the consolidated statements of financial position as follows:**

|                                 |                |                 |                 |
|---------------------------------|----------------|-----------------|-----------------|
| Deferred income tax assets      | Ps. 81,407,012 | Ps. 112,651,699 | Ps. 116,571,349 |
| Deferred income tax liabilities | (11,589,865)   | (14,061,881)    | (11,997,364)    |
|                                 | Ps. 69,817,147 | Ps. 98,589,818  | Ps. 104,573,985 |

The deferred tax assets are in tax jurisdictions in which the Company considers that based on financial projections of its cash flows, results of operations and synergies between subsidiaries, will generate sufficient taxable income in subsequent periods to utilize or realize such assets.

The Company does not recognize a deferred tax liability related to the undistributed earnings of its subsidiaries, because it currently does not expect these earnings to be taxable or to be repatriated in the near future. The Company's policy has been to distribute the profits when it has paid the corresponding taxes in its home jurisdiction and the tax can be accredited in Mexico.

At December 31, 2016 and 2017, the balance of the contributed capital account ( CUCA ) is Ps. 478,087,224 and Ps. 510,832,194, respectively. On January 1, 2014, the *Cuenta de Utilidad Fiscal Neta* ( CUFIN ) is computed on an América Móvil's stand-alone basis. The balance of the América Móvil's stand-alone basis CUFIN amounted to Ps. 191,795,991 and Ps. 225,105,342 as of December 31, 2016 and 2017, respectively.

**Corporate tax rate**

The income tax rate applicable in Mexico from 2015 through 2017 was 30%.

**ii) Significant foreign income tax matters**  
**a) Results of operations**

The foreign subsidiaries determine their taxes on profits based on their individual taxable income, in accordance with the specific tax regimes of each country.

The combined income before taxes and the combined provision for taxes of such subsidiaries in 2015, 2016 and 2017 are as follows:

|                                | <b>2015</b>    | <b>2016</b>    | <b>2017</b>           |
|--------------------------------|----------------|----------------|-----------------------|
| Combined income before taxes   | Ps. 27,933,182 | Ps. 45,697,258 | <b>Ps. 38,286,046</b> |
| Combined tax provision         |                |                |                       |
| differences not deductible-not |                |                |                       |
| cumulative in the foreign      |                |                |                       |
| subsidiaries                   | Ps. 6,118,142  | Ps. 9,169,083  | <b>Ps. 5,790,950</b>  |

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The effective income tax rate for the Company's foreign jurisdictions was 22% in 2015, 20% in 2016 and 15% in 2017 as shown in the table above. The statutory tax rates in these jurisdictions vary, although many approximate 22% to 40%. The primary difference between the statutory rates and the effective rates in 2015 was attributable to the gain on derecognition of the equity method investment in KPN. The primary difference between the statutory rates and the effective rates in 2016 and 2017 was attributable to dividends received from KPN and other non-deductible items and non-taxable income.

**iii) Tax losses**

a) At December 31, 2017, the available tax loss carryforwards recorded in deferred tax assets are as follows on a country by country basis:

| <b>Country</b> | <b>Balance of available tax<br/>loss carryforwards at<br/>December 31, 2017</b> | <b>Tax loss carryforward<br/>benefit</b> |
|----------------|---------------------------------------------------------------------------------|------------------------------------------|
| Brazil         | Ps.78,617,318                                                                   | <b>Ps.26,729,887</b>                     |
| Mexico         | 1,850,216                                                                       | <b>555,065</b>                           |
| Colombia       | 11,221,937                                                                      | <b>4,488,775</b>                         |
| Peru           | 421,788                                                                         | <b>124,427</b>                           |
| Austria        | 25,733,966                                                                      | <b>6,433,492</b>                         |
| Nicaragua      | 2,536                                                                           | <b>762</b>                               |
| <b>Total</b>   | <b>Ps. 117,847,761</b>                                                          | <b>Ps. 38,332,408</b>                    |

b) The tax loss carryforwards in the different countries in which the Company operates have the following terms and characteristics:

bi) The Company has accumulated Ps. 78,617,318 in net operating loss carryforwards (NOL's) in Brazil as of December 31, 2017. In Brazil there is no expiration of the NOL's. However, the NOL's amount used against taxable income in each year may not exceed 30% of the taxable income for such year. Consequently, in the year in which taxable income is generated, the effective tax rate is 25% rather than the 34% corporate tax rate.

The Company believes that it is more likely than not that the accumulated balances of its net deferred tax assets are recoverable, based on the positive evidence of the Company to generate taxable temporary differences related to the same taxation authority which will result in taxable amounts against which the available tax losses can be utilized before they expire. Positive evidence includes the Company's recent restructure in 2017 of its operations in Brazil, resulting in an organizational structure that is anticipated to be more efficient and profitable.

bii) The Company has accumulated Ps. 25,733,966 in NOL's in Austria as of December 31, 2017. In Austria, the NOL's have no expiration, but its annual usage is limited to 75% of the taxable income of the year. The realization of deferred tax assets is dependent upon the expected generation of future taxable income during the periods in which these temporary differences become deductible.

biii) The Company has accumulated Ps. 11,221,937 in NOL's in Colombia that in accordance with the Colombian tax law can be carried forward with no time limitation. The Company expects to generate operating tax profits in the

following years and realize the deferred tax asset. NOL s were generated in 2017 by the transaction described in Note 1.II.a)

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a) The Company's short- and long-term debt consists of the following:

| At December 31, 2016 |                             |               |          |       |                 |
|----------------------|-----------------------------|---------------|----------|-------|-----------------|
| Currency             | Loan                        | Interest rate | Maturity | Total |                 |
| Senior Notes         |                             |               |          |       |                 |
| U.S. dollars         |                             |               |          |       |                 |
|                      | Fixed-rate Senior notes (i) | 5.625%        | 2017     | Ps.   | 12,088,686      |
|                      | Fixed-rate Senior notes (i) | 5.000%        | 2019     |       | 15,548,550      |
|                      | Fixed-rate Senior notes (i) | 5.500%        | 2019     |       | 7,823,657       |
|                      | Fixed-rate Senior notes (i) | 5.000%        | 2020     |       | 44,050,390      |
|                      | Fixed-rate Senior notes (i) | 3.125%        | 2022     |       | 33,170,240      |
|                      | Fixed-rate Senior notes (i) | 6.375%        | 2035     |       | 20,344,345      |
|                      | Fixed-rate Senior notes (i) | 6.125%        | 2037     |       | 7,654,551       |
|                      | Fixed-rate Senior notes (i) | 6.125%        | 2040     |       | 25,914,250      |
|                      | Fixed-rate Senior notes (i) | 6.125%        | 2040     |       | 15,548,550      |
|                      | Fixed-rate Senior notes (i) | 4.375%        | 2042     |       | 23,841,110      |
|                      | Subtotal U.S. dollars       |               |          |       | Ps. 205,984,329 |
| Mexican pesos        |                             |               |          |       |                 |
|                      | Domestic Senior notes (ii)  | 8.390%        | 2017     | Ps.   | 2,000,000       |
|                      | Domestic Senior notes (ii)  | 8.110%        | 2018     |       | 1,750,000       |
|                      | Domestic Senior notes (ii)  | 8.270%        | 2018     |       | 1,160,109       |
|                      | Domestic Senior notes (ii)  | 8.600%        | 2020     |       | 7,000,000       |
|                      | Domestic Senior notes (ii)  | 0.000%        | 2025     |       | 4,133,793       |
|                      | Domestic Senior notes (ii)  | 8.360%        | 2037     |       | 5,000,000       |
|                      | Fixed-rate Senior notes (i) | 6.000%        | 2019     |       | 10,000,000      |
|                      | Fixed-rate Senior notes (i) | 6.450%        | 2022     |       | 22,500,000      |
|                      | Fixed-rate Senior notes (i) | 7.125%        | 2024     |       | 11,000,000      |
|                      | Fixed-rate Senior notes (i) | 8.460%        | 2036     |       | 7,871,700       |
|                      | Subtotal Mexican pesos      |               |          |       | Ps. 72,415,602  |
| Euros                |                             |               |          |       |                 |
|                      | Fixed-rate Senior notes (i) | 4.250%        | 2017     | Ps.   | 10,962,292      |
|                      | Fixed-rate Senior notes (i) | 3.750%        | 2017     |       | 21,803,213      |
|                      | Fixed-rate Senior notes (i) | 1.000%        | 2018     |       | 13,081,928      |
|                      | Fixed-rate Senior notes (i) | 4.125%        | 2019     |       | 21,803,213      |
|                      | Exchangeable Bonds (i)      | 0.000%        | 2020     |       | 61,961,244      |
|                      | Fixed-rate Senior notes (i) | 3.000%        | 2021     |       | 21,803,213      |
|                      | Fixed-rate Senior notes (i) | 3.125%        | 2021     |       | 17,399,163      |
|                      | Fixed-rate Senior notes (i) | 4.000%        | 2022     |       | 18,067,554      |
|                      | Fixed-rate Senior notes (i) | 4.750%        | 2022     |       | 16,352,410      |
|                      | Fixed-rate Senior notes (i) | 3.500%        | 2023     |       | 7,047,557       |
|                      | Fixed-rate Senior notes (i) | 3.259%        | 2023     |       | 16,352,410      |

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|                             |        |      |                        |
|-----------------------------|--------|------|------------------------|
| Fixed-rate Senior notes (i) | 1.500% | 2024 | 18,532,731             |
| Fixed-rate Senior notes (i) | 1.500% | 2026 | 10,901,607             |
| Fixed-rate Senior notes (i) | 2.125% | 2028 | 14,172,089             |
| <b>Subtotal Euros</b>       |        |      | <b>Ps. 270,240,624</b> |

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| <b>At December 31, 2016</b> |                                            |                      |                 |                       |
|-----------------------------|--------------------------------------------|----------------------|-----------------|-----------------------|
| <b>Currency</b>             | <b>Loan</b>                                | <b>Interest rate</b> | <b>Maturity</b> | <b>Total</b>          |
| <b>Pound sterling</b>       |                                            |                      |                 |                       |
|                             | Fixed-rate Senior notes (i)                | 5.000%               | 2026            | Ps. 12,791,274        |
|                             | Fixed-rate Senior notes (i)                | 5.750%               | 2030            | 16,628,656            |
|                             | Fixed-rate Senior notes (i)                | 4.948%               | 2033            | 7,674,764             |
|                             | Fixed-rate Senior notes (i)                | 4.375%               | 2041            | 19,186,911            |
|                             | <b>Subtotal Pound sterling</b>             |                      |                 | <b>Ps. 56,281,605</b> |
| <b>Swiss francs</b>         |                                            |                      |                 |                       |
|                             | Fixed-rate Senior notes (i)                | 2.000%               | 2017            | Ps. 5,493,109         |
|                             | Fixed-rate Senior notes (i)                | 1.125%               | 2018            | 11,189,666            |
|                             | <b>Subtotal Swiss francs</b>               |                      |                 | <b>Ps. 16,682,775</b> |
| <b>Other currencies</b>     |                                            |                      |                 |                       |
| <b>Japanese yen</b>         |                                            |                      |                 |                       |
|                             | Fixed-rate Senior notes (i)                | 2.950%               | 2039            | Ps. 2,306,643         |
|                             | <b>Subtotal Japanese yen</b>               |                      |                 | <b>Ps. 2,306,643</b>  |
| <b>Chilean pesos</b>        |                                            |                      |                 |                       |
|                             | Fixed-rate Senior notes (i)                | 3.961%               | 2035            | Ps. 4,079,443         |
|                             | <b>Subtotal Chilean pesos</b>              |                      |                 | <b>Ps. 4,079,443</b>  |
|                             | <b>Subtotal other currencies</b>           |                      |                 | <b>Ps. 6,386,086</b>  |
| <b>Hybrid Notes</b>         |                                            |                      |                 |                       |
| <b>Euros</b>                |                                            |                      |                 |                       |
|                             | Euro NC5 Series A Capital Securities (iv)  | 5.125%               | 2073            | Ps. 19,622,892        |
|                             | Euro NC10 Series B Capital Securities (iv) | 6.375%               | 2073            | 11,991,767            |
|                             | <b>Subtotal Euros</b>                      |                      |                 | <b>Ps. 31,614,659</b> |
| <b>Pound sterling</b>       |                                            |                      |                 |                       |
|                             | GBP NC7 Capital Securities (iv)            | 6.375%               | 2073            | Ps. 14,070,401        |
|                             | <b>Subtotal Pound sterling</b>             |                      |                 | <b>Ps. 14,070,401</b> |
|                             | <b>Subtotal Hybrid Notes</b>               |                      |                 | <b>Ps. 45,685,060</b> |



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|                                   |                                                                    | At December 31, 2016          |             |                        |
|-----------------------------------|--------------------------------------------------------------------|-------------------------------|-------------|------------------------|
| Currency                          | Loan                                                               | Interest rate                 | Maturity    | Total                  |
| <b>Lines of Credit and others</b> |                                                                    |                               |             |                        |
| <b>U.S. dollars</b>               |                                                                    |                               |             |                        |
|                                   | Lines of credit (iii)                                              | 1.500% - 8.500%               | 2017        | Ps. 14,929,806         |
| <b>Mexican pesos</b>              |                                                                    |                               |             |                        |
|                                   | Lines of credit (iii)                                              | THIE + 0.150% - THIE + 2.000% | 2017        | Ps. 15,111,048         |
| <b>Euros</b>                      |                                                                    |                               |             |                        |
|                                   | Lines of credit (iii)                                              | 3.525%                        | 2018        | Ps. 491,144            |
| <b>Brazilian reals</b>            |                                                                    |                               |             |                        |
|                                   | Lines of credit (iii)                                              | 3.000% - 9.500%               | 2018 - 2021 | Ps. 3,467,091          |
| <b>Chilean pesos</b>              |                                                                    |                               |             |                        |
|                                   | Financial Leases                                                   | 8.700% - 8.970%               | 2018 - 2027 | Ps. 126,233            |
|                                   | <b>Subtotal lines of credit and others</b>                         |                               |             | <b>Ps. 34,125,322</b>  |
|                                   | <b>Total debt</b>                                                  |                               |             | <b>Ps. 707,801,403</b> |
|                                   | <b>Less: Short-term debt and current portion of long-term debt</b> |                               |             | <b>82,607,259</b>      |
|                                   | <b>Long-term debt</b>                                              |                               |             | <b>Ps. 625,194,144</b> |

|                      |                              | At December 31, 2017 |          |                        |
|----------------------|------------------------------|----------------------|----------|------------------------|
| Currency             | Loan                         | Interest rate        | Maturity | Total                  |
| <b>Senior Notes</b>  |                              |                      |          |                        |
| <b>U.S. dollars</b>  |                              |                      |          |                        |
|                      | Fixed-rate Senior notes (i)  | 5.000%               | 2019     | Ps. 14,840,025         |
|                      | Fixed-rate Senior notes (i)  | 5.500%               | 2019     | 7,467,145              |
|                      | Fixed-rate Senior notes (i)  | 5.000%               | 2020     | 42,043,077             |
|                      | Fixed-rate Senior notes (i)  | 3.125%               | 2022     | 31,658,720             |
|                      | Fixed-rate Senior notes (i)  | 6.375%               | 2035     | 19,417,282             |
|                      | Fixed-rate Senior notes (i)  | 6.125%               | 2037     | 7,305,744              |
|                      | Fixed-rate Senior notes (i)  | 6.125%               | 2040     | 39,573,400             |
|                      | Fixed-rate Senior notes (i)  | 4.375%               | 2042     | 22,754,705             |
|                      | <b>Subtotal U.S. dollars</b> |                      |          | <b>Ps. 185,060,098</b> |
| <b>Mexican pesos</b> |                              |                      |          |                        |
|                      | Domestic Senior notes (ii)   | 8.110%               | 2018     | Ps. 1,750,000          |
|                      | Domestic Senior notes (ii)   | 8.270%               | 2018     | 1,160,110              |
|                      | Domestic Senior notes (ii)   | 8.600%               | 2020     | 7,000,000              |
|                      | Domestic Senior notes (ii)   | 0.000%               | 2025     | 4,409,873              |
|                      | Domestic Senior notes (ii)   | 8.360%               | 2037     | 5,000,000              |

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|                               |        |      |                       |
|-------------------------------|--------|------|-----------------------|
| Fixed-rate Senior notes (i)   | 6.000% | 2019 | 10,000,000            |
| Fixed-rate Senior notes (i)   | 6.450% | 2022 | 22,500,000            |
| Fixed-rate Senior notes (i)   | 7.125% | 2024 | 11,000,000            |
| Fixed-rate Senior notes (i)   | 8.460% | 2036 | 7,871,700             |
| <b>Subtotal Mexican pesos</b> |        |      | <b>Ps. 70,691,683</b> |

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| <b>At December 31, 2017</b> |                                 |                      |                 |                        |
|-----------------------------|---------------------------------|----------------------|-----------------|------------------------|
| <b>Currency</b>             | <b>Loan</b>                     | <b>Interest rate</b> | <b>Maturity</b> | <b>Total</b>           |
| <b>Euros</b>                |                                 |                      |                 |                        |
|                             | Fixed-rate Senior notes (i)     | 1.000%               | 2018            | Ps. 14,252,360         |
|                             | Fixed-rate Senior notes (i)     | 4.125%               | 2019            | 23,753,933             |
|                             | Exchangeable Bonds (i)          | 0.000%               | 2020            | 67,504,878             |
|                             | Fixed-rate Senior notes (i)     | 3.000%               | 2021            | 23,753,933             |
|                             | Fixed-rate Senior notes (i)     | 3.125%               | 2021            | 18,727,775             |
|                             | Fixed-rate Senior notes (i)     | 4.000%               | 2022            | 19,333,685             |
|                             | Fixed-rate Senior notes (i)     | 4.750%               | 2022            | 17,815,450             |
|                             | Fixed-rate Senior notes (i)     | 3.500%               | 2023            | 7,594,262              |
|                             | Fixed-rate Senior notes (i)     | 3.259%               | 2023            | 17,815,450             |
|                             | Fixed-rate Senior notes (i)     | 1.500%               | 2024            | 20,190,843             |
|                             | Fixed-rate Senior notes (i)     | 1.500%               | 2026            | 17,815,450             |
|                             | Fixed-rate Senior notes (i)     | 2.125%               | 2028            | 15,440,057             |
|                             | <b>Subtotal Euros</b>           |                      |                 | <b>Ps. 263,998,076</b> |
| <b>Pound sterling</b>       |                                 |                      |                 |                        |
|                             | Fixed-rate Senior notes (i)     | 5.000%               | 2026            | Ps. 13,368,884         |
|                             | Fixed-rate Senior notes (i)     | 5.750%               | 2030            | 17,379,549             |
|                             | Fixed-rate Senior notes (i)     | 4.948%               | 2033            | 8,021,330              |
|                             | Fixed-rate Senior notes (i)     | 4.375%               | 2041            | 20,053,326             |
|                             | <b>Subtotal Pound sterling</b>  |                      |                 | <b>Ps. 58,823,089</b>  |
| <b>Swiss francs</b>         |                                 |                      |                 |                        |
|                             | Fixed-rate Senior notes (i)     | 1.125%               | 2018            | Ps. 11,169,748         |
|                             | <b>Subtotal Swiss francs</b>    |                      |                 | <b>Ps. 11,169,748</b>  |
| <b>Brazilian reals</b>      |                                 |                      |                 |                        |
|                             | Domestic Senior notes (ii)      | 102.9% of CDI        | 2020            | Ps. 8,972,204          |
|                             | Domestic Senior notes (ii)      | 102.4% of CDI        | 2019            | 5,981,469              |
|                             | Domestic Senior notes (ii)      | 103.9% of CDI        | 2019            | 5,981,469              |
|                             | <b>Subtotal Brazilian reals</b> |                      |                 | <b>Ps. 20,935,142</b>  |
| <b>Other currencies</b>     |                                 |                      |                 |                        |
| <b>Japanese yen</b>         |                                 |                      |                 |                        |
|                             | Fixed-rate Senior notes (i)     | 2.950%               | 2039            | Ps. 2,282,608          |
|                             | <b>Subtotal Japanese yen</b>    |                      |                 | <b>Ps. 2,282,608</b>   |
| <b>Chilean pesos</b>        |                                 |                      |                 |                        |
|                             | Fixed-rate Senior notes (i)     | 3.961%               | 2035            | Ps. 4,312,424          |
|                             | <b>Subtotal Chilean pesos</b>   |                      |                 | <b>Ps. 4,312,424</b>   |

**Subtotal other currencies** **Ps. 6,595,032**

**Hybrid Notes**

**Euros**

|                                            |        |      |                       |
|--------------------------------------------|--------|------|-----------------------|
| Euro NC5 Series A Capital Securities (iv)  | 5.125% | 2073 | Ps. 21,378,540        |
| Euro NC10 Series B Capital Securities (iv) | 6.375% | 2073 | 13,064,663            |
| <b>Subtotal Euros</b>                      |        |      | <b>Ps. 34,443,203</b> |

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|                       |                                                                    | At December 31, 2017            |                |             |                 |
|-----------------------|--------------------------------------------------------------------|---------------------------------|----------------|-------------|-----------------|
|                       | Loan                                                               |                                 | Interest rate  | Maturity    | Total           |
| <b>Pound sterling</b> |                                                                    |                                 |                |             |                 |
|                       | GBP NC7 Capital Securities (iv)                                    |                                 | 6.375%         | 2073        | Ps. 14,         |
|                       | <b>Subtotal Pound sterling</b>                                     |                                 |                |             | <b>Ps. 14,</b>  |
|                       | <b>Subtotal Hybrid Notes</b>                                       |                                 |                |             | <b>Ps. 49,</b>  |
| <b>Credit</b>         |                                                                    |                                 |                |             |                 |
| <b>Lines</b>          |                                                                    |                                 |                |             |                 |
| <b>in dollars</b>     |                                                                    |                                 |                |             |                 |
|                       | Lines of credit (iii)                                              | L + 0.020% & 1.500%             | -7.250%        | 2018 - 2019 | Ps. 14,         |
| <b>in pesos</b>       |                                                                    |                                 |                |             |                 |
|                       | Lines of credit (iii)                                              | THIE + 0.040%                   | -THIE + 0.175% | 2018 - 2019 | Ps. 12,         |
| <b>in reais</b>       |                                                                    |                                 |                |             |                 |
|                       | Lines of credit (iii)                                              | 107.000% of CDI - TJLP + 3.500% |                | 2018 - 2027 | Ps. 4,          |
| <b>in pesos</b>       |                                                                    |                                 |                |             |                 |
|                       | Financial Leases                                                   | 8.700%                          | - 8.970%       | 2018 - 2027 | Ps.             |
|                       | <b>Subtotal Lines of Credit and others</b>                         |                                 |                |             | <b>Ps. 31,</b>  |
|                       | <b>Total debt</b>                                                  |                                 |                |             | <b>Ps. 697,</b> |
|                       | <b>Less: Short-term debt and current portion of long-term debt</b> |                                 |                |             | <b>51,</b>      |
|                       | <b>Long-term debt</b>                                              |                                 |                |             | <b>Ps. 646,</b> |

L = LIBOR (London Interbank Offer Rate)

THIE = Mexican Interbank Rate

EURIBOR = Euro Interbank Offered Rate

CDI = Brazil Interbank Deposit Rate

TJLP = Brazil Long Term Interest Rate

Interest rates on the Company's debt are subject to variances in international and local rates. The Company's weighted average cost of borrowed funds at December 31, 2016, and December 31, 2017 was approximately 4.2% and 4.3%, respectively.

Such rates do not include commissions or the reimbursements for Mexican tax withholdings (typically a tax rate of 4.9%) that the Company must pay to international lenders.



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An analysis of the Company's short-term debt maturities as of December 31, 2016, and December 31, 2017, is as follows:

|                                | <b>2016</b>           | <b>2017</b>           |
|--------------------------------|-----------------------|-----------------------|
| Domestic Senior Notes          | Ps. 2,000,000         | <b>Ps. 2,910,110</b>  |
| International Senior Notes     | 50,955,191            | <b>26,084,386</b>     |
| Lines of credit                | 29,619,908            | <b>22,714,383</b>     |
| Financial Leases               | 32,160                | <b>36,962</b>         |
| <b>Total</b>                   | <b>Ps. 82,607,259</b> | <b>Ps. 51,745,841</b> |
| Weighted average interest rate | 5.1%                  | <b>4.0%</b>           |

The Company's long-term debt maturities as of December 31, 2017 are as follows:

| <b>Years</b>        | <b>Amount</b>          |
|---------------------|------------------------|
| 2019                | <b>Ps. 76,492,210</b>  |
| 2020                | <b>126,769,569</b>     |
| 2021                | <b>42,453,673</b>      |
| 2022 and thereafter | <b>400,423,606</b>     |
| <b>Total</b>        | <b>Ps. 646,139,058</b> |

**(i) Senior Notes**

The outstanding Senior Notes at December 31, 2016, and December 31, 2017, are as follows:

| <b>Currency*</b> | <b>2016</b>     | <b>2017</b>            |
|------------------|-----------------|------------------------|
| U.S. dollars     | Ps. 205,984,329 | <b>Ps. 185,060,098</b> |
| Mexican pesos    | 72,415,602      | <b>70,691,683</b>      |
| Euros**          | 270,240,624     | <b>263,998,076</b>     |
| Pound sterling** | 56,281,605      | <b>58,823,089</b>      |
| Swiss francs     | 16,682,775      | <b>11,169,748</b>      |
| Japanese yens    | 2,306,643       | <b>2,282,608</b>       |
| Brazilian reals  |                 | <b>20,935,142</b>      |
| Chilean pesos    | 4,079,443       | <b>4,312,424</b>       |

\* Thousands of Mexican pesos

\*\* Includes secured and unsecured senior notes.

**(ii) Domestic Senior Notes**

At December 31, 2016, and December 31, 2017, debt under Domestic Senior Notes aggregated to Ps. 21,044 million and Ps. 40,255 million, respectively. In general these issues bear a fixed-rate or floating rate determined as a differential on the TIIE and CDI rate.

**(iii) Lines of credit**

At December 31, 2016, and December 31, 2017, debt under lines of credit aggregated to Ps. 33,999 million and Ps. 31,364 million, respectively.

The Company has two undrawn revolving syndicated facilities one for the Euro equivalent of U.S. 2,000 million and the other for U.S. 2,500 million maturing in 2021 and 2019, respectively. These loans bear interest at variable rates based on LIBOR and EURIBOR. Telekom Austria has also an undrawn revolving syndicated facility in Euros for 1,000 million at a variable rate based on EURIBOR that matures in 2019.

**Table of Contents****(iv) Hybrid Notes**

In September 2013 the Company issued three series of Capital Securities (hybrid notes) maturing in 2073: two series denominated in Euros for 1,450 million with a coupon of 5.125% and 6.375% respectively, and one series denominated in pound sterling in the amount of £550 million with a coupon of 6.375%. The Capital Securities are deeply subordinated, and when they were issued the principal rating agencies stated that they would treat only half of the principal amount as indebtedness for purposes of evaluating our leverage (an analysis referred to as 50.0% equity credit). The Capital Securities are subject to redemption at our option at varying dates beginning in 2018 and 2023, respectively, for the euro-denominated series and beginning in 2020 for the sterling-denominated series.

**Restrictions**

A portion of the debt is subject to certain restrictions with respect to maintaining certain financial ratios, as well as restrictions on selling a significant portion of groups of assets, among others. At December 31, 2017, the Company was in compliance with all these requirements.

A portion of the debt is also subject to early maturity or repurchase at the option of the holders in the event of a change in control of the Company, as defined in each instrument. The definition of change in control varies from instrument to instrument; however, no change in control shall be considered to have occurred as long as its current shareholders continue to hold the majority of the Company's voting shares.

**Covenants**

In conformity with the credit agreements, the Company is obliged to comply with certain financial and operating commitments. Such covenants limit in certain cases, the ability of the Company or the guarantor to: pledge assets, carry out certain types of mergers, sell all or substantially all of its assets, and sell control of Telcel.

Such covenants do not restrict the ability of AMX's subsidiaries to pay dividends or other payment distributions to AMX. The more restrictive financial covenants require the Company to maintain a consolidated ratio of debt to EBITDA (defined as operating income plus depreciation and amortization) that does not exceed 4 to 1, and a consolidated ratio of EBITDA to interest paid that is not below 2.5 to 1 (in accordance with the clauses included in the credit agreements).

Several of the financing instruments of the Company may be accelerated, at the option of the debt holder in the case that a change in control occurs.

At December 31, 2017, the Company was in compliance with all the covenants.

**15. Accounts Payable, Accrued Liabilities and Asset Retirement Obligations**

a) The components of the caption accounts payable and accrued liabilities are as follows:

|                  | <b>At December 31,</b> |                        |
|------------------|------------------------|------------------------|
|                  | <b>2016</b>            | <b>2017</b>            |
| Suppliers        | Ps. 132,796,101        | <b>Ps. 106,483,848</b> |
| Sundry creditors | 89,494,976             | <b>91,842,929</b>      |

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|                                   |                 |                        |
|-----------------------------------|-----------------|------------------------|
| Interest payable                  | 9,971,959       | <b>8,930,561</b>       |
| Guarantee deposits from customers | 1,258,065       | <b>1,460,286</b>       |
| Dividends payable                 | 3,744,025       | <b>3,955,783</b>       |
| Total                             | Ps. 237,265,126 | <b>Ps. 212,673,407</b> |

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b) The balance of accrued liabilities at December 31, 2016 and 2017 are as follows:

|                                  | At December 31, |                       |
|----------------------------------|-----------------|-----------------------|
|                                  | 2016            | 2017                  |
| <b>Current liabilities</b>       |                 |                       |
| Direct employee benefits payable | Ps. 19,713,160  | <b>Ps. 16,673,627</b> |
| Contingencies                    | 50,766,070      | <b>51,079,131</b>     |
| Total                            | Ps. 70,479,230  | <b>Ps. 67,752,758</b> |

The movements in contingencies for the years ended December 31, 2016 and 2017 are as follows:

|               | Balance at<br>December 31,<br>2015 | Business<br>combination | Effect of<br>translation | Increase of<br>the year | Applications    |                 | Balance at<br>December 31,<br>2016 |
|---------------|------------------------------------|-------------------------|--------------------------|-------------------------|-----------------|-----------------|------------------------------------|
|               |                                    |                         |                          |                         | Payments        | Reversals       |                                    |
| Contingencies | Ps. 34,611,091                     | Ps. 30,333              | Ps. 15,397,279           | Ps. 12,199,311          | Ps. (8,959,551) | Ps. (2,512,393) | Ps. 50,766,070                     |

|               | Balance at<br>December 31,<br>2016 | Business<br>combination | Effect of<br>translation | Increase of<br>the year | Applications    |                 | Balance at<br>December 31,<br>2017 |
|---------------|------------------------------------|-------------------------|--------------------------|-------------------------|-----------------|-----------------|------------------------------------|
|               |                                    |                         |                          |                         | Payments        | Reversals       |                                    |
| Contingencies | Ps. 50,766,070                     | Ps. 115,971             | Ps. (648,685)            | Ps. 10,510,473          | Ps. (7,618,520) | Ps. (2,046,178) | Ps. 51,079,131                     |

Contingencies include tax, labor, regulatory and other legal type contingencies. See Note 16 c) for detail of contingencies.

c) The movements in the asset retirement obligations for the years ended December 31, 2016 and 2017, are as follows:

|                              | Balance at<br>December 31,<br>2015 | Effect of<br>translation | Increase of<br>the year | Applications  |               | Balance at<br>December 31,<br>2016 |
|------------------------------|------------------------------------|--------------------------|-------------------------|---------------|---------------|------------------------------------|
|                              |                                    |                          |                         | Payments      | Reversals     |                                    |
| Asset retirement obligations | Ps. 11,569,897                     | Ps. 2,806,374            | Ps. 2,510,635           | Ps. (121,317) | Ps. (476,958) | Ps. 16,288,631                     |

|                              | Balance at<br>December 31,<br>2016 | Effect of<br>translation | Increase of<br>the year | Applications  |               | Balance at<br>December 31,<br>2017 |
|------------------------------|------------------------------------|--------------------------|-------------------------|---------------|---------------|------------------------------------|
|                              |                                    |                          |                         | Payments      | Reversals     |                                    |
| Asset retirement obligations | Ps. 16,288,631                     | Ps. (119,928)            | Ps. 3,160,320           | Ps. (126,088) | Ps. (957,806) | Ps. 18,245,129                     |

The discount rates used for the asset retirement obligation are based on market rates that are expected to be undertaken by the dismantling or restoration of cell sites, and may include labor costs.

## **16. Commitments and Contingencies**

### **a) Leases**

At December 31, 2016 and 2017, the Company has entered into several lease agreements with related parties and third parties for the buildings where its offices are located (as a lessee), as well as with the owners of towers and or premises where the Company has installed radio bases. The lease agreements generally have terms from one to fourteen years.

An analysis of the minimum rental payments for the next five years is shown below. In some cases, rental amounts are increased each year based on the National Consumer Price Index.

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The Company has the following non-cancelable commitments under finance leases:

| <b>Year ended December 31,</b>                     |                   |
|----------------------------------------------------|-------------------|
| 2018                                               | <b>Ps. 45,355</b> |
| 2019                                               | <b>10,244</b>     |
| 2020                                               | <b>10,244</b>     |
| 2021                                               | <b>10,244</b>     |
| 2022                                               | <b>10,244</b>     |
| 2023 and thereafter                                | <b>47,812</b>     |
| <b>Total</b>                                       | <b>134,143</b>    |
| Less: amounts representing finance charges         | <b>(34,697)</b>   |
| <b>Present value of net minimum lease payments</b> | <b>99,446</b>     |
| Less current portion                               | <b>(36,965)</b>   |
| <b>Long-term obligations</b>                       | <b>Ps. 62,481</b> |

An analysis of non-cancellable operating leases is as follows:

| <b>Year ended December 31,</b> |                        |
|--------------------------------|------------------------|
| 2018                           | <b>Ps. 20,385,429</b>  |
| 2019                           | <b>19,465,817</b>      |
| 2020                           | <b>17,828,512</b>      |
| 2021                           | <b>11,868,287</b>      |
| 2022                           | <b>11,698,510</b>      |
| 2023 and thereafter            | <b>44,304,913</b>      |
| <b>Total</b>                   | <b>Ps. 125,551,468</b> |

Rent expense for the years ended December 31, 2015, 2016 and 2017 was Ps. 22,015,761, Ps. 32,300,963 and Ps. 35,571,283, respectively.

**b) Commitments**

At December 31, 2017, there were commitments in certain subsidiaries for the acquisition of equipment for incorporation into their 4G networks for an amount up to approximately Ps. 13,186,926 (US\$ 666,454). The completion period of these projects depends upon the type of fixed assets under construction. In the case of telephone plant (switching transmission), it takes six months on average; for others, it may take more than 2 years.

These commitments will be paid as follows:

|                  |                       |
|------------------|-----------------------|
| Less than 1 year | <b>Ps. 11,920,981</b> |
| 1 to 3 years     | <b>1,265,945</b>      |
| <b>Total</b>     | <b>Ps. 13,186,926</b> |

As of December 31, 2017, the Company has purchase commitments with telephone manufacturers for cellular phones for resale for approximately Ps. 12,307,327 (US\$622,000), for delivery through March 2018.

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In addition, Tracfone has entered into long-term contracts with wireless carriers for the purchase of airtime minutes and data at current market prices. The purchase commitments are with two carriers and at December 31, 2017, these commitments are expected to be paid as follows:

| <b>Year ended December 31,</b> |                         |
|--------------------------------|-------------------------|
| 2018                           | <b>Ps . 72,201,668</b>  |
| 2019                           | <b>53,621,957</b>       |
| 2020                           | <b>16,027,227</b>       |
| <b>Total</b>                   | <b>Ps . 141,850,852</b> |

**c) Contingencies*****I. MEXICO*****a. América Móvil*****Tax Assessment***

In December 2014, the Mexican Tax Administration Service (*Servicio de Administración Tributaria*, or SAT ) notified the Company of a Ps. 529,700 tax assessment related to the Company's tax return for the fiscal year ended December 31, 2005, and reduced the Company's consolidated tax loss for that year from Ps. 8,556,000 to zero. The Company has challenged this assessment in federal tax court, and the challenge is still pending. The Company has not established a provision in the accompanying consolidated financial statements for a loss arising from this assessment, which it does not consider probable.

***ICSID (Additional Facility) Arbitration Proceedings***

In August 2016, AMX initiated an arbitration claim against the Republic of Colombia (the ICSID Arbitration ) on behalf of itself and its subsidiary Comcel under the ICSID Additional Facility Rules pursuant to the investment chapter of the Mexico-Colombia Free Trade Agreement (the Mexico-Colombia FTA ). The claim relates to certain measures adopted by Colombia since August 2013, including the Colombian Constitutional Court's decision of 2013 holding that certain laws eliminating the reversion of telecommunication assets did not apply to concessions granted prior to 1998, among them, Comcel's concessions. As a result, the Ministry of Information Technology and Communications (*Ministerio de Tecnologías de la Información y las Comunicaciones* or ITC Ministry ) refused to recognize Comcel's property rights over its assets following the termination of its concession contracts and decided that Comcel must pay a fee to rent those assets. Moreover, the ITC Ministry initiated an arbitration proceeding pursuant to the concession contracts seeking the reversion of all assets related to those contracts. This has prevented Comcel from using or disposing of its assets freely. AMX has requested compensation on the basis of Colombia's breach of the Mexico-Colombia FTA and other international legal obligations.

In September 2017, the tribunal issued the first procedural order setting out the procedural calendar. AMX submitted its memorial on jurisdiction and the merits of its claim in December 2017. The parties to the arbitration will exchange further written pleadings in 2018. No hearing date has yet been fixed.

**b. Telcel**

***Mobile Termination Rates***

The mobile termination rates between Telcel and other operators have been the subject of various legal proceedings. As of the date of this report, all proceedings arising from interconnection disagreements in which the IFT set the tariffs applicable for 2014 have been resolved, confirming the IFT's rates. As such resolutions were not subject to suspension, there was no contingency at the expense of the Company.

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All proceedings related to the interconnection rates between 2015 and 2016 were resolved by the IFT. Telcel has contested the fact that the rates set by the IFT were not determined as of the date of the applicable resolutions but since January, 2015, and such challenge was resolved in favor of the Company by the Mexican Supreme Court (*Suprema Corte de Justicia de la Nación* or SCJN). As a consequence, Telcel has a balance it may collect from other operators, due to the difference between the amount actually paid and the amount that should have been paid in accordance with the applicable rates.

With respect to the termination rates for 2017, Telcel has challenged the applicable resolutions and such challenges are still pending.

Given the fact that the zero rate that prevented Telcel from charging interconnection rates in its mobile network was held unconstitutional by the SCJN, the IFT has determined asymmetric interconnection rates for the termination of traffic in Telcel's and other operators' networks for 2018. The resolutions setting said rates have been challenged by Telcel and such challenges are still pending.

The Company expects that mobile termination rates, as well as other rates applicable to mobile interconnection (such as transit), will continue to be the subject of litigation and administrative proceedings in Mexico. The Company cannot predict when or how these matters will be resolved or the financial effects of any such resolution. As of December 31, 2017, the Company has a provision of approximately Ps. 494,488 in the accompanying consolidated financial statements to cover the losses considered probable.

### ***Class Action Lawsuits***

The Federal Consumer Bureau (*Procuraduría Federal del Consumidor*, or Profeco) initiated a proceeding before Mexican courts in 2011 on behalf of customers who alleged deficiencies in the quality of Telcel's network in 2010 and breach of customer agreements. In June 2017, this proceeding was resolved in favor of Telcel, as Profeco failed to prove any breach by Telcel of the standard contract form executed by Telcel's customers.

Telcel is also subject to two class action lawsuits initiated by customers allegedly affected by Telcel's quality of service and wireless and broadband rates. The Company does not currently have enough information on these proceedings to determine whether any of the class action lawsuits could have an adverse effect on the Company's business and results of operations in the event that they are resolved against Telcel. Consequently, the Company has not established a provision in the accompanying consolidated financial statements for a loss arising from these proceedings.

### **c. Telmex and Telnor**

#### ***Monopolistic Practices Investigation***

During 2007, Cofeco initiated one investigation into alleged monopolistic practices of Telmex and Telnor related to the fixed-network interconnection services market. Telmex and Telnor have filed legal proceedings in connection with this ruling, including an appeal for relief, which was resolved against Telmex and Telnor on April 16, 2018.

#### ***IFT Proceedings Against Telmex***

In November 2008, Telmex entered into certain commercial agreements with Dish México Holdings, S. de R.L. de C.V. and its related companies (Dish), involving billing, collection services, distribution and equipment leasing. In addition, Telmex had an option that allowed it to purchase shares representing 51% of the capital stock of Dish

México, S. de R.L. de C.V. ( Dish México ). In July 2014, Telmex waived its rights under such option.

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In January 2015, the IFT imposed a fine on Telmex for an amount of Ps. 14,414 on the grounds that an alleged merger (*concentración*) between Telmex and Dish was not notified in November 2008. Telmex filed an appeal for relief against this resolution (*amparo*) and the case is pending. The Company cannot predict the outcome of such proceedings.

In August 2015, in relation with some Dish operations, the IFT initiated several proceedings in order to determine potential violations of (i) Telmex's concession, with respect to an alleged indirect exploitation of a public television services concession and (ii) certain provisions of the Mexican Constitution (*Constitución Política de los Estados Unidos Mexicanos*) and the Federal Telecommunications and Broadcasting Law (*Ley Federal de Telecomunicaciones y Radiodifusión*) regarding the cost-free rule of re-transmission of television broadcast signals (commonly known as *must offer*), through other operators.

**d. America Central Tel*****Tax Assessment***

In August 2016, the SAT notified the Company's subsidiary América Central Tel, S.A. de C.V. ( *ACT* ) of a tax assessment of approximately Ps. 1,244,000, for alleged tax improprieties for the fiscal year ended December 31, 2008. The SAT alleged that certain taxes paid by ACT in Guatemala in relation to dividends received in Mexico could not be applied as tax credits for income tax purposes in Mexico. ACT has challenged the SAT's assessment through an administrative appeal and a resolution is still pending. The Company has not established a provision in the accompanying consolidated financial statements for a loss arising from this assessment, which the Company does not consider probable.

**e. Sercotel*****Tax Assessment***

In March 2012, the SAT notified the Company and its subsidiary Sercotel, S.A. de C.V. ( *Sercotel* ) of a fine of approximately Ps. 1,400,000 for alleged tax improprieties arising from the transfer of certain accounts receivable from one of the Company's other subsidiaries to Sercotel. In July 2014, the Company challenged the fine before the federal tax court, and the challenge is still pending. The Company has not established a provision in the accompanying consolidated financial statements for a loss arising from this fine, which the Company does not consider probable.

**II. BRAZIL**

Following the merger in 2014 of the Company's subsidiaries Empresa Brasileira de Telecomunicações S.A. ( *Embratel* ), Embratel Participações S.A. ( *Embrapar* ) and Net Serviços de Comunicação S.A. ( *Net Serviços* ) into Claro S.A. ( *Claro Brasil* ), Claro Brasil became the legal successor of Embratel, Embrapar and Net Serviços.

**a. Tax Matters*****ICMS***

As of December 31, 2017, the Company's Brazilian subsidiaries Claro Brasil, Star One S.A. ( *Star One* ), Primesys Soluções Empresariais S.A. ( *Primesys* ), Telmex Do Brasil Ltda. ( *TdB* ), Americel S.A. ( *Americel* ), Brasil Telecomunicações S.A. ( *BrTel* ) and TVSAT Telecomunicações S.A. ( *TV SAT* ), had aggregate tax contingencies related to value-added tax ( *ICMS* ) of approximately Ps. 64,749,404 (R\$10,825 million). As of December 31, 2017, the

Company has established a provision of Ps. 3,541,030 (R\$ 592 million) in the accompanying consolidated financial statements for the losses arising from these contingencies that the Company considers probable. Such ICMS contingencies include:

Tax assessments against Star One in the amount of Ps. 23,668,673 (R\$ 3,957 million) based on allegations that the provision of satellite capacity by Star One is subject to ICMS. The Company is

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contesting these tax assessments in separate proceedings at different litigation stages and has obtained favorable judicial decisions in two proceedings. The Company has not established a provision in the accompanying consolidated financial statements to cover losses arising from these assessments, which the Company does not consider probable.

Tax assessments against Claro Brasil and Americel in the amount of Ps. 7,363,189 (R\$ 1,231 million), due to a decision that held certain benefits granted by the Brazilian states unconstitutional. The Company has not established a provision in the accompanying consolidated financial statements to cover losses arising from these assessments, which the Company does not consider probable.

A tax assessment against Primesys in the amount of Ps. 4,510,028 (R\$ 754 million), related to ICMS over certain activities not deemed as part of data communication services. The Company has not established a provision in the accompanying consolidated financial statements to cover losses arising from this assessment, which the Company does not consider probable.

### ***CSLL/IRPJ***

As of December 31, 2017, Claro Brasil, Americel, BrTel and Star One had aggregate tax contingencies related to social contribution on net income ( CSLL ) and corporate income tax ( IRPJ ) in an amount of Ps. 20,929,161 (R\$ 3,499 million). As of December 31, 2017, the Company has established a provision of Ps. 3,158,216 (R\$ 528 million) in the accompanying consolidated financial statements for the losses arising from these contingencies that the Company considers probable.

The aforementioned CSLL/IRPJ contingencies include a tax assessment against Claro Brasil in the amount of Ps. 12,728,566 (R\$ 2,128 million) alleging the undue amortization of goodwill amounts between 2009 and 2012, and charging CSLL, IRPJ and penalties due to the late payment of taxes. Claro Brasil has challenged this assessment at the administrative level and the challenge is still pending. The Company has not established a provision in the accompanying consolidated financial statements to cover losses arising from this assessment, which the Company does not consider probable.

### ***PIS/COFINS***

As of December 31, 2017, Claro Brasil, Americel, Star One, TdB and Brasil Center Comunicações Ltda. ( Brasil Center ) had aggregate tax assessments related to social integration program ( PIS ) and contribution for social security financing ( COFINS ) in the amount of Ps. 32,999,765 (R\$ 5,517 million). As of December 31, 2017, the Company has established a provision of Ps. 20,743,735 (R\$ 3,468 million) in the accompanying consolidated financial statements for the losses arising from the PIS/COFINS assessments that the Company considers probable. With respect to such PIS/COFINS assessments:

Claro Brasil and Americel have commenced lawsuits against the Brazilian Federal Revenue Service seeking a ruling on constitutional grounds to exclude ICMS payments and interconnection fees from the base used to calculate PIS and COFINS tax obligations. Pending a final ruling and pursuant to applicable Brazilian procedure, the companies have paid the tax based on their position in the lawsuits, and have established a provision for the disputed amounts. As of December 31, 2017, the total amount in dispute was approximately Ps. 20,636,069 (R\$ 3,450 million).

Tax assessments against Claro Brasil and Americel related to the offset of PIS and COFINS credits recorded in the non-cumulative method in an amount of Ps. 9,426,795 (approximately R\$ 1,576 million) as of December 31, 2017. The Company has not established a provision in the accompanying consolidated financial statements to cover the losses arising from this contingency, which the Company does not consider probable.

***FUST/FUNTTEL***

Anatel has initiated administrative proceedings against Claro Brasil, Americel, Primesys, TdB, Star One, BrTel and TVSAT in an aggregate amount of Ps. 17,107,002 (R\$ 2,860 million) mainly based on an allegedly improper

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exclusion of interconnection revenues and costs from the basis used to calculate its fund for universal telecommunication services ( FUST ) obligations. The companies are contesting these assessments. As of December 31, 2017, the Company has established a provision of Ps. 11,963 (R\$ 2 million) in the accompanying consolidated financial statements to cover the losses arising from these assessments that the Company considers probable.

In addition, the Brazilian Ministry of Communications (*Ministério das Comunicações*) has initiated administrative proceedings against Claro Brasil, Americel, Primesys, TdB, Star One, BrTel and TVSAT totaling an amount of Ps. 5,736,229 (R\$ 959 million) as of December 31, 2017, due to an alleged underpayment of their obligations to telecommunications technology development fund ( FUNTTEL ). The companies have challenged these assessments, which are still pending. As of December 31, 2017, the Company has established a provision of Ps. 5,981 (R\$ 1 million) in the accompanying consolidated financial statements to cover the losses arising from these assessments that the Company considers probable.

### ***ISS***

The Municipal Revenue Services have issued tax assessments against Claro Brasil, Brasil Center and Primesys, totaling an aggregate amount of approximately Ps. 3,535,048 (R\$ 591 million) due to the alleged nonpayment of Brazilian services tax ( ISS ) over several telecommunication services, including Pay TV services, considered as taxable for ISS by these authorities. The companies have challenged the tax assessments on the grounds that the services cited are not subject to ISS tax and these challenges are still pending. As of December 31, 2017, the Company has established a provision of Ps. 29,907 (R\$ 5 million) in the accompanying financial statements for the losses arising from these assessments that the Company considers probable.

### ***TFI***

As of December 31, 2017, Anatel has fined Claro Brasil and Americel a total of Ps. 13,793,268 (R\$ 2,306 million), for an unpaid installation inspection fee (*Taxa de Fiscalização de Instalação*, or TFI ) allegedly due for the renovation of radio base stations. Claro Brasil and Americel have challenged the fine, arguing that there was no new equipment installation that could lead to this charge, and the challenges are still pending. The Company has not established a provision in the accompanying consolidated financial statements to cover losses arising from these proceedings, which the Company does not consider probable.

### ***Other Tax Contingencies***

There are several other tax contingencies involving Claro Brasil, Americel, Star One, TdB and Primesys in an aggregate amount of Ps. 12,620,900 (R\$ 2,110 million) related to a variety of taxes and government programs. As of December 31, 2017, the Company has established a provision of Ps. 5,084,249 (R\$ 850 million) in the accompanying consolidated financial statements for the losses arising from these contingencies that the Company considers probable.

## **b. Regulatory Matters**

### ***Inflation-Related Adjustments***

Anatel has challenged the calculation of inflation-related adjustments due under the concession agreements with Tess S.A. ( Tess ), and Algar Telecom Leste S.A. ( ATL ), two of the Company's subsidiaries that were previously merged into Claro Brasil. Anatel rejected Tess and ATL's calculation of the inflation-related adjustments applicable to 60% of the concessions price (which was due in three equal annual installments, subject to inflation-related adjustments and

interest), claiming that the companies' calculation of the inflation-related adjustments resulted in a shortfall of the installment payments. The companies have filed declaratory and consignment actions seeking resolution of the disputes and have obtained injunctions from a federal appeals court suspending payment until the pending appeals are resolved.

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The amount of the alleged shortfall as well as the method used to calculate monetary correction are subject to judicial disputes. If other methods or assumptions are applied, the amount may increase. In January 2018, Anatel calculated the monetary correction in a total amount of Ps. 20,336,995 (R\$ 3.4 billion). As of December 31, 2017, the Company has established a provision of Ps. 3,983,658 (R\$ 666 million) in the accompanying consolidated financial statements for the losses arising from these contingencies that the Company considers probable.

### ***Reversible Assets***

Claro Brasil's long-distance fixed-line concessions provide that the concessionaire's assets that are indispensable for the provision of domestic and international long-distance fixed-line services cannot be disconnected, replaced or sold without the prior regulatory approval of Anatel. Upon expiration of these concessions, those assets that are indispensable to provide domestic and international long distance fixed-line services will revert to the Brazilian government, in which case any compensation for investments made in those assets would be the depreciated cost of such assets. Brazilian law does not provide any guidance as to which assets would be subject to reversion under these concessions, and there is no precedent establishing: (i) which assets are indispensable under these concessions at the time of their expiration or (ii) the treatment of assets that are also used for telecommunications services not regulated by the concessions. Those assets Claro Brasil uses exclusively in the provision of wireless and Pay TV services are not subject to reversion. See Note 2.

In the second half of 2015, Anatel fined Claro Brasil approximately Ps. 59,815 (R\$ 10 million) and imposed the obligations listed below on Claro Brasil in connection with the alleged non-compliance with requirements set out in the Reversible Assets Regulation (*Regulamento de Bens Reversíveis*).

To make a deposit within 180 days of approximately Ps. 5,203,878 (R\$ 870 million) in an escrow account to buy other assets which would be subject to reversion and thereby replace the assets removed. However, if the assets were replaced, Claro Brasil may instead deposit the difference between their sale price and the price of assets purchase to replace them. According to Anatel, such amount represents the value of the assets that were being allegedly removed from the assets list reported to Anatel without a justification for the alleged removal.

Within 180 days following Anatel's decision, the inclusion in all agreements executed after the Reversible Assets Regulation (*Regulamento de Bens Reversíveis*) came into effect, of mandatory provisions related, among others, to the indispensability of those assets for the provision of the services under the concessions, Anatel's subrogation rights under those agreements and the obligation of their counterparty not to encumber the assets used by Claro Brasil thereunder.

To file an appeal against any order imposing a lien on any Claro Brasil's reversible assets within 30 days from the date Claro Brasil received notice of the decision.

In 2015, Claro Brasil appealed the decision, causing a temporary suspension of its obligations. On January 18, 2018, Anatel issued a new decision eliminating the obligation to deposit the Ps. 5,203,878 (R\$ 870 million) in an escrow account and reducing the fine from Ps. 59,815 (R\$ 10 million) to Ps. 14,954 (R\$ 2.5 million).

### ***Other regulatory disputes***

Claro Brasil is party to other judicial disputes with Anatel in an aggregate amount of Ps. 12,267,993 (R\$ 2,051 million). As of December 31, 2017, the Company has established a provision of Ps. 645,999 (R\$ 108 million) in the accompanying consolidated financial statements for the losses arising from these disputes that the Company considers probable.

**c. Other Civil, Environmental and Labor Contingencies**

Claro Brasil and its subsidiaries are party to other civil, environmental and labor claims, as described below. In each case, the Company is contesting the claims at different stages. As of December 31, 2017, the Company has

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established the following provisions for those losses arising from these claims that the Company considers probable.

*Civil:* Claims for Ps. 29,458,736 (R\$ 4,925 million), including those filed by its Pay TV, internet access and telephone service customers and a provision of Ps. 939,091 (R\$ 157 million) in the accompanying consolidated financial statements.

*Environmental:* Claims for Ps. 4,019,547 (R\$ 672 million) and a provision of Ps. 65,796 (R\$ 11 million) in the accompanying consolidated financial statements.

*Labor:* Claims for Ps. 53,952,852 (R\$ 9,020 million) filed by current and former employees and a provision of Ps. 2,667,735 (R\$ 446 million) in the accompanying consolidated financial statements.

### **d. Third-Party Disputes**

Claro Brasil, Americel, TdB, Primesys, Brasil Center and their subsidiaries are parties to certain disputes with third parties in connection with former sales agents, outsourced companies contract cancellation, increases in monthly subscription rates and channel transmission, class actions, real estate issues, disputes with former employees regarding health care payments and other matters. The cases, which are in advanced stages of litigation, are for claims in an aggregate amount of Ps. 25,307,596 (R\$ 4,231 million). As of December 31, 2017, the Company has established a provision of Ps. 2,350,717 (R\$ 393 million) in the accompanying consolidated financial statements for the losses arising from these disputes that the Company considers probable.

## **III. COLOMBIA**

### ***Local Arbitration Proceedings (Bogotá Chamber of Commerce)***

In 2013, the Colombian Constitutional Court rendered a decision holding that certain laws eliminating the reversion of telecommunication assets in Colombia did not apply to concessions granted prior to 1998 and that the reversion of assets under those earlier concession agreements would be governed by their contractual terms. Following the termination of Comcel's concession contracts, Comcel and the ITC Ministry initiated discussions with respect to the liquidation of Comcel's concession contracts. However, as a result of the Constitutional Court's decision, the ITC Ministry took the position that assets under Comcel's concession contracts should revert to the Colombian government. Comcel disputes the ITC Ministry's interpretation of the Constitutional Court's decision and contends that the reversion of assets should not apply.

In February 2016, the ITC Ministry initiated an arbitration claim against Comcel before the Bogotá Chamber of Commerce pursuant to the concession contracts. In its claim, the ITC Ministry requested (a) the liquidation of the concession contracts, (b) the reversion of all assets related to the concession contracts and (c) monetary compensation in case the assets cannot be reverted without affecting the continuity of the mobile services.

In July 2017, the arbitral tribunal ordered the reversion of certain assets of Comcel to the ITC Ministry. Such asset reversion was ordered under Comcel's original concession agreements granted in 1994 and extended through 2013 without applying laws 422 of 1998 and 1341 of 2009 which had eliminated such reversion. In lieu of surrendering the assets, the arbitration tribunal ordered Comcel to pay Ps. 18,547,629 (approximately COP\$ 3,155 billion). As required by the ITC Ministry, in August 2017, Comcel made such payment under protest reserving all of its rights and those of

its shareholders. Comcel has challenged the decision of the arbitral tribunal in accordance with Colombian legislation.

#### **IV. ECUADOR**

##### **a. Concel**

##### ***Tax Assessments***

In 2011 and 2012, the Ecuadorian Internal Revenue Services (*Servicios de Rentas Internas del Ecuador*, or SRI ) notified Concel of tax assessments of Ps. 2,354,617 (US\$ 119,000) relating to income tax for fiscal years

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2007 through 2009, which were challenged by Conecel. Following an amnesty law enacted by the National Assembly (*Asamblea Nacional*) in May 2015, that granted the remission of interest and penalties from tax obligations, Conecel applied for amnesty pursuant this new law in connection with the tax assessments for the 2007 and 2009 fiscal years and paid a total amount of Ps. 1,278,221 (US\$ 64,600) in connection with such fiscal years. In October 2015, the National Court of Justice (*Corte Nacional de Justicia*) ruled in favor of SRI with regard to the tax assessment for the fiscal year 2008. As of December 31, 2017, Conecel has made payments in the amount of Ps. 892,499 (US\$ 45,106), in connection with the 2008 tax assessment, representing the total amount owed in connection with such assessment.

***Monopolistic Practices Proceedings***

In February 2014, following a regulatory claim filed in 2012 by state-owned operator *Corporación Nacional de Telecomunicaciones* ( CNT ), the Superintendency of Control of Market Power (*Superintendencia de Control del Poder del Mercado*, or SCPM ) imposed a fine on Conecel of Ps. 2,738,479 (US\$ 138,400) for alleged monopolistic practices. CNT alleged that Conecel had exclusive rights to deploy its network in five locations and was thereby preventing CNT from deploying its own network in the same locations. In March 2014, Conecel challenged the fine and posted a guarantee for 50% of its value. Through a judicial order issued the same month, the fine was suspended while it is pending. Conecel denies any wrongdoing and contends that CNT had other alternative sites in the same locations where it could have deployed its network. As of December 31, 2017, the Company has not established a provision in the accompanying consolidated financial statements to cover losses arising from this proceeding that the Company does not consider probable.

Conecel was also subject to one proceeding initiated by the SCPM to assess Conecel's compliance with the administrative injunction issued by the SCPM as part of its decision that admitted the claim filed by CNT in 2012. In August 2016, the SCPM, imposed a fine on Conecel of Ps. 1,622,509 (US\$ 82 million). Conecel challenged this decision and posted a guarantee for Ps. 817,191 (US\$ 41.3 million). On September 1, 2017, the District Court ruled in favor of Conecel overruling the SCPM's decision. The SCPM filed several challenges against this ruling all of which have been ruled in favor of Conecel. On January 5, 2018, Conecel was notified of a definitive and unappealable ruling by the Constitutional Court and as a consequence thereof, the guarantee posted by Conecel was returned in full and the proceeding is considered terminated.

**V. BULGARIA****a. Mobiltel*****Tax Assessments***

In June 2014, the Bulgarian tax authorities issued a tax assessment against Mobiltel EAD ( Mobiltel ) in connection with the amortization of its brand name and customer base for fiscal year 2007, in an amount of approximately Ps. 539,214 ( 22.7 million), including interest as of December 31, 2017. In 2015, Mobiltel challenged this assessment. In October 2015, the Administrative Court issued a ruling favorable to Mobiltel, which was subsequently challenged by the tax authorities and forwarded to the Supreme Administrative Court. In February 2017, the Supreme Administrative Court ruled in favor of Mobiltel with respect to Mobiltel's customer base and rejected the appeal related to the brand name.

In September 2015, the tax authorities issued a second tax assessment based on the same allegations for fiscal year 2008, in October 2016 for the year 2009 and in September 2017 for the year 2010. All three tax assessments covering the years 2008–2010 were challenged before the higher tax authority. In July 2017, Mobiltel received tax assessments for the years 2008 and 2009 and in November 2017, for the year 2010. All of these assessments once again included

Mobitel's brand name and customer base as item not tax deductible in an amount totaling Ps. 1,482,245 ( 62.4 million), including interest calculated as of December 31, 2017.

In July 2017, Mobitel challenged the 2008 and 2009 tax assessments before the administrative court in Sofia. The accounting expertise appointed has confirmed that Mobitel correctly treated and booked both trade name

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and customer base. In December 2017, Mobitel challenged the 2010 tax assessment. As of December 31, 2017 Mobitel has issued bank guarantees covering up to Ps. 1,496,498 ( \$63 million) to secure the tax liability in connection with these tax assessments.

A subsequent tax audit covering the years 2011 to 2013 has already finished and the audit reports were received in December 2017. However, these reports did not take into consideration the Supreme Administrative Court ruling with respect to the 2007 fiscal year and additional tax was imposed in connection with the amortization of brand name and customer base in an amount equal to Ps. 581,971 ( \$24.5 million). These tax assessments have also been challenged by Mobitel and a resolution is still pending. Tax and interests for brand name for the years 2008 to 2012 have been provided for.

**17. Employee Benefits**

An analysis of the net liability and net period cost for employee benefits is as follows:

|             | <b>At December 31,</b> |                        |
|-------------|------------------------|------------------------|
|             | <b>2016</b>            | <b>2017</b>            |
| Liability:  |                        |                        |
| Mexico      | Ps. 70,073,351         | <b>Ps. 84,821,197</b>  |
| Puerto Rico | 17,736,616             | <b>13,962,128</b>      |
| Brazil      | 7,222,762              | <b>6,276,780</b>       |
| Europe      | 15,748,433             | <b>14,833,840</b>      |
| Ecuador     | 267,705                | <b>403,194</b>         |
| Total       | Ps. 111,048,867        | <b>Ps. 120,297,139</b> |

|                           | <b>For the year ended December 31,</b> |                |                       |
|---------------------------|----------------------------------------|----------------|-----------------------|
|                           | <b>2015</b>                            | <b>2016</b>    | <b>2017</b>           |
| Net period cost (benefit) |                                        |                |                       |
| Mexico                    | Ps. 8,962,953                          | Ps. 12,281,154 | <b>Ps. 11,586,065</b> |
| Puerto Rico               | (455,117)                              | 1,058,131      | <b>776,238</b>        |
| Brazil                    | 451,353                                | 633,159        | <b>735,855</b>        |
| Austria                   | 260,850                                | 226,447        | <b>385,689</b>        |
| Ecuador                   | 58,042                                 | 41,380         | <b>152,335</b>        |
| Total                     | Ps. 9,278,081                          | Ps. 14,240,271 | <b>Ps. 13,636,182</b> |

**a) Defined benefit plans**

The defined benefit obligation (DBO) and plan assets for the pension and other benefit obligation plans, by country, are as follows:

| At December 31  |                   |                               |                                      |                 |                   |                               |                  |
|-----------------|-------------------|-------------------------------|--------------------------------------|-----------------|-------------------|-------------------------------|------------------|
| 2016            |                   |                               |                                      | 2017            |                   |                               |                  |
| DBO             | Plan Assets       | Effect of<br>asset<br>celling | Net employee<br>benefit<br>liability | DBO             | Plan Assets       | Effect of<br>asset<br>celling | Net e<br>benefit |
| Ps. 249,101,141 | Ps. (179,871,258) | Ps.                           | Ps. 69,229,883                       | Ps. 266,304,948 | Ps. (182,539,376) | Ps.                           | Ps. 8            |
| 39,909,853      | ( 22,173,237)     |                               | 17,736,616                           | 38,711,695      | ( 24,749,567)     |                               | 1                |
| 19,752,908      | ( 20,301,126)     | 7,083,218                     | 6,535,000                            | 19,369,664      | ( 20,399,661)     | 6,519,560                     | .                |
| 4,366,245       |                   |                               | 4,366,245                            | 4,554,912       |                   |                               | .                |
| Ps. 313,130,147 | Ps. (222,345,621) | Ps. 7,083,218                 | Ps. 97,867,744                       | Ps. 328,941,219 | Ps. (227,688,604) | Ps. 6,519,560                 | Ps. 10           |

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Below is a summary of the actuarial results generated for the pension and retirement plans as well as the medical services in Puerto Rico and Brazil; the pension plans and seniority premiums related to Telmex; the pension plan, the service awards plan and severance in Austria corresponding to the years ended December 31, 2015, 2016 and 2017:

|                                                           | <b>At December 31, 2015</b> |                    |                                |                                       |
|-----------------------------------------------------------|-----------------------------|--------------------|--------------------------------|---------------------------------------|
|                                                           | <b>DBO</b>                  | <b>Plan Assets</b> | <b>Effect of asset ceiling</b> | <b>Net employee benefit liability</b> |
| Balance at the beginning of the year                      | Ps. 309,639,799             | Ps. (242,360,329)  | Ps. 6,257,074                  | Ps. 73,536,544                        |
| Current service cost                                      | 4,540,925                   |                    |                                | 4,540,925                             |
| Interest cost on projected benefit obligation             | 25,811,047                  |                    |                                | 25,811,047                            |
| Expected return on plan assets                            |                             | (20,710,965)       |                                | (20,710,965)                          |
| Changes in the asset ceiling during the period and others |                             |                    | 601,540                        | 601,540                               |
| Past service costs and other                              | (1,365,096)                 | 118,725            |                                | (1,246,371)                           |
| Actuarial gain for changes in experience                  | (27,949)                    |                    |                                | (27,949)                              |
| Actuarial loss from changes in financial assumptions      | 30,285                      |                    |                                | 30,285                                |
| Net period cost                                           | Ps. 28,989,212              | Ps. (20,592,240)   | Ps. 601,540                    | Ps. 8,998,512                         |
| Actuarial gain for changes in experience                  | (2,021,790)                 |                    |                                | (2,021,790)                           |
| Actuarial gain from changes in demographic assumptions    | (685,110)                   |                    |                                | (685,110)                             |
| Actuarial gain from changes in financial assumptions      | (2,502,344)                 |                    |                                | (2,502,344)                           |
| Changes in the asset ceiling during the period and others |                             |                    | (754,357)                      | (754,357)                             |
| Return on plan assets greater than discount rate          |                             | 31,026,539         |                                | 31,026,539                            |
| Recognized in other comprehensive income                  | Ps. (5,209,244)             | Ps. 31,026,539     | Ps. (754,357)                  | Ps. 25,062,938                        |
| Contributions made by plan participants                   | 231,619                     |                    |                                | 231,619                               |
| Contributions to the pension plan made by the Company     |                             | (2,954,839)        |                                | (2,954,839)                           |
| Benefits paid                                             | (22,321,686)                | 22,149,262         |                                | (172,424)                             |
| Payments to employees                                     | (19,929)                    |                    |                                | (19,929)                              |
| Effect of translation                                     | 2,739,958                   | 497,167            | (1,281,110)                    | 1,956,015                             |
| Others                                                    | Ps. (19,370,038)            | Ps. 19,691,590     | Ps. (1,281,110)                | Ps. (959,558)                         |
| Balance at the end of the year                            | 314,049,729                 | (212,234,440)      | 4,823,147                      | 106,638,436                           |

|                         |                 |                   |               |                 |
|-------------------------|-----------------|-------------------|---------------|-----------------|
| Less short-term portion | (118,411)       |                   |               | (118,411)       |
| Non-current obligation  | Ps. 313,931,318 | Ps. (212,234,440) | Ps. 4,823,147 | Ps. 106,520,025 |

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**Table of Contents****At December 31, 2016**

|                                                           | <b>DBO</b>       | <b>Plan Assets</b> | <b>Effect of<br/>asset<br/>ceiling</b> | <b>Net employee<br/>benefit liability</b> |
|-----------------------------------------------------------|------------------|--------------------|----------------------------------------|-------------------------------------------|
| Balance at the beginning of the year                      | Ps. 314,049,729  | Ps. (212,234,440)  | Ps. 4,823,147                          | Ps. 106,638,436                           |
| Current service cost                                      | 4,606,856        |                    |                                        | 4,606,856                                 |
| Interest cost on projected benefit obligation             | 27,275,363       |                    |                                        | 27,275,363                                |
| Expected return on plan assets                            |                  | (18,972,042)       |                                        | (18,972,042)                              |
| Changes in the asset ceiling during the period and others |                  |                    | 875,192                                | 875,192                                   |
| Past service costs and other                              |                  | 165,851            |                                        | 165,851                                   |
| Actuarial gain for changes in experience                  | (28,867)         |                    |                                        | (28,867)                                  |
| Actuarial loss from changes in financial assumptions      | 7,784            |                    |                                        | 7,784                                     |
| Net period cost                                           | Ps. 31,861,136   | Ps. (18,806,191)   | Ps. 875,192                            | Ps. 13,930,137                            |
| Actuarial gain for changes in experience                  | (20,976,837)     |                    |                                        | (20,976,837)                              |
| Actuarial loss from changes in demographic assumptions    | 397,985          |                    |                                        | 397,985                                   |
| Actuarial loss from changes in financial assumptions      | 1,718,189        |                    |                                        | 1,718,189                                 |
| Changes in the asset ceiling during the period and others |                  |                    | (754,535)                              | (754,535)                                 |
| Return on plan assets greater than discount rate          |                  | (4,724,041)        |                                        | (4,724,041)                               |
| Recognized in other comprehensive income                  | Ps. (18,860,663) | Ps. (4,724,041)    | Ps. (754,535)                          | Ps. (24,339,239)                          |
| Contributions made by plan participants                   | 255,760          | (255,760)          |                                        |                                           |
| Contributions to the pension plan made by the Company     |                  | (2,756,519)        |                                        | (2,756,519)                               |
| Benefits paid                                             | (25,694,301)     | 25,517,599         |                                        | (176,702)                                 |
| Payments to employees                                     | (525,612)        |                    |                                        | (525,612)                                 |
| Effect of translation                                     | 12,196,546       | (9,086,269)        | 2,139,414                              | 5,249,691                                 |
| Others                                                    | Ps. (13,767,607) | Ps. 13,419,051     | Ps. 2,139,414                          | Ps. 1,790,858                             |
| Balance at the end of the year                            | 313,282,595      | (222,345,621)      | 7,083,218                              | 98,020,192                                |
| Less short-term portion                                   | (152,448)        |                    |                                        | (152,448)                                 |
| Non-current obligation                                    | Ps. 313,130,147  | Ps. (222,345,621)  | Ps. 7,083,218                          | Ps. 97,867,744                            |



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|                                                           | At December 31, 2017 |                   |                         |                                |
|-----------------------------------------------------------|----------------------|-------------------|-------------------------|--------------------------------|
|                                                           | DBO                  | Plan Assets       | Effect of asset celling | Net employee benefit liability |
| Balance at the beginning of the year                      | Ps. 313,282,595      | Ps. (222,345,621) | Ps. 7,083,218           | Ps. 98,020,192                 |
| Current service cost                                      | 4,285,693            |                   |                         | 4,285,693                      |
| Interest cost on projected benefit obligation             | 28,922,385           |                   |                         | 28,922,385                     |
| Expected return on plan assets                            |                      | (20,916,104)      |                         | (20,916,104)                   |
| Changes in the asset ceiling during the period and others |                      |                   | 716,330                 | 716,330                        |
| Past service costs and other                              |                      | 53,032            |                         | 53,032                         |
| Actuarial gain for changes in experience                  | (35,145)             |                   |                         | (35,145)                       |
| Actuarial gain from changes in demographic assumptions    | (85)                 |                   |                         | (85)                           |
| Actuarial gain from changes in financial assumptions      | (4,294)              |                   |                         | (4,294)                        |
| Net period cost                                           | Ps. 33,168,554       | Ps. (20,863,072)  | Ps. 716,330             | Ps. 13,021,812                 |
| Actuarial loss for changes in experience                  | 11,671,860           |                   |                         | 11,671,860                     |
| Actuarial gain from changes in demographic assumptions    | (381,172)            |                   |                         | (381,172)                      |
| Actuarial loss from changes in financial assumptions      | 2,438,078            |                   |                         | 2,438,078                      |
| Changes in the asset ceiling during the period and others |                      |                   | (856,188)               | (856,188)                      |
| Return on plan assets greater than discount rate          |                      | (2,483,430)       |                         | (2,483,430)                    |
| Recognized in other comprehensive income                  | Ps. 13,728,766       | Ps. (2,483,430)   | Ps. (856,188)           | Ps. 10,389,148                 |
| Contributions made by plan participants                   | 198,713              | (198,713)         |                         |                                |
| Contributions to the pension plan made by the Company     |                      | (2,697,621)       |                         | (2,697,621)                    |
| Benefits paid                                             | (18,841,754)         | 18,841,754        |                         |                                |
| Payments to employees                                     | (9,843,743)          |                   |                         | (9,843,743)                    |
| Effect of translation                                     | (2,579,506)          | 2,058,099         | (423,800)               | (945,207)                      |
| Others                                                    | Ps. (31,066,290)     | Ps. 18,003,519    | Ps. (423,800)           | Ps. (13,486,571)               |
| Balance at the end of the year                            | 329,113,625          | (227,688,604)     | 6,519,560               | 107,944,581                    |
| Less short-term portion                                   | (172,406)            |                   |                         | (172,406)                      |
| Non-current obligation                                    | Ps. 328,941,219      | Ps. (227,688,604) | Ps. 6,519,560           | Ps. 107,772,175                |

In the case of other subsidiaries in Mexico, the net period cost of other employee benefits for the years ended December 31, 2015, 2016 and 2017 was Ps. 160,835, Ps. 200,455 and Ps. 165,884, respectively. The balance of other employee benefits at December 31, 2016 and 2017 was Ps. 843,467 and Ps. 1,055,625 respectively.

In the case of Brazil, the net period cost of other benefits for the years ended December 31, 2015, 2016 and 2017 was Ps. 23,121, Ps. 65,101 and Ps. 93,742, respectively. The balance of employee benefits at December 31, 2016 and 2017 was Ps. 522,221 and Ps. 650,815, respectively.

In the case of Ecuador, the net period cost of other benefits for the years ended December 31, 2015, 2016 and 2017 was Ps. 58,042, Ps. 41,380 and Ps. 152,335, respectively. The balance of employee benefits at December 31, 2016 and 2017 was Ps. 267,705 and Ps. 403,194, respectively.

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|     |            |            |     |
|-----|------------|------------|-----|
|     | 1.60%      | 1.60%      |     |
| te* | 0.0%-2.06% | 0.0%-1.88% | 0.0 |

\* Depending on years of service

### Biometric

Puerto Rico:

Mortality:

RP 2014, MSS 2017 Tables.

Disability:

1985 Pension Disability Table

Brazil:

Mortality:

2000 Basic AT Table for gender

Disability for assets:

UP 84 modified table for gender

Disability retirement:

80 CSO Code Table

Rotation:

Probability of leaving the Company other than death,  
Disability and retirement is zero

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## Austria

Life expectancy in Austria is based on AVÖ 2008-P- Rechnungsgrundlagen für die Pensionsversicherung-Pagler & Pagler .

## Telmex

Mortality:

Mexican 2000 (CNSF) adjusted

Disability:

Mexican Social Security adjusted by Telmex experience

Turnover:

Telmex experience

Retirement:

Telmex experience

For the year ended December 31, 2017, the Company conducted a sensitivity analysis on the most significant variables that affect the DBO, simulating independently, reasonable changes to roughly 100 basis points in each of these variables. The increase (decrease) would have resulted in the DBO pension and other benefits at December 31, 2017 are as follows:

|                             | <b>-100 points</b> | <b>+100 points</b> |
|-----------------------------|--------------------|--------------------|
| Discount rate               | Ps. 24,711,314     | Ps. (33,606,469)   |
| Health care cost trend rate | Ps. (635,289)      | Ps. 738,685        |
| Telmex Plans                |                    |                    |

Part of the Telmex's employees are covered under defined benefit pension plans and seniority premiums. Pension benefits and seniority premiums are determined on the basis of compensation received by the employees in their final year of employment, their seniority, and their age at the time of retirement. Telmex has set up an irrevocable trust fund to finance these employee benefits and has adopted the policy of making contributions to such fund when it is considered necessary.

## Defined benefits plan in Austria

Telekom Austria Group provides defined benefits for certain former employees in Austria. All such employees are retired and were employed prior to 1 January 1975. This unfunded plan provides benefits based on a percentage of salary and years employed, not exceeding 80% of the salary before retirement, and taking into consideration the pension provided by the social security system. Telekom Austria Group is exposed to the risk of development of life expectancy and inflation because the benefits from pension plans are lifetime benefits.

## Service awards in Austria

Civil servants and certain employees (together employees) are eligible to receive service awards. Under these plans, eligible employees receive a cash bonus of two months' salary after 25 years of service and four months' salary after 40 years of service. Employees with at least 35 years of service when retiring (at the age of 65) or who are retiring based on specific legal regulations are eligible to receive four monthly salaries. The compensation is accrued as earned over the period of service, taking into account the employee turnover rate. The risk Telekom Austria Group is exposed to is mainly the risk of development of salary increases and changes of interest rates.

#### Severance in Austria

Employees starting to work for Telekom Austria Group in Austria on or after 1 January 2003 are covered by a defined contribution plan. Telekom Austria Group paid Ps. 44,217 and Ps. 46,084 (1.53% of the salary) into this defined contribution plan (BAWAG Allianz Mitarbeitervorsorgekasse AG) in 2016 and 2017, respectively.

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Severance benefit obligations for employees hired before 1 January 2003, excluding civil servants, are covered by defined benefit plans. Upon termination by Telekom Austria Group or retirement, eligible employees receive severance payments equal to a multiple of their monthly compensation which comprises fixed compensation plus variable elements such as overtime or bonuses. Maximum severance is equal to a multiple of twelve times the eligible monthly compensation. In case of death, the heirs of eligible employees receive 50% of the severance benefits. Telekom Austria Group is exposed to the risk of development of salary increases and changes of interest rates.

### **b) The defined contribution plans (DCP)**

#### **Brazil**

Claro makes contributions to the DCP through Embratel Social Security Fund – Telos. Contributions are computed based on the salaries of the employees, who decide on the percentage of their contributions to the plan (participants enrolled before October 31st, 2014 is from 3% to 8% and, for those subscribed after that date, the contribution is from 1% to 7% of their salaries). Claro contributes the same percentage as the employee, capped at 8% of the participant's balance for the employees that are eligible to participate in this plan.

The unfunded liability represents Claro's obligation for those participants that migrated from the DBP to the DCP. This liability is being paid over a term of 20 years as of January 1, 1999. Unpaid balances are adjusted monthly based on the yield of the asset portfolio at that date and is increased based on the General Price Index of Brazil plus 6 percentage points per year.

At December 31, 2016 and 2017, the balance of the DCP liability was Ps. 165,541 and Ps. 136,402, respectively.

For the years ended December 31, 2015, 2016 and 2017 the cost (income) of labor were Ps. 198, Ps. (935) and Ps. 374, respectively.

#### **Austria**

In Austria, pension benefits generally are provided by the social security system, for employees, and by the government, for civil servants. Telekom Austria Group contributed for its employees 12.55% to social security amounting to Ps. 657,563 and Ps. 667,077 in 2016 and 2017, respectively. Contributions for active civil servants amount to 12.55% and 15.75%. In 2016 and 2017, these contributions to the government amounted to Ps. 836,655 and Ps. 642,080, respectively.

Additionally, Telekom Austria Group sponsors a defined contribution plan for employees of some of its Austrian subsidiaries. Telekom Austria Group's contributions to this plan are based on a percentage of the compensation not exceeding 5%. The annual expenses for this plan amounted to Ps. 252,368, Ps. 258,891 and Ps. 256,507 in 2015, 2016 and 2017, respectively.

As of December 31, 2016 and 2017 the liability related to this defined contribution plan amounted to Ps. 130,689 and Ps. 120,892, respectively.

#### **Other countries**

For the rest of the countries where the Company operates and that do not have defined benefit plans or defined contribution plans, the Company makes contributions to the respective governmental social security agencies which are recognized in results of operations as they are incurred.

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## Long-term direct employee benefits

|                                    | <b>Balance at<br/>December 31,<br/>2015</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b> |                  | <b>Balance at<br/>December 31,<br/>2016</b> |
|------------------------------------|---------------------------------------------|----------------------------------|---------------------------------|---------------------|------------------|---------------------------------------------|
|                                    |                                             |                                  |                                 | <b>Payments</b>     | <b>Reversals</b> |                                             |
| Long-term direct employee benefits | Ps. 11,116,581                              | Ps. 1,856,606                    | Ps. 2,210,026                   | Ps. (1,832,675)     | Ps. (2,099,039)  | Ps. 11,251,499                              |

|                                    | <b>Balance at<br/>December 31,<br/>2016</b> | <b>Effect of<br/>translation</b> | <b>Increase of<br/>the year</b> | <b>Applications</b> |                  | <b>Balance at<br/>December 31,<br/>2017</b> |
|------------------------------------|---------------------------------------------|----------------------------------|---------------------------------|---------------------|------------------|---------------------------------------------|
|                                    |                                             |                                  |                                 | <b>Payments</b>     | <b>Reversals</b> |                                             |
| Long-term direct employee benefits | Ps. 11,251,499                              | Ps. 795,581                      | Ps. 771,274                     | Ps. (2,077,632)     | Ps. (582,686)    | Ps. 10,158,036                              |

In 2008, a comprehensive restructuring programme was initiated in the segment Austria. The provision for restructuring includes future compensation of employees who will no longer provide services for Telekom Austria Group but who cannot be laid off due to their status as civil servants. These employment contracts are onerous contracts under IAS 37, as the unavoidable cost related to the contractual obligation exceeds the future economic benefit. The restructuring programme also includes social plans for employees whose employments will be terminated in a socially responsible way. In 2009 and every year from 2011 to 2017, new social plans were initiated which provide for early retirement, special severance packages and golden handshake options. Due to their nature as termination benefits, these social plans are accounted for according to IAS 19.

**18. Financial Assets and Liabilities**

Set out below is the categorization of the financial instruments, excluding cash and cash equivalents, held by the Company as of December 31, 2016 and 2017:

|                                                                           | <b>December 31, 2016</b>         |                                                  |                                   |
|---------------------------------------------------------------------------|----------------------------------|--------------------------------------------------|-----------------------------------|
|                                                                           | <b>Loans and<br/>Receivables</b> | <b>Fair value<br/>through<br/>profit or loss</b> | <b>Fair value<br/>through OCI</b> |
| Financial Assets:                                                         |                                  |                                                  |                                   |
| Available for sale marketable securities and other short term investments | Ps. 13,393,646                   | Ps.                                              | Ps. 41,463,511                    |
| Accounts receivable from subscribers, distributors, and other, net        | 175,059,881                      |                                                  |                                   |
| Related parties                                                           | 740,492                          |                                                  |                                   |
| Derivative financial instruments                                          |                                  | 909,051                                          |                                   |

|                                  |                 |                |                |
|----------------------------------|-----------------|----------------|----------------|
| Total                            | Ps. 189,194,019 | Ps. 909,051    | Ps. 41,463,511 |
| Financial Liabilities:           |                 |                |                |
| Debt                             | Ps. 707,801,403 | Ps.            | Ps.            |
| Accounts payable                 | 237,265,126     |                |                |
| Related parties                  | 2,971,325       |                |                |
| Derivative financial instruments |                 | 17,504,910     | 79,837         |
| Total                            | Ps. 948,037,854 | Ps. 17,504,910 | Ps. 79,837     |

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|                                                                           |                       | December 31, 2017                 |                        |
|---------------------------------------------------------------------------|-----------------------|-----------------------------------|------------------------|
|                                                                           | Loans and Receivables | Fair value through profit or loss | Fair value through OCI |
| <b>Financial Assets:</b>                                                  |                       |                                   |                        |
| Available for sale marketable securities and other short term investments | Ps. 12,438,019        | Ps.                               | Ps. 46,682,657         |
| Accounts receivable from subscribers, distributors, and other, net        | 163,085,537           |                                   |                        |
| Related parties                                                           | 868,230               |                                   |                        |
| Derivative financial instruments                                          |                       | 8,037,384                         |                        |
| Total                                                                     | Ps. 176,391,786       | Ps. 8,037,384                     | Ps. 46,682,657         |
| <b>Financial Liabilities:</b>                                             |                       |                                   |                        |
| Debt                                                                      | Ps. 697,884,899       | Ps.                               | Ps.                    |
| Accounts payable                                                          | 212,673,407           |                                   |                        |
| Related parties                                                           | 2,540,412             |                                   |                        |
| Derivative financial instruments                                          |                       | 14,359,460                        |                        |
| Total                                                                     | Ps. 913,098,718       | Ps. 14,359,460                    | Ps.                    |

**Fair value hierarchy**

The Company's valuation techniques used to determine and disclose the fair value of its financial instruments are based on the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Variables other than quoted prices in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3: Variables used for the asset or liability that are not based on any observable market data (non-observable variables).

The fair value for the financial assets (excluding cash and cash equivalents) and financial liabilities shown in the consolidated statements of financial position at December 31, 2016 and 2017 is as follows:

|                                                                           | Measurement of fair value at December 31, 2016 |                |         |                |
|---------------------------------------------------------------------------|------------------------------------------------|----------------|---------|----------------|
|                                                                           | Level 1                                        | Level 2        | Level 3 | Total          |
| <b>Assets:</b>                                                            |                                                |                |         |                |
| Available for sale marketable securities and other short term investments | Ps. 41,463,511                                 | Ps. 13,393,646 | Ps.     | Ps. 54,857,157 |
| Derivative financial instruments                                          |                                                | 909,051        |         | 909,051        |
| Pension plan assets                                                       | 214,051,693                                    | 8,175,469      | 118,459 | 222,345,621    |

|                                  |                 |                |             |                 |
|----------------------------------|-----------------|----------------|-------------|-----------------|
| Total                            | Ps. 255,515,204 | Ps. 22,478,166 | Ps. 118,459 | Ps. 278,111,829 |
| Liabilities:                     |                 |                |             |                 |
| Debt                             | Ps. 666,457,233 | Ps. 80,214,836 | Ps.         | Ps. 746,672,069 |
| Derivative financial instruments |                 | 17,584,747     |             | 17,584,747      |
| Total                            | Ps. 666,457,233 | Ps. 97,799,583 | Ps.         | Ps. 764,256,816 |

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| Measurement of fair value at December 31, 2017                            |                        |                       |                    |                        |
|---------------------------------------------------------------------------|------------------------|-----------------------|--------------------|------------------------|
|                                                                           | Level 1                | Level 2               | Level 3            | Total                  |
| <b>Assets:</b>                                                            |                        |                       |                    |                        |
| Available for sale marketable securities and other short term investments | Ps. 46,682,657         | Ps. 12,438,019        | Ps.                | Ps. 59,120,676         |
| Derivative financial instruments                                          |                        | 8,037,384             |                    | 8,037,384              |
| Pension plan assets                                                       | 218,518,358            | 9,039,270             | 130,976            | 227,688,604            |
| <b>Total</b>                                                              | <b>Ps. 265,201,015</b> | <b>Ps. 29,514,673</b> | <b>Ps. 130,976</b> | <b>Ps. 294,846,664</b> |
| <b>Liabilities:</b>                                                       |                        |                       |                    |                        |
| Debt                                                                      | Ps. 691,769,785        | Ps. 63,147,153        | Ps.                | Ps. 754,916,938        |
| Derivative financial instruments                                          |                        | 14,359,460            |                    | 14,359,460             |
| <b>Total</b>                                                              | <b>Ps. 691,769,785</b> | <b>Ps. 77,506,613</b> | <b>Ps.</b>         | <b>Ps. 769,276,398</b> |

Fair value of derivative financial instruments is valued using valuation techniques with market observable inputs. To determine its Level 2 fair value, the Company applies different valuation techniques including forward pricing and swaps models, using present value calculations. The models incorporate various inputs including credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Fair value of debt Level 2 has been determined using a model based on present value calculation incorporating credit quality of AMX. The Company's investment in available for sale securities, specifically the investment in KPN, is valued using the quoted prices (unadjusted) in active markets for identical assets. The net realized losses related to derivative financial instruments for the years ended December 31, 2016 and 2017 was Ps. 28,878,632 and Ps. 1,515,668, respectively.

For the years ended December 31, 2015, 2016 and 2017, no transfers were made between Level 1 and Level 2 fair value measurement hierarchies.

**Changes in liabilities arising from financing activities**

|                                             | At January 1,<br>2016 | Cash flow        | Foreing<br>currency<br>exchange and<br>other | At<br>December 31,<br>2016 |
|---------------------------------------------|-----------------------|------------------|----------------------------------------------|----------------------------|
| Total liabilities from financing activities | Ps. 683,216,744       | Ps. (61,390,813) | Ps. 85,975,472                               | Ps. 707,801,403            |

|                                             | At January 1,<br>2017 | Cash flow        | Foreing<br>currency<br>exchange and<br>other | At<br>December 31,<br>2017 |
|---------------------------------------------|-----------------------|------------------|----------------------------------------------|----------------------------|
| Total liabilities from financing activities | Ps. 707,801,403       | Ps. (27,433,489) | Ps. 17,516,985                               | Ps. 697,884,899            |

## 19. Shareholders Equity

**a)** Pursuant to the Company's bylaws, the capital structure of the Company consists of a minimum fixed portion of Ps. 362,873 (nominal amount), represented by a total of 95,489,724,196 shares (including treasury shares available for placement in accordance with the provisions of the *Ley del Mercado de Valores*), of which (i) 23,384,632,660 are AA shares (full voting rights); (ii) 642,279,095 are A shares (full voting rights); and (iii) 71,462,812,441 are L shares (limited voting rights).

**b)** As of December 31, 2017 and 2016, the Company's capital structure was represented by 66,069,035,539 (20,601,632,660 AA shares, 566,661,526 A shares and 44,900,741,353 L shares), and 65,798,000,000 (20,634,632,660 AA shares, 592,084,871 A shares and 44,571,282,469 L shares), respectively.

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c) As of December 31, 2017 and 2016, the Company's treasury held for placement in accordance with the provisions of the *Ley del Mercado de Valores* and the *Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes en el Mercado de valores* issued by the *Comisión Nacional Bancaria y de Valores*, a total amount of (i) 29,420,688,657 shares (29,419,120,359 L shares and 1,568,298 A shares); and 29,691,724,196 shares (29,691,076,321 L shares and 647,875 A shares), respectively, all acquired pursuant to the Company's share repurchase program.

d) The holders of AA and A shares are entitled to full voting rights. The holders of L shares may only vote in limited circumstances, and they are only entitled to appoint two members of the Board of Directors and their respective alternates. The matters in which the holders of L shares who are entitled to vote are the following: extension of the Company's corporate life, dissolution of the Company, change of Company's corporate purpose, change of nationality of the Company, transformation of the Company, a merger with another company, any transaction representing 20% or more of the Company's consolidated assets, as well as the cancellation of the registration of the shares issued by the Company in the *Registro Nacional de Valores* and any other foreign stock exchanges where they may be registered, except for quotation systems or other markets not organized as stock exchanges. Within their respective series, all shares confer the same rights to their holders.

The Company's bylaws contain restrictions and limitations related to the subscription and acquisition of AA shares by non-Mexican investors.

e) Pursuant to the Company's bylaws, AA shares must at all times represent no less than 20% and no more than 51% of the Company's capital stock, and they also must represent at all times no less than 51% of the common shares (entitled to full voting rights, represented by AA and A shares) representing said capital stock.

A shares, which may be freely subscribed, must not represent more than 19.6% of capital stock and must not exceed 49% of the common shares representing such capital. Common shares (entitled to full voting rights, represented by AA and A shares), must represent no more than 51% of the Company's capital stock.

Lastly, L shares which have limited voting rights and may be freely subscribed, and A shares may not exceed 80% of the Company's capital stock. For purposes of determining these restrictions, the percentages mentioned above refer only to the number of the Company's shares outstanding.

## **Dividends**

On April 5, 2017, the Company's shareholders approved, among others resolutions, the payment of a dividend of Ps. 0.30 (thirty peso cents) per share to each of the shares series of its capital stock AA, A and L, such dividend was payable, at each share holders' election, in cash, L series shares or a combination thereof, in two installments of Ps. 0.15 (fifteen peso cents) each, on July 17, 2017 and November 13, 2017 respectively. As a result of the shareholders elections, on July 17, 2017 and November 13, 2017, AMX placed into circulation 325,264,125 and 16,905,414 L shares, respectively.

On April 18, 2016, the Company's shareholders approved, among others resolutions, the payment of a

dividend of Ps. 0.28 (twenty eight peso cents) per share to each of the shares of its capital stock AA, A and L, such dividend was payable in two installments of Ps. 0.14 (fourteen peso cents) each. On October 8, 2016, the company's shareholders approved the simultaneous grant to company's shareholders of a right, at each shareholders' election, to receive the dividend payment in either cash, L series shares or a combination thereof, as a result, 397,909,031 L shares were placed into circulation.

## **Legal Reserve**

According to the *Ley General de Sociedades Mercantiles*, companies must allocate from the net profit of each year, at least 5% to increase the legal reserve until it reaches 20% of its capital stock. This reserve may not be

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distributed to shareholders during the existence of the Company, except as a stock dividend. As of December 31, 2016 and 2017, the legal reserve amounted to Ps. 358,440.

**Restrictions on Certain Transactions**

Pursuant to the Company's bylaws any transfer of more than 10% of the full voting shares ( A shares and AA shares), effected in one or more transactions by any person or group of persons acting in concert, requires prior approval by our Board of Directors. If the Board of Directors denies such approval, however, the Company by laws require it to designate an alternate transferee, who must pay market price for the shares as quoted on the *Bolsa Mexicana de Valores, S.A.B. de C.V.*

**Payment of Dividends**

Dividends, either in cash or in kind, paid with respect to the A Shares, L Shares, A Share ADSs or L Share ADSs w generally be subject to a 10% Mexican withholding tax (provided that no Mexican withholding tax will apply to distributions of net taxable profits generated before 2015). Nonresident holders could be subject to a lower tax rate, to the extent that they are eligible for benefits under an income tax treaty to which Mexico is a party.

**Earnings per Share**

The following table shows the computation of the basic and diluted earnings per share:

|                                                                        | <b>For the years ended December 31,</b> |               |                       |
|------------------------------------------------------------------------|-----------------------------------------|---------------|-----------------------|
|                                                                        | <b>2015</b>                             | <b>2016</b>   | <b>2017</b>           |
| Net profit for the period attributable to equity holders of the parent | Ps. 35,054,772                          | Ps. 8,649,427 | <b>Ps. 29,325,921</b> |
| Weighted average shares (in millions)                                  | 66,869                                  | 65,693        | <b>65,909</b>         |
| Earnings per share attributable to equity holders of the parent        | Ps. 0.52                                | Ps. 0.13      | <b>Ps. 0.44</b>       |

**Undated Subordinated Fixed Rate Bond**

In January 2013, Telekom Austria issued an Undated Subordinated Fixed Rate Bond with a face value of 600 million euros, which is subordinated with indefinite maturity and which is, based on its conditions, classified as stockholders equity according to IFRS.

The bond pays an annual coupon of 5.625%. Telekom Austria has the right (call), to redeem the bond on February 1, 2018. Telekom Austria has an early termination right under certain conditions. After that period (2018), the bond establishes conditions and increases the coupon rate every five years. After analyzing the conditions of the issuance, Telekom Austria recognized the instrument in equity, since it does not meet the criteria for classification as financial liability, not because it does not represent an obligation to pay.

On the consolidated statements of financial position, the Company recognized this bond as a component of equity (non-controlling interest), as financial instruments issued by its subsidiary are classified as equity in the subsidiary's financial statements and are thus considered non-controlling interest in the Company's consolidated financial

statements. See Note 24.

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**Table of Contents****20. Components of other comprehensive (loss) income**

The movement on the components of the other comprehensive (loss) income for the years ended December 31, 2015, 2016 and 2017 is as follows:

|                                                                          | 2015             | 2016            | 2017             |
|--------------------------------------------------------------------------|------------------|-----------------|------------------|
| Controlling interest:                                                    |                  |                 |                  |
| Valuation of the derivative financial instruments, net of deferred taxes | Ps. 37,011       | Ps. 48,496      | Ps. 12,292       |
| Available for sale securities, net of deferred taxes                     | 4,011            | (6,673,731)     | 622,424          |
| Translation effect of foreign entities                                   | (34,055,403)     | 104,178,880     | (21,683,333)     |
| Remeasurement of defined benefit plan, net of deferred taxes             | (17,791,354)     | 14,771,770      | (7,075,606)      |
| Non-controlling interest of the items above                              | (1,739,497)      | 3,322,090       | 3,402,973        |
| Other comprehensive (loss) income                                        | Ps. (53,545,232) | Ps. 115,647,505 | Ps. (24,721,250) |

**21. Valuation of derivatives, interest cost from labor obligations and other financial items, net**

For the years ended December 31, 2015, 2016 and 2017, valuation of derivatives and other financial items are as follows:

|                                                              | 2015           | 2016             | 2017            |
|--------------------------------------------------------------|----------------|------------------|-----------------|
| Gain (loss) in valuation of derivatives, net                 | Ps. 15,128,269 | Ps. (9,622,233)  | Ps. 8,192,567   |
| Capitalized interest expense (Note 10 d)                     | 3,524,841      | 2,861,307        | 2,875,034       |
| Commissions                                                  | (1,399,479)    | (2,034,972)      | (1,263,701)     |
| Interest cost of labor obligations (Note 17)                 | (5,701,622)    | (9,178,513)      | (8,722,611)     |
| Interest expense on taxes                                    | (135,569)      | (245,922)        | (1,503,981)     |
| Dividend received                                            | 1,645,712      | 5,740,092        | 2,385,559       |
| Loss on partial sale of shares in associated Company         | (545)          |                  |                 |
| Gain on de-recognition of equity method investment (Note 12) | 11,988,038     |                  |                 |
| Other financial cost                                         | (3,553,329)    | (3,745,600)      | (3,906,627)     |
|                                                              | Ps. 21,496,316 | Ps. (16,225,841) | Ps. (1,943,760) |

**22. Segments**

América Móvil operates in different countries. As mentioned in Note 1, the Company has operations in Mexico, Guatemala, Nicaragua, Ecuador, El Salvador, Costa Rica, Brazil, Argentina, Colombia, United States, Honduras, Chile, Peru, Paraguay, Uruguay, Dominican Republic, Puerto Rico, Panama, Austria, Croatia, Bulgaria, Belarus, Macedonian, Serbia and Slovenia. The accounting policies for the segments are the same as those described in Note 2.

The Chief Executive Officer, who is the Chief Operating Decision Maker ( CODM ), analyzes the financial and operating information by operating segment. All operating segments that (i) represent more than 10% of

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consolidated revenues, (ii) more than the absolute amount of its reported 10% of profits or loss or (iii) more than 10% of consolidated assets, are presented separately.

The Company presents the following reportable segments for the purposes of its consolidated financial statements: Mexico (includes Telcel and Corporate operations and Assets), Telmex (Mexico), Brazil, Southern Cone (includes Argentina, Chile, Paraguay and Uruguay), Colombia, Andean (includes Ecuador and Peru), Central-America (which aggregates the operating segments of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and Panama), U.S.A. (excludes Puerto Rico), Caribbean (which aggregates the operating segments of Dominican Republic and Puerto Rico), and Europe (includes Austria, Bulgaria, Croatia, Belarus, Slovenia, Macedonia and Serbia).

The Company considers that the quantitative and qualitative aspects of any aggregated operating segments (that is, Central America and Caribbean reportable segments) are similar in nature for all periods presented. In evaluating the appropriateness of aggregating operating segments, the key indicators considered included but were not limited to: (i) the similarity of key financial statement measures and trends, (ii) all entities provide telecommunications services, (iii) similarities of customer base and services, (iv) the methods to distribute services are the same, based on telephone plant in both cases, wireless and fixed lines, (v) similarities of governments and regulatory entities that oversee the activities and services of telecom companies, (vi) inflation trends, and (vii) currency trends.

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| Country  | Telmex      | Brazil       | Southern Cone | Colombia    | Andean      | Central America | U.S.A.      | Caribbean  | Europe |
|----------|-------------|--------------|---------------|-------------|-------------|-----------------|-------------|------------|--------|
| 50,997   | 93,657,944  | 174,722,286  | 68,520,541    | 65,871,301  | 51,738,731  | 34,515,781      | 110,653,812 | 29,625,274 | 72     |
| 73,782   | 7,420,418   | 3,451,846    | 427,609       | 265,474     | 220,094     | 235,779         |             | 32,699     |        |
| 24,779   | 101,078,362 | 178,174,132  | 68,948,150    | 66,136,775  | 51,958,825  | 34,751,560      | 110,653,812 | 29,657,973 | 72     |
| 51,516   | 15,416,456  | 38,219,152   | 8,608,518     | 9,279,871   | 6,368,233   | 9,699,082       | 741,038     | 5,315,349  | 17     |
| 26,013   | 15,947,164  | 10,878,548   | 9,185,471     | 13,361,859  | 7,853,311   | 1,750,027       | 1,293,706   | 3,891,263  | 6      |
| 94,408   | 272,284     | 1,616,356    | 3,505,616     | 366,533     | 743,028     | 227,590         | 232,856     | 396,314    |        |
| 23,466   | 1,413,686   | 16,450,388   | 2,599,901     | 577,440     | 713,895     | 349,449         |             | 48,751     | 2      |
| 76,111   | 2,896,465   | (4,846,932)  | 2,621,598     | 3,997,944   | 2,944,548   | 2,257,695       | 605,809     | 1,483,187  |        |
| (12,226) | 65,033      | (5,243)      | 21,856        |             |             |                 |             |            |        |
| 50,395   | 5,852,674   | (12,785,017) | (6,806,573)   | 3,468,029   | 3,766,425   | (680,599)       | 1,142,975   | 2,073,287  | 6      |
| 34,316   | 163,955,665 | 311,838,555  | 118,217,618   | 81,170,568  | 87,619,264  | 68,425,540      | 36,072,729  | 76,084,634 | 182    |
| 48,006   | 105,177,653 | 147,884,562  | 52,735,563    | 44,811,656  | 30,254,858  | 37,930,783      | 1,783,612   | 29,063,549 | 66     |
| 57,441   | 392,523     | 17,931,543   | 2,672,724     | 11,612,051  | 4,396,090   | 5,213,703       | 1,903,762   | 14,186,723 | 51     |
| 26,446   | 346,566     | 341,750      |               | 522         |             |                 | 686,052     | 242,175    | 8      |
| 95,698   | 72,557      | 28,442,759   | 8,318,161     | 3,661,838   | 6,256,297   | 3,660,240       |             | 6,443,439  | 29     |
| 18,612   | 1,955,186   | 700          | 115,452       | 371         |             | 16,259          |             |            |        |
| 59,636   | 139,362,960 | 221,907,486  | 101,601,641   | 31,254,646  | 33,048,503  | 33,514,380      | 31,170,822  | 31,727,281 | 121    |
| 27,903   | 93,343,612  | 193,796,237  | 71,553,356    | 67,330,768  | 55,825,972  | 42,131,666      | 140,856,365 | 36,467,781 | 86     |
| 38,858   | 8,872,248   | 3,560,388    | 776,719       | 257,767     | 304,834     | 289,465         |             | 30,210     |        |
| 56,761   | 102,215,860 | 197,356,625  | 72,330,075    | 67,588,535  | 56,130,806  | 42,421,131      | 140,856,365 | 36,497,991 | 86     |
| 51,496   | 17,150,013  | 47,170,935   | 9,739,634     | 11,283,749  | 7,764,474   | 10,474,681      | 1,073,623   | 5,225,498  | 22     |
| 19,505   | 12,275,892  | 6,325,323    | 8,317,053     | 11,209,959  | 6,086,638   | 3,830,974       | 1,220,601   | 6,143,183  | 5      |
| 59,372   | 303,915     | 3,747,684    | 2,649,539     | 104,304     | 944,945     | 462,779         | 239,797     | 691,132    |        |
| 94,944   | 1,135,552   | 22,970,335   | 5,049,457     | 1,079,989   | 1,147,380   | 411,597         |             | 143,322    | 2      |
| 92,242   | 921,803     | (4,294,040)  | 2,021,090     | 4,456,750   | 1,768,066   | 3,291,776       | 767,295     | 2,542,080  | (2     |
| 57,472   | 116,368     | (270)        | (23,319)      |             |             | 171             |             |            |        |
| 78,150   | 902,282     | (10,357,493) | 3,765,015     | 4,022,633   | 3,621,863   | 538,890         | 987,790     | 3,318,960  | 7      |
| 98,204   | 161,133,722 | 461,831,754  | 140,617,162   | 103,361,235 | 113,839,981 | 80,832,029      | 42,812,349  | 93,941,695 | 227    |
| 93,242   | 112,220,236 | 203,270,555  | 67,023,143    | 59,690,886  | 37,716,772  | 41,808,573      | 1,949,166   | 33,854,428 | 78     |
| 36,328   | 213,926     | 26,106,622   | 3,006,448     | 14,659,891  | 5,948,335   | 5,652,268       | 3,464,217   | 14,186,723 | 52     |
| 15,318   | 307,881     | 366,727      |               | 194         |             |                 | 788,228     | 284,665    | 10     |
| 37,092   | 42,867      | 41,496,209   | 8,760,860     | 4,603,793   | 12,882,210  | 3,993,120       |             | 7,694,798  | 30     |
| 95,220   | 2,218,824   | 699          | 81,284        | 470         |             | 17,390          |             |            | 1      |
| 44,609   | 117,663,161 | 349,915,118  | 124,149,687   | 40,811,337  | 52,949,608  | 38,095,161      | 41,369,767  | 44,790,656 | 121    |

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|       |             |             |             |             |             |            |             |            |      |
|-------|-------------|-------------|-------------|-------------|-------------|------------|-------------|------------|------|
| 2,612 | 89,731,238  | 210,536,673 | 81,092,885  | 72,435,460  | 56,393,595  | 44,094,835 | 148,589,487 | 35,092,578 | 93,  |
| 8,428 | 8,753,525   | 4,785,601   | 1,250,983   | 304,555     | 177,856     | 187,086    | 44          | 122,656    |      |
| 1,040 | 98,484,763  | 215,322,274 | 82,343,868  | 72,740,015  | 56,571,451  | 44,281,921 | 148,589,531 | 35,215,234 | 93,  |
| 0,251 | 18,902,238  | 51,486,652  | 10,639,591  | 12,373,790  | 8,328,705   | 9,668,439  | 1,594,727   | 5,349,757  | 25,  |
| 6,028 | 7,921,524   | 11,601,369  | 11,676,427  | (4,704,165) | 5,650,477   | 5,252,401  | 2,915,123   | 4,752,168  | 4,   |
| 3,437 | 619,748     | 3,792,242   | 2,884,613   | 211,521     | 1,793,974   | 1,064,992  | 394,196     | 1,111,980  | .    |
| 5,868 | 1,028,593   | 23,578,083  | 4,637,989   | 1,955,688   | 1,573,929   | 485,684    |             | 377,727    | 2,   |
| 2,482 | 387,145     | (2,991,377) | 3,535,302   | (1,874,594) | 1,806,085   | 2,025,618  | 1,803,555   | 3,529,253  | (1,  |
| 9,044 | 16,564      | (232)       | (9,801)     |             |             |            |             |            |      |
| 1,442 | 184,387     | (6,617,381) | 4,421,938   | (6,209,530) | 1,595,382   | 3,713,301  | 1,793,875   | 1,262,073  | 5,   |
| 6,406 | 170,402,561 | 428,281,963 | 133,136,177 | 108,362,023 | 113,478,626 | 81,529,691 | 40,761,830  | 88,672,466 | 203, |
| 7,555 | 109,713,770 | 187,459,628 | 69,006,093  | 57,060,931  | 35,930,966  | 39,050,481 | 1,693,642   | 32,173,524 | 85,  |
| 2,384 | 213,926     | 24,708,739  | 3,073,444   | 13,981,033  | 6,113,495   | 5,597,990  | 3,341,956   | 14,186,723 | 53,  |
| 6,723 | 274,786     | 246,557     |             |             |             |            | 631,024     | 262,641    | 8,   |
| 7,720 | 13,175      | 35,662,305  | 8,885,086   | 4,197,498   | 11,295,202  | 3,376,106  |             | 7,276,039  | 31,  |
| 9,662 | 546,872     | 640         | 63,110      | 451         |             | 16,999     |             |            | .    |
| 8,013 | 133,428,178 | 322,620,030 | 119,123,646 | 54,756,152  | 48,656,628  | 35,501,900 | 38,249,957  | 43,978,410 | 119, |

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**23. Recently Issued Accounting Standards**

**New standards and amendments effective from January 1, 2017**

The following new standards and amendments applicable from January 1, 2017 were adopted by America Movil:

Amendments to IAS 12 *Income Taxes* that clarify how to account for deferred tax assets related to debt instruments measured at fair value. There was no effect to the consolidated financial statements from the adoption of these amendments.

Amendments to IAS 7 *Statement of Cash Flows* introducing additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The required disclosures have been included in Note 18 to the consolidated financial statements.

Amendments to IFRS 12 *Disclosure of Interests in Other Entities*, included within the Annual Improvements to IFRS Standards 2014–2016 Cycle. There was no effect to the Company's consolidated financial statements from the adoption of these amendments.

**New standards, amendments and interpretations not yet effective**

The estimated impact and evaluation of the recently issued accounting standards not yet in effect as of December 31, 2017 are as follow:

***IFRS 9, Financial Instruments***

IFRS 9, Financial Instruments, was issued in July 2014 and relates to the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets. The new standard became effective on January 1, 2018. The Company does not expect significant changes to its existing accounting policies surrounding classification and measurement for available-for-sale securities as they are currently recognized at fair value on the consolidated statement of financial condition with changes in fair value recognized in other comprehensive income. As for the recognition of impairment of financial assets as they would relate to trade accounts receivable, the Company currently adopted the simplified approach of IFRS 9 in order to account for the expected loss of accounts receivable. Based on currently available information on the assessment undertaken to date, the Company effect of adopting this standard in the consolidated financial statements is approximately between Ps. 2,500,000 and Ps. 2,750,000 reflecting an adjustment to the net fair value of trade accounts receivables and beginning of the year retained earnings.

***IFRS 15, Revenue from Contracts with Customers***

In May 2014, the IASB issued the new standard IFRS 15 *Revenue from Contracts with Customers*. The new standard for revenue recognition aims at standardizing the multitude of regulations previously included in various standards, and may require more judgment and estimates than with the revenue recognition processes that are required under the existing revenue recognition standards. The amount of revenue recognized and its timing is determined based on a five-step model. IFRS 15 contains additional qualitative and quantitative disclosure obligations. These are aimed at enabling users of the financial statements to understand the nature, amount, timing and uncertainties of revenue and the resulting cash flows arising from contracts with customers. Under IFRS 15, revenue is recognized for an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or providing services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing

revenue.

IFRS allows two adoption methods under IFRS 15: retrospectively to each reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the standard in beginning retained earnings. The Company will adopt the new standard on the required effective date as of January 1, 2018, using the modified retrospective method .

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IFRS 15 provides presentation and disclosure requirements which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and increases the volume of disclosures required in Company's consolidated financial statements.

Under that method, the Company will apply the rules to all contracts existing as of January 1, 2018, recognizing in retained earnings an adjustment for the cumulative effect of the change and it will be providing additional disclosures comparing results to previously recorded revenue on its 2018 consolidated financial statements.

During 2017 the Company performed an impact assessment and analysis of the new standard IFRS 15. The most significant judgements and impacts upon the adoption of IFRS 15 include the following topics:

### *a) Service revenues and sale of equipment*

The Company provides fixed and mobile services. These services are offered independently in contracts with customers or together with the sale of handsets (mobile) under the postpaid model. Before 2018, the Company accounted for equipment and service as separated performance obligations and assigned the consideration to both performance obligations using the fair value for each element.

In accordance with IFRS 15, the transaction price should be assigned to the different performance obligations based on their relative standalone selling price.

The Company concluded that regarding the provided services, it has market observable information, to determine the standalone selling price of the services. On the other hand, in the case of the sale of bundled mobile phones sold (including service and handset) by the Company, the allocation of the sales will be done based on their relative standalone selling price of each individual component related to the total bundled price. The result is that more equipment revenue will be recognized at the moment of a sale and, therefore, less service revenue from the monthly fee will be recognized under the new standard.

The Company concluded as well that the provided services are satisfied over the time of the contract period, given that the customer simultaneously receives and consumes the benefits provided by the Company.

In connection with the sale of handsets, the Company will recognize the revenue at the moment in which it transfers control of such devices to the customer, which is the time of the physical delivery, and accordingly a higher revenue will be recognized at the beginning of the contract.

Additionally, the Company sells to its customers bundles of different services (fixed line, mobile, broad band internet, streaming and pay TV, among others). Such service bundles accomplish the criteria mentioned in IFRS 15 of being substantially similar and of having the same transfer pattern which is why the Company concluded that the revenue from these different services offered to its customers will be considered as a single performance obligation with revenue being recognized over the time.

### *b) Revenue from goods sold*

Under IFRS 15, for those contracts with customers in which generally the sale of equipment and other electronic equipment is a single performance obligation, the Company recognizes the revenue at the moment when it transfers control to the customer which generally occurs when such goods are delivered. The latter is consistent with the previous accounting policy.

*c) Contract costs*

The Company pays commissions to its distributors for obtaining new customers, such commissions are expensed as incurred under the previous accounting. Under IFRS 15, are considered incremental contract acquisition costs that will be capitalized and will be amortized over the expected period of benefit, during the average duration of customer contracts.

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### *d) Significant financial component*

The Company frequently sells equipment under a financing model ranging from 12 to 36 months. According to IFRS 15, if the price of the product on credit is higher than the one paid upfront, the existence of an interest component is considered. Such amount will be recognized by the Company as a separate line in revenue as long as it is significant.

### *e) Contract completion costs*

The Company charges installation costs to its customers, such costs are currently recognized as expenses in the moment in which control to the customer is transferred, however, if the installation costs are part of a single performance obligation together with the telecommunication services, these costs will be amortized during the average lifetime of the contracts.

As a result of the analysis prepared by the Company of the impact of the adoption of the new criteria for revenue recognition, required by IFRS 15, the Company estimated that the initial recognition will increase its equity between Ps. 30,000,000 and Ps. 32,000,000, approximately, primarily related to the deferral of contract costs.

The Company has also identified and implemented changes to its accounting policies and practices, systems and controls, as well as designated and implemented specific controls over its evaluation of the impact of the new guidance the company, including the cumulative effect calculation, disclosure requirements and the collection of relevant data into the reporting process.

## ***IFRS 16, Leases***

In January 2016, the IASB issued the new accounting standard, IFRS 16 Leases. The fundamental changes in this new standard affect the lessees' recognition of leases in the financial statements. Generally, all leases have to be recognized based on the right of use approach.

The new standard is effective for fiscal years beginning on or after January 1, 2019, with early adoption permitted. The standard includes two recognition exemptions for lessees: leases of low-value assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees to make more extensive disclosures than under IAS 17.

According to the initial assessment made by the Company, the primary effect of the new standard will be to require the Company to establish a liability and a right of use asset equal to the value of most of the Company's leases that are currently accounted for as operating leases.

Based on a preliminary analysis in process and subject to changes, the Company may need to record on the consolidated statement of financial position, liabilities and right of use assets of operating leases as disclosed in Note

16a under non-cancellable operating leases. However this preliminary analysis has not been finalized and is subject to change.

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**In December 2016, the IASB issued IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*** which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The interpretation is effective January 1, 2018. Company does not expect a material impact to our consolidated financial statements upon adoption of the interpretation.

**In May 2017, the IASB issued IFRS 17 *Insurance Contracts* ( IFRS 17 ), which replaces IFRS 4 *Insurance Contracts*.** IFRS 17 requires all insurance contracts to be accounted for in a consistent manner and insurance obligations to be accounted for using current values, instead of historical cost. The new standard requires current measurement of the future cash flows and the recognition of profit over the period that services are provided under the contract. IFRS 17 also requires entities to present insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses, and requires an entity to make an accounting policy choice of whether to recognize all insurance finance income or expenses in profit or loss or to recognize some of those income or expenses in other comprehensive income. The standard is effective for annual periods beginning on or after January 1, 2021 with earlier adoption permitted. Company is currently evaluating the impact of adoption on its consolidated financial statements.

**In June 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment, (the Interpretation )***, which clarifies application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and (iv) how an entity considers changes in facts and circumstances. The Interpretation does not add any new disclosure requirements, however it highlights the existing requirements in IAS 1 *Presentation of Financial Statements*, related to disclosure of judgments, information about the assumptions made and other estimates and disclosures of tax-related contingencies within IAS 12 *Income Taxes*. The Interpretation is applicable for annual reporting periods beginning on or after January 1, 2019 and it provides a choice of two transition approaches: (i) retrospective application using IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, only if the application is possible without the use of hindsight, or (ii) retrospective application with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application and without restatement of the comparative information. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation. Company is currently evaluating the implementation and the impact of adoption of the interpretation on our consolidated financial statements.

**In October 2017, the IASB issued *Prepayment Features with Negative Compensation (Amendments to IFRS 9)***, allowing companies to measure particular prepayable financial assets with so-called negative compensation at amortized cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss, effective January 1, 2019. Company is currently evaluating the impact of adoption on the consolidated financial statements.

**In October 2017, the IASB issued *Long-term interests in associates and joint ventures (Amendments to IAS 28)***, which clarifies that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9, effective January 1, 2019. Company is currently evaluating the impact of adoption on the consolidated financial statements.

**In December 2017, the IASB issued the *Annual Improvements to IFRS 2015-2017***, a series of amendments to IFRS in response to issues raised mainly on IFRS 3 *Business Combinations*, which clarifies that a company remeasure its previously held interest in a joint operation when it obtains control of the business, on IFRS 11 *Joint Arrangements*, a company does not remeasure its previously held interest in a joint operation when it obtains joint

control of the business, on IAS 12 *Income Taxes*, which clarifies that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises, and on IAS 23 *Borrowing Costs*, which clarifies that a company treats as part of general

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borrowing any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. The effective date of the amendments is January 1, 2019. Company is currently evaluating the impact of adoption on the consolidated financial statements.

**In February 2018, the IASB issued *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*** which specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. IAS 19 *Employee Benefits* specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments are effective on or after 1 January 2019. The Company is currently evaluating the impact of adoption on the consolidated financial statements.

**24. Subsequent Events**

a) On January 3, 2018, the Company decided to call and redeem the Telekom Austria undated subordinated Fixed Rate Bond (hybrid bond) amounting to 600 million of Euros, according to the terms and conditions of the bond, at its nominal value plus all interest on February 1, 2018, the first call date. See Note 19.

b) On March 5, 2018 América Móvil received the resolution issued by the Federal Telecommunications Institute ( IFT ) in which it provides the final terms of implementation under which its subsidiaries Telmex and Telnor must legally and functionally separate the provision of regulated wholesale fixed services, through the creation of (i) new wholly-owned subsidiaries with an independent corporate structure, bodies and governance and (ii) a wholesale unit within Telmex and Telnor. The resolution provides for a 2-year implementation period with specific events and dates regarding the separation to be achieved during such 2-year period. We have presented a series of appeals to the separation order issued by the IFT. However, given that under Mexican law IFT's determinations are not subject to a stay or suspension pending a final resolution to our legal challenges, the separation ordered by the IFT shall be complied with and therefore the separation shall be implemented as ordered under the resolution. The Company is in the process of evaluating the impact of the resolution and can not yet estimate its impact on its consolidated financial statements.

**25. Supplemental Guarantor Information****Condensed Consolidating Financial Information**

The following consolidating information presents condensed consolidating statements of financial position as of December 31, 2016 and 2017 and condensed consolidating statements of comprehensive income and cash flows for each of the three years in the period ended December 31, 2017 of the Company and Telcel (the wholly-owned Guarantor Subsidiary ). The unconsolidated financial statements of América Móvil and Telcel reflect their investments in subsidiaries on the basis of the equity method. These unconsolidated entities are the Guarantors of most of América Móvil's consolidated obligations. The guarantees of the Guarantor are full and unconditional.

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The Company's consolidating condensed financial information for the (i) Company; (ii) its wholly-owned guarantor subsidiary Telcel (on standalone basis), which is a wholly and unconditional guarantor under the Senior Notes; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

**Condensed consolidating statements of financial position**

| As of December 31, 2016                               |                   |                                         |                                           |                     |                       |
|-------------------------------------------------------|-------------------|-----------------------------------------|-------------------------------------------|---------------------|-----------------------|
|                                                       | Parent            | Wholly-owned<br>Guarantor<br>Subsidiary | Combined<br>non-guarantor<br>Subsidiaries | Eliminations        | Consolidated<br>Total |
| <b>Assets:</b>                                        |                   |                                         |                                           |                     |                       |
| Cash and cash equivalents                             | Ps. 4,107,645     | Ps. 1,948,159                           | Ps. 17,162,579                            | Ps.                 | Ps. 23,218,383        |
| Marketable securities                                 | 11,716,039        |                                         | 43,141,118                                |                     | 54,857,157            |
| Accounts receivable, net                              | 41,086,859        | 23,541,672                              | 142,056,406                               | (1,347)             | 206,683,590           |
| Related parties                                       | 271,373,391       | 14,461,731                              | 379,358,127                               | (664,452,757)       | 740,492               |
| Inventories, net                                      | 323,642           | 10,246,083                              | 26,575,972                                | (274,405)           | 36,871,292            |
| Other current assets                                  |                   | 951,739                                 | 18,586,354                                |                     | 19,538,093            |
| Property, plant and equipment, Net                    | 2,774,540         | 24,124,644                              | 674,290,882                               |                     | 701,190,066           |
| Investments in associated companies                   | 704,272,725       | 134,150,348                             | 59,589,480                                | (894,409,069)       | 3,603,484             |
| Intangible assets and other non-current assets, net   | 11,734,707        | 25,653,093                              | 430,951,917                               |                     | 468,339,717           |
| <b>Total assets</b>                                   | Ps. 1,047,389,548 | Ps. 235,077,469                         | Ps. 1,791,712,835                         | Ps. (1,559,137,578) | Ps. 1,515,042,274     |
| <b>Liabilities:</b>                                   |                   |                                         |                                           |                     |                       |
| Short-term debt and current portion of long-term debt | Ps. 57,213,648    | Ps.                                     | Ps. 25,393,611                            | Ps.                 | Ps. 82,607,259        |
| Current liabilities                                   | 222,336,894       | 178,205,640                             | 643,759,333                               | (656,905,877)       | 387,395,990           |
| Long-term debt                                        | 555,475,368       |                                         | 69,718,776                                |                     | 625,194,144           |
| Other non-current liabilities                         | 3,448,396         | 885,834                                 | 152,707,752                               | (8,220,868)         | 148,821,114           |
| <b>Total liabilities</b>                              | Ps. 838,474,306   | Ps. 179,091,474                         | Ps. 891,579,472                           | Ps. (665,126,745)   | Ps. 1,244,018,507     |
| Equity attributable to equity holders of the parent   | 208,915,242       | 55,985,995                              | 714,469,820                               | (770,455,814)       | 208,915,243           |
| Non-controlling interests                             |                   |                                         | 185,663,543                               | (123,555,019)       | 62,108,524            |
| <b>Total equity</b>                                   | 208,915,242       | 55,985,995                              | 900,133,363                               | (894,010,833)       | 271,023,767           |

|                              |                   |                 |                   |                     |                   |
|------------------------------|-------------------|-----------------|-------------------|---------------------|-------------------|
| Total liabilities and equity | Ps. 1,047,389,548 | Ps. 235,077,469 | Ps. 1,791,712,835 | Ps. (1,559,137,578) | Ps. 1,515,042,274 |
|------------------------------|-------------------|-----------------|-------------------|---------------------|-------------------|

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|                                                       |        | As of December 31, 2017                 |     |                                           |     |               |                       |                 |     |               |
|-------------------------------------------------------|--------|-----------------------------------------|-----|-------------------------------------------|-----|---------------|-----------------------|-----------------|-----|---------------|
|                                                       | Parent | Wholly-owned<br>Guarantor<br>Subsidiary |     | Combined<br>non-guarantor<br>Subsidiaries |     | Eliminations  | Consolidated<br>Total |                 |     |               |
| <b>Assets:</b>                                        |        |                                         |     |                                           |     |               |                       |                 |     |               |
| Cash and cash equivalents                             | Ps.    | 7,018,559                               | Ps. | 3,553,352                                 | Ps. | 13,698,562    | Ps.                   | 24,270,473      |     |               |
| Marketable securities                                 |        | 10,303,535                              |     |                                           |     | 48,817,141    |                       | 59,120,676      |     |               |
| Accounts receivable, net                              |        | 9,874,652                               |     | 24,064,936                                |     | 167,873,940   |                       | 201,813,528     |     |               |
| Related parties                                       |        | 208,240,067                             |     | 957,704                                   |     | 503,895,549   | (712,225,090)         | 868,230         |     |               |
| Inventories, net                                      |        | 264,649                                 |     | 16,700,837                                |     | 21,844,079    |                       | 38,809,565      |     |               |
| Other current assets                                  |        | 17,805,747                              |     | 922,245                                   |     | (1,375,246)   |                       | 17,352,746      |     |               |
| Property, plant and equipment, Net                    |        | 1,996,721                               |     | 24,287,904                                |     | 650,058,573   |                       | 676,343,198     |     |               |
| Investments in associated companies                   |        | 747,771,790                             |     | 35,569,788                                |     | 3,457,152     | (783,063,558)         | 3,735,172       |     |               |
| Intangible assets and other non-current assets, net   |        | 4,104,268                               |     | 73,557,904                                |     | 386,236,092   |                       | 463,898,264     |     |               |
| Total assets                                          | Ps.    | 1,007,379,988                           | Ps. | 179,614,670                               | Ps. | 1,794,505,842 | Ps.                   | (1,495,288,648) | Ps. | 1,486,211,852 |
| <b>Liabilities:</b>                                   |        |                                         |     |                                           |     |               |                       |                 |     |               |
| Short-term debt and current portion of long-term debt | Ps.    | 34,345,398                              | Ps. |                                           | Ps. | 17,400,443    | Ps.                   |                 | Ps. | 51,745,841    |
| Current liabilities                                   |        | 161,940,198                             |     | 41,304,845                                |     | 797,880,314   |                       | (639,534,701)   |     | 361,590,656   |
| Long-term debt                                        |        | 547,728,176                             |     |                                           |     | 98,410,882    |                       |                 |     | 646,139,058   |
| Other non-current liabilities                         |        | 69,201,904                              |     | 132,728,838                               |     | 40,909,234    |                       | (76,737,196)    |     | 166,102,780   |
| Total liabilities                                     | Ps.    | 813,215,676                             | Ps. | 174,033,683                               | Ps. | 954,600,873   | Ps.                   | (716,271,897)   | Ps. | 1,225,578,335 |
| Equity attributable to equity holders                 |        | 194,164,312                             |     | 5,580,987                                 |     | 741,988,231   |                       | (747,569,218)   |     | 194,164,312   |

of the parent

**Non-controlling  
interests**

|                     |                    |                  |                    |                      |                    |
|---------------------|--------------------|------------------|--------------------|----------------------|--------------------|
|                     |                    |                  | <b>97,916,738</b>  | <b>(31,447,533)</b>  | <b>66,469,205</b>  |
| <b>Total equity</b> | <b>194,164,312</b> | <b>5,580,987</b> | <b>839,904,969</b> | <b>(779,016,751)</b> | <b>260,633,517</b> |

**Total liabilities**

|                   |                          |                        |                          |                            |                          |
|-------------------|--------------------------|------------------------|--------------------------|----------------------------|--------------------------|
| <b>and equity</b> | <b>Ps. 1,007,379,988</b> | <b>Ps. 179,614,670</b> | <b>Ps. 1,794,505,842</b> | <b>Ps. (1,495,288,648)</b> | <b>Ps. 1,486,211,852</b> |
|-------------------|--------------------------|------------------------|--------------------------|----------------------------|--------------------------|

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**Table of Contents****Condensed consolidating statements of comprehensive income**

For the year ended December 31, 2015

|                                                                | <b>Parent</b>   | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|----------------------------------------------------------------|-----------------|--------------------------------------------------|----------------------------------------------------|---------------------|-------------------------------|
| Total revenues                                                 | Ps. 173,615,615 | Ps. 157,930,068                                  | Ps. 743,147,639                                    | Ps. (180,955,583)   | Ps. 893,737,739               |
| Total cost and<br>operating<br>expenses                        | 126,724,721     | 142,902,403                                      | 663,102,125                                        | (180,404,671)       | 752,324,578                   |
| Operating<br>income                                            | 46,890,894      | 15,027,665                                       | 80,045,514                                         | (550,912)           | 141,413,161                   |
| Interest<br>(expense)<br>income, net                           | (16,668,472)    | (9,031,432)                                      | (872,237)                                          | 227,781             | (26,344,360)                  |
| Foreign currency<br>exchange (loss)<br>gain, net               | (51,209,235)    | (2,060,917)                                      | (25,727,836)                                       |                     | (78,997,988)                  |
| Other financing<br>cost, net                                   | 14,115,563      |                                                  | 7,380,753                                          |                     | 21,496,316                    |
| Income tax                                                     | 1,150,992       | 1,747,302                                        | 16,281,357                                         |                     | 19,179,651                    |
| Equity interest in<br>net income of<br>associated<br>companies | 43,077,014      | (4,722,363)                                      | (2,534,350)                                        | (37,246,997)        | (1,426,696)                   |
| Net profit (loss)<br>for year                                  | Ps. 35,054,772  | Ps. (2,534,349)                                  | Ps. 42,010,487                                     | Ps. (37,570,128)    | Ps. 36,960,782                |
| Distribution of<br>the net profit<br>(loss) to:                |                 |                                                  |                                                    |                     |                               |
| Equity owners of<br>holding company                            | Ps. 35,054,772  | Ps. (2,534,349)                                  | Ps. 41,711,424                                     | Ps. (39,177,075)    | Ps. 35,054,772                |
| Non-controlling<br>interest                                    |                 |                                                  | 299,063                                            | 1,606,947           | 1,906,010                     |
| Net profit (loss)                                              | Ps. 35,054,772  | Ps. (2,534,349)                                  | Ps. 42,010,487                                     | Ps. (37,570,128)    | Ps. 36,960,782                |
| Other<br>comprehensive<br>income (loss)<br>items:              |                 |                                                  |                                                    |                     |                               |

|                                                                                                 |     |              |     |             |     |              |     |             |     |              |
|-------------------------------------------------------------------------------------------------|-----|--------------|-----|-------------|-----|--------------|-----|-------------|-----|--------------|
| Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years: |     |              |     |             |     |              |     |             |     |              |
| Effect of translation of foreign entities                                                       | Ps. | (34,224,932) | Ps. | (4,664,901) | Ps. | (34,129,089) | Ps. | 37,412,602  | Ps. | (35,606,320) |
| Effect of fair value of derivatives, net of deferred taxes                                      |     | 37,011       |     |             |     | 22,482       |     | (21,998)    |     | 37,495       |
| Items not to be reclassified to profit or loss in subsequent years:                             |     |              |     |             |     |              |     |             |     |              |
| Remeasurement of defined benefit plan, net of income tax effect                                 |     | (17,791,354) |     |             |     | (10,750,136) |     | 10,561,072  |     | (17,980,418) |
| Available for sale                                                                              |     | 173,540      |     |             |     | (169,529)    |     |             |     | 4,011        |
| Total other comprehensive income items for the period                                           |     | (51,805,735) |     | (4,664,901) |     | (45,026,272) |     | 47,951,676  |     | (53,545,232) |
| Total comprehensive income for the period                                                       | Ps. | (16,750,963) | Ps. | (7,199,250) | Ps. | (3,015,785)  | Ps. | 10,381,548  | Ps. | (16,584,450) |
| Comprehensive income for the period attributable to:                                            |     |              |     |             |     |              |     |             |     |              |
| Equity holders of the parent                                                                    | Ps. | (16,750,963) | Ps. | (7,199,250) | Ps. | (10,304,830) | Ps. | 17,504,080  | Ps. | (16,750,963) |
| Non-controlling interests                                                                       |     |              |     |             |     | 7,289,045    |     | (7,122,532) |     | 166,513      |
|                                                                                                 | Ps. | (16,750,963) | Ps. | (7,199,250) | Ps. | (3,015,785)  | Ps. | 10,381,548  | Ps. | (16,584,450) |

**Table of Contents****Condensed consolidating statements of comprehensive income**

For the year ended December 31, 2016

|                                                                      | <b>Parent</b>   | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|----------------------------------------------------------------------|-----------------|--------------------------------------------------|----------------------------------------------------|---------------------|-------------------------------|
| Total revenues                                                       | Ps. 137,236,301 | Ps. 173,714,225                                  | Ps. 857,137,822                                    | Ps. (192,675,860)   | Ps. 975,412,488               |
| Total cost and<br>operating<br>expenses                              | 117,835,634     | 160,949,691                                      | 778,483,079                                        | (191,466,226)       | 865,802,178                   |
| Operating income                                                     | 19,400,667      | 12,764,534                                       | 78,654,743                                         | (1,209,634)         | 109,610,310                   |
| Interest (expense)<br>income, net                                    | (12,331,095)    | 97,314                                           | (17,207,855)                                       | (227,781)           | (29,669,417)                  |
| Foreign currency<br>exchange (loss)<br>gain, net                     | (46,625,392)    | (5,853,669)                                      | 12,051,654                                         |                     | (40,427,407)                  |
| Other financing<br>cost, net                                         | (10,475,673)    | (11,203,533)                                     | 5,453,365                                          |                     | (16,225,841)                  |
| Income tax                                                           | (7,712,179)     | 1,139,631                                        | 17,971,404                                         |                     | 11,398,856                    |
| Equity interest in<br>net income of<br>associated<br>companies       | 50,968,741      | (1,342,073)                                      | (6,677,059)                                        | (42,759,659)        | 189,950                       |
| Net profit (loss)<br>for year                                        | Ps. 8,649,427   | Ps. (6,677,058)                                  | Ps. 54,303,444                                     | Ps. (44,197,074)    | Ps. 12,078,739                |
| Distribution of<br>the net profit<br>(loss) to:                      |                 |                                                  |                                                    |                     |                               |
| Equity owners of<br>holding company                                  | 8,649,427       | (6,677,058)                                      | 50,049,280                                         | (43,372,222)        | 8,649,427                     |
| Non-controlling<br>interest                                          |                 |                                                  | 4,254,164                                          | (824,852)           | 3,429,312                     |
| Net profit (loss)                                                    | Ps. 8,649,427   | Ps. (6,677,058)                                  | Ps. 54,303,444                                     | Ps. (44,197,074)    | Ps. 12,078,739                |
| Other<br>comprehensive<br>income items:                              |                 |                                                  |                                                    |                     |                               |
| Net other<br>comprehensive<br>income (loss) to<br>be reclassified to |                 |                                                  |                                                    |                     |                               |

|                                                                     |                 |                 |                 |                   |                 |
|---------------------------------------------------------------------|-----------------|-----------------|-----------------|-------------------|-----------------|
| profit or loss in subsequent years:                                 |                 |                 |                 |                   |                 |
| Effect of translation of foreign entities                           | 104,178,880     | 755,978         | 108,291,984     | (105,728,134)     | 107,498,708     |
| Effect of fair value of derivatives, net of deferred taxes          | 48,496          |                 | 30,206          | (29,573)          | 49,129          |
| Items not to be reclassified to profit or loss in subsequent years: |                 |                 |                 |                   |                 |
| Remeasurement of defined benefit plan, net of income tax effect     | 14,771,770      | (12,300)        | 7,477,926       | (7,463,997)       | 14,773,399      |
| Available for sale                                                  | (6,673,731)     |                 | (6,673,731)     | 6,673,731         | (6,673,731)     |
| Total other comprehensive income items for the period               | Ps. 112,325,415 | Ps. 743,678     | Ps. 109,126,385 | Ps. (106,547,973) | Ps. 115,647,505 |
| Total comprehensive income for the period                           | Ps. 120,974,842 | Ps. (5,933,380) | Ps. 163,429,829 | Ps. (150,745,047) | Ps. 127,726,244 |
| Comprehensive income for the period attributable to:                |                 |                 |                 |                   |                 |
| Equity holders of the parent                                        | Ps. 120,974,842 | Ps. (5,933,380) | Ps. 150,900,984 | Ps. (144,967,604) | Ps. 120,974,842 |
| Non-controlling interests                                           |                 |                 | 12,528,845      | (5,777,443)       | 6,751,402       |
|                                                                     | Ps. 120,974,842 | Ps. (5,933,380) | Ps. 163,429,829 | Ps. (150,745,047) | Ps. 127,726,244 |

**Table of Contents****Condensed consolidating statements of comprehensive income**

For the year ended December 31, 2017

|                                                                | Parent          | Wholly-owned<br>Guarantor<br>Subsidiary | Combined<br>non-guarantor<br>Subsidiaries | Eliminations      | Consolidated<br>Total |
|----------------------------------------------------------------|-----------------|-----------------------------------------|-------------------------------------------|-------------------|-----------------------|
| Total revenues                                                 | Ps. 160,057,511 | Ps. 170,991,493                         | Ps. 887,951,615                           | Ps. (197,367,084) | Ps. 1,021,633,535     |
| Total cost and<br>operating<br>expenses                        | 123,548,341     | 163,152,868                             | 832,429,198                               | (197,640,175)     | 921,490,232           |
| Operating<br>income                                            | 36,509,170      | 7,838,625                               | 55,522,417                                | 273,091           | 100,143,303           |
| Interest<br>(expense)<br>income, net                           | (16,779,235)    | (12,365,116)                            | 1,810,523                                 | (41,305)          | (27,375,133)          |
| Foreign<br>currency<br>exchange (loss)<br>gain, net            | (15,223,111)    | 1,320,667                               | 83,493                                    |                   | (13,818,951)          |
| Other financing<br>cost, net                                   | 6,775,455       |                                         | (8,719,215)                               |                   | (1,943,760)           |
| Income tax                                                     | 14,201,399      | 1,386,519                               | 9,353,593                                 |                   | 24,941,511            |
| Equity interest<br>in net income of<br>associated<br>companies | 32,245,041      | (8,977,146)                             | (13,466,845)                              | (9,709,665)       | 91,385                |
| Net profit (loss)<br>for year                                  | Ps. 29,325,921  | Ps. (13,569,489)                        | Ps. 25,876,780                            | Ps. (9,477,879)   | Ps. 32,155,333        |
| Distribution of<br>the net profit<br>(loss) to:                |                 |                                         |                                           |                   |                       |
| Equity owners<br>of holding<br>company                         | 29,325,921      | (13,569,489)                            | 21,417,549                                | (7,848,060)       | 29,325,921            |
| Non-controlling<br>interest                                    |                 |                                         | 4,459,231                                 | (1,629,819)       | 2,829,412             |
| Net profit (loss)                                              | Ps. 29,325,921  | Ps. (13,569,489)                        | Ps. 25,876,780                            | Ps. (9,477,879)   | Ps. 32,155,333        |

Other  
comprehensive  
income items:

|                                                                                                 |                  |                  |                  |                |                  |  |  |  |  |
|-------------------------------------------------------------------------------------------------|------------------|------------------|------------------|----------------|------------------|--|--|--|--|
| Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years: |                  |                  |                  |                |                  |  |  |  |  |
| Effect of translation of foreign entities                                                       | (21,683,333)     | (1,897,936)      | (18,309,877)     | 23,581,269     | (18,309,877)     |  |  |  |  |
| Effect of fair value of derivatives, net of deferred taxes                                      | 12,292           |                  | 12,292           | (12,292)       | 12,292           |  |  |  |  |
| Items not to be reclassified to profit or loss in subsequent years:                             |                  |                  |                  |                |                  |  |  |  |  |
| Remeasurement of defined benefit plan, net of income tax effect                                 | (7,075,606)      | (8,439)          | (7,046,089)      | 7,084,045      | (7,046,089)      |  |  |  |  |
| Available for sale                                                                              | 622,424          |                  | 622,424          | (622,424)      | 622,424          |  |  |  |  |
| Total other comprehensive income items for the period                                           | Ps. (28,124,223) | Ps. (1,906,375)  | Ps. (24,721,250) | Ps. 30,030,598 | Ps. (24,721,250) |  |  |  |  |
| Total comprehensive income for the period                                                       | Ps. 1,201,698    | Ps. (15,475,864) | Ps. 1,155,530    | Ps. 20,552,719 | Ps. 7,434,083    |  |  |  |  |
| Comprehensive income for the period attributable to:                                            |                  |                  |                  |                |                  |  |  |  |  |
| Equity holders of the parent                                                                    | Ps. 1,201,698    | Ps. (15,475,864) | Ps. (5,076,855)  | Ps. 20,552,719 | Ps. 1,201,698    |  |  |  |  |
| Non-controlling interests                                                                       |                  |                  | 6,232,385        |                | 6,232,385        |  |  |  |  |
|                                                                                                 | Ps. 1,201,698    | Ps. (15,475,864) | Ps. 1,155,530    | Ps. 20,552,719 | Ps. 7,434,083    |  |  |  |  |

**Table of Contents****Condensed consolidating statements of cash flows**

For the year ended December 31, 2015

|                                                           | <b>Parent</b>    | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|-----------------------------------------------------------|------------------|--------------------------------------------------|----------------------------------------------------|---------------------|-------------------------------|
| Operating activities:                                     |                  |                                                  |                                                    |                     |                               |
| Profit before taxes                                       | Ps. 36,205,763   | Ps. (787,047)                                    | Ps. 58,291,845                                     | Ps. (37,570,128)    | Ps. 56,140,433                |
| Non-cash items                                            | (4,256,606)      | 20,449,298                                       | 141,713,565                                        | 37,246,997          | 195,153,254                   |
| Changes in working capital:                               | (72,746,155)     | (1,580,787)                                      | (13,562,885)                                       | 323,131             | (87,566,696)                  |
| Net cash flows (used in) provided by operating activities | Ps. (40,796,998) | Ps. 18,081,464                                   | Ps. 186,442,525                                    | Ps.                 | Ps. 163,726,991               |
| Investing activities:                                     |                  |                                                  |                                                    |                     |                               |
| Purchase of property, plant and equipment                 | 1,498            | (6,894,071)                                      | (121,147,340)                                      |                     | (128,039,913)                 |
| Acquisition of intangibles                                |                  | (3,292,490)                                      | (20,240,336)                                       |                     | (23,532,826)                  |
| Dividends received from associates                        | 74,901,349       |                                                  |                                                    | (73,255,637)        | 1,645,712                     |
| Proceeds from sale of plant, property and equipment       |                  |                                                  | 27,329                                             |                     | 27,329                        |
| Acquisition of business, net of cash acquired             |                  |                                                  | (3,457,153)                                        |                     | (3,457,153)                   |
| Partial sale of shares of associate company               |                  |                                                  | 633,270                                            |                     | 633,270                       |
| Spin of company                                           |                  | (216,626)                                        | 21,216,626                                         |                     | 21,000,000                    |
| Investment in associates companies                        | (2,213,277)      | (1,404,489)                                      | 3,439,801                                          |                     | (177,965)                     |

|                                                           |                  |                  |                   |                  |                   |
|-----------------------------------------------------------|------------------|------------------|-------------------|------------------|-------------------|
| Net cash flows provided by (used in) investing activities | Ps. 72,689,570   | Ps. (11,807,676) | Ps. (119,527,803) | Ps. (73,255,637) | Ps. (131,901,546) |
| Financing activities:                                     |                  |                  |                   |                  |                   |
| Bank loans, net                                           | 50,879,779       |                  | 5,083,236         |                  | 55,963,015        |
| Acquisition of no controlling interest                    | (34,970)         |                  | (996,079)         |                  | (1,031,049)       |
| Interest paid                                             | (23,379,273)     | (6,200,848)      | (3,250,311)       |                  | (32,830,432)      |
| Repurchase of shares and others                           | (34,684,520)     |                  | 241,436           |                  | (34,443,084)      |
| Payment of dividends                                      | (36,524,317)     |                  | (74,090,920)      | 73,255,637       | (37,359,600)      |
| Derivative financial instruments                          |                  |                  | (503,444)         |                  | (503,444)         |
| Net cash flows (used in) financing activities             | Ps. (43,743,301) | Ps. (6,200,848)  | Ps. (73,516,082)  | Ps. 73,255,637   | Ps. (50,204,594)  |
| Net (decrease) increase in cash and cash equivalents      | (11,850,729)     | 72,940           | (6,601,360)       |                  | (18,379,149)      |
| Adjustment to cash flow for exchange rate differences     |                  |                  | (2,934,522)       |                  | (2,934,522)       |
| Cash and cash equivalents at beginning of the period      | 25,654,313       | 1,395,096        | 39,424,294        |                  | 66,473,703        |
| Cash and cash equivalents at end of the period            | Ps. 13,803,584   | Ps. 1,468,036    | Ps. 29,888,412    | Ps.              | Ps. 45,160,032    |

**Table of Contents****Condensed consolidating statements of cash flows**

For the year ended December 31, 2016

|                                                     | Parent |            | Wholly-owned<br>Guarantor<br>Subsidiary |              | Combined<br>non-guarantor<br>Subsidiaries |               | Eliminations |             | Consolidated<br>Total |               |
|-----------------------------------------------------|--------|------------|-----------------------------------------|--------------|-------------------------------------------|---------------|--------------|-------------|-----------------------|---------------|
| Operating activities:                               |        |            |                                         |              |                                           |               |              |             |                       |               |
| Profit before taxes                                 | Ps.    | 937,247    | Ps.                                     | (5,537,427)  | Ps.                                       | 28,077,775    | Ps.          |             | Ps.                   | 23,477,595    |
| Non-cash items                                      |        | (997,587)  |                                         | 19,800,396   |                                           | 209,821,118   |              |             |                       | 228,623,927   |
| Changes in working capital:                         |        | 74,520,320 |                                         | 9,130,768    |                                           | (93,359,195)  |              | (6,595,361) |                       | (16,303,468)  |
| Net cash flows provided by operating activities     |        |            |                                         |              |                                           |               |              |             |                       |               |
|                                                     | Ps.    | 74,459,980 | Ps.                                     | 23,393,737   | Ps.                                       | 144,539,698   | Ps.          | (6,595,361) | Ps.                   | 235,798,054   |
| Investing activities:                               |        |            |                                         |              |                                           |               |              |             |                       |               |
| Purchase of property, plant and equipment           |        |            |                                         | (7,860,232)  |                                           | (130,846,925) |              |             |                       | (138,707,157) |
| Acquisition of intangibles                          |        |            |                                         | (4,947,506)  |                                           | (11,369,232)  |              |             |                       | (16,316,738)  |
| Dividends received from associates                  |        | 21,950     |                                         |              |                                           | 5,988,938     |              | (270,796)   |                       | 5,740,092     |
| Proceeds from sale of plant, property and equipment |        | 20,078     |                                         |              |                                           | 95,522        |              |             |                       | 115,600       |
| Acquisition of business, net of cash acquired       |        |            |                                         | (2,796,254)  |                                           | (1,823,813)   |              | 2,796,254   |                       | (1,823,813)   |
| Partial sale of shares of associate company         |        | 756,444    |                                         |              |                                           | 2,796,254     |              | (3,552,698) |                       |               |
| Investment in associates companies                  |        |            |                                         | 663,203      |                                           | (666,690)     |              |             |                       | (3,487)       |
|                                                     | Ps.    | 798,472    | Ps.                                     | (14,940,789) | Ps.                                       | (135,825,946) | Ps.          | (1,027,240) | Ps.                   | (150,995,503) |

Net cash flows  
provided by (used  
in) investing  
activities

|                                        |              |             |              |           |              |
|----------------------------------------|--------------|-------------|--------------|-----------|--------------|
| Financing activities:                  |              |             |              |           |              |
| Bank loans, net                        | (39,598,698) |             | (21,792,115) |           | (61,390,813) |
| Acquisition of no controlling interest |              |             | (2,280,278)  |           | (2,280,278)  |
| Interest paid                          | (24,826,139) | (7,972,827) | (5,922,267)  | 6,595,361 | (32,125,872) |
| Paid-In capital                        |              |             | (756,444)    | 756,444   |              |
| Sale of shares of subsidiaries         |              |             | 6,323,336    |           | 6,323,336    |
| Repurchase of shares and others        | (7,092,385)  |             | 71,138       |           | (7,021,247)  |
| Payment of dividends                   | (13,437,168) |             | (643,585)    | 270,796   | (13,809,957) |
| Derivative financial instruments       |              |             | (351,213)    |           | (351,213)    |

Net cash flows  
(used in)  
financing  
activities

Ps. (84,954,390) Ps. (7,972,827) Ps. (25,351,428) Ps. 7,622,601 Ps. (110,656,044)

|                                                       |             |           |              |  |              |
|-------------------------------------------------------|-------------|-----------|--------------|--|--------------|
| Net (decrease) increase in cash and cash equivalents  | (9,695,938) | 480,121   | (16,637,676) |  | (25,853,493) |
| Adjustment to cash flow for exchange rate differences |             |           | 3,911,844    |  | 3,911,844    |
| Cash and cash equivalents at beginning of the period  | 13,803,584  | 1,468,036 | 29,888,412   |  | 45,160,032   |

Cash and cash  
equivalents at end  
of the period

Ps. 4,107,645 Ps. 1,948,159 Ps. 17,162,579 Ps. Ps. 23,218,383

**Table of Contents****Condensed consolidating statements of cash flows**

For the year ended December 31, 2017

|                                                     | <b>Parent</b>  | <b>Wholly-owned<br/>Guarantor<br/>Subsidiary</b> | <b>Combined<br/>non-guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|-----------------------------------------------------|----------------|--------------------------------------------------|----------------------------------------------------|---------------------|-------------------------------|
| Operating activities:                               |                |                                                  |                                                    |                     |                               |
| Profit before taxes                                 | Ps. 43,527,320 | Ps. (12,182,970)                                 | Ps. 35,230,373                                     | Ps. (9,477,879)     | Ps. 57,096,844                |
| Non-cash items                                      | (17,017,287)   | 30,000,109                                       | 171,062,158                                        | 11,635,563          | 195,680,543                   |
| Changes in working capital:                         | (18,973,478)   | (9,486)                                          | (66,062,629)                                       | 50,040,581          | (35,005,012)                  |
| Net cash flows provided by operating activities     | Ps. 7,536,555  | Ps. 17,807,653                                   | Ps. 140,229,902                                    | Ps. 52,198,265      | Ps. 217,772,375               |
| Investing activities:                               |                |                                                  |                                                    |                     |                               |
| Purchase of property, plant and equipment           | 16,526         | (5,571,410)                                      | (113,630,253)                                      |                     | (119,185,137)                 |
| Acquisition of intangibles                          |                | (3,053,345)                                      | (14,485,196)                                       |                     | (17,538,541)                  |
| Dividends received from associates                  | 21,465,687     | 970,000                                          | 2,385,559                                          | (22,435,687)        | 2,385,559                     |
| Proceeds from sale of plant, property and equipment |                |                                                  | 133,349                                            |                     | 133,349                       |
| Acquisition of business, net of cash acquired       |                | (3,381,505)                                      | (3,497,288)                                        |                     | (6,878,793)                   |
| Investment in associates companies                  |                | 1,925,898                                        |                                                    | (1,925,898)         |                               |
| Sale of associated company                          |                |                                                  | 340,040                                            |                     | 340,040                       |
| Net cash flows provided by                          | Ps. 21,482,213 | Ps. (9,110,362)                                  | Ps. (128,753,789)                                  | Ps. (24,361,585)    | Ps. (140,743,523)             |

(used in)  
investing  
activities

|                                        |              |             |              |              |              |
|----------------------------------------|--------------|-------------|--------------|--------------|--------------|
| Financing activities:                  |              |             |              |              |              |
| Bank loans, net                        | 13,548,138   |             | 16,382,838   | (57,364,465) | (27,433,489) |
| Acquisition of no controlling interest |              |             | (11,930)     |              | (11,930)     |
| Interest paid                          | (24,009,216) | (7,092,098) | (7,187,225)  | 7,092,098    | (31,196,441) |
| Repurchase of shares and others        | (1,240,028)  |             | 6,657        |              | (1,233,371)  |
| Payment of dividends                   | (14,406,748) |             | (24,120,329) | 22,435,687   | (16,091,390) |
| Derivative financial instruments       |              |             | (71,474)     |              | (71,474)     |

Net cash flows used in financing activities      Ps. (26,107,854)      Ps. (7,092,098)      Ps. (15,001,463)      Ps. (27,836,680)      Ps. (76,038,095)

|                                                       |           |           |             |  |            |
|-------------------------------------------------------|-----------|-----------|-------------|--|------------|
| Net (decrease) increase in cash and cash equivalents  | 2,910,914 | 1,605,193 | (3,525,350) |  | 990,757    |
| Adjustment to cash flow for exchange rate differences |           |           | 61,333      |  | 61,333     |
| Cash and cash equivalents at beginning of the period  | 4,107,645 | 1,948,159 | 17,162,579  |  | 23,218,383 |

Cash and cash equivalents at end of the period      Ps. 7,018,559      Ps. 3,553,352      Ps. 13,698,562      Ps.      Ps. 24,270,473

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