

AMERICA MOVIL SA DE CV/  
Form 20-F/A  
July 23, 2004

As filed with the Securities and Exchange Commission on July 23, 2004

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# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

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## **FORM 20-F/A**

**(Amendment No. 1)**

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

**For the fiscal year ended December 31, 2003**

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

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

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# **AMÉRICA MÓVIL, S.A. DE C.V.**

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

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**America Mobile**

(translation of registrant's name into English)

**United Mexican States**

(jurisdiction of incorporation)

**Lago Alberto 366, Colonia Anáhuac, 11320 México, D.F., México**

(address of principal executive offices)

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

American Depositary Shares, each representing

20 Series L Shares, without par value

Series L Shares, without par value

**Name of each exchange on which registered:**

New York Stock Exchange

New York Stock Exchange

(for listing purposes only)

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**Securities registered pursuant to**

**Section 12(g) of the Act:**

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

Series A Shares, without par value

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

3,647 million

279 million

8,910 million

AA Shares

A Shares

L Shares

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

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

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**EXPLANATORY NOTE**

This amended annual report on Form 20-F/A dated July 23, 2004 is being filed to:

(1) amend Item 18 Financial Statements to replace the accountants reports with respect to América Central Tel, S.A. for the years ended December 31, 2002 and 2001 and Telecom Americas Ltd. for the year ended December 31, 2001 and the 186-day period ended December 31, 2000 with reports that expressly state that the audits referred to therein were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States); and

(2) add the inadvertently omitted page references in the cross reference, at the top of page 67 of the annual report on Form 20-F filed on June 30, 2004, which shall read See Item 18 Financial Statements and pages F-1 through F-87.

Other than the foregoing items and conforming changes related thereto, and the correction of certain minor typographical errors and omissions, no part of the annual report on Form 20-F filed on June 30, 2004 is being amended, and the filing of this amended annual report on Form 20-F/A should not be understood to mean that any other statements contained therein are true or complete as of any date subsequent to June 30, 2004.

**Item 18. Financial Statements**

See pages F-1 through F-87, incorporated herein by reference.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders of América Móvil, S.A. de C.V.

We have audited the accompanying consolidated balance sheets of América Móvil, S.A. de C.V. and subsidiaries as of December 31, 2002 and 2003 and the related consolidated statements of operations, changes in stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of América Central Tel, S.A. and subsidiaries, which statements collectively account for 10% of total assets at December 31, 2002, and 10% and 8% of total operating revenues for the years ended December 31, 2001 and 2002, respectively, of the related consolidated amounts, as well as the financial statements of Telecom Américas Ltd, in which the Company's equity in their net loss is stated at P. 3,660,197 in 2001. Those financial statements, presented in accordance with International Accounting Standards and accounting principles generally accepted in the United States of America, respectively, were examined by other independent auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial information utilized by Company's management (before conversion to accounting principles generally accepted in Mexico) of such subsidiary and investee in the consolidated financial statements of América Móvil, S.A. de C.V. and subsidiaries, is based solely on the reports of the other independent auditors.

We conducted our audits in accordance with auditing standards generally accepted in Mexico and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts (including the Company's conversion of the financial statements of América Central Tel, S.A. and Telecom Américas Ltd, to accounting principles generally accepted in Mexico) and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other independent auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of América Móvil, S.A. de C.V. and subsidiaries at December 31, 2002 and 2003, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in Mexico, which differ in certain respects from those followed in the United States of America. (See Note 23).

Mancera, S.C.

A Member Practice of

Ernst & Young Global

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C.P.C. Francisco Alvarez del Campo

Mexico City, Mexico

February 23, 2004,

(except for Note 23 as to which the date is March 16, 2004)

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**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors and

Shareholders of América Central Tel, S.A.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of América Central Tel, S.A. and subsidiaries at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended, in conformity with International Accounting Standards. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), which require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As explained in Note 2 to the consolidated financial statements at December 31, 2002, the company prepared these consolidated financial statements for the first time in conformity with International Accounting Standards (IAS), and, as required by provisions issued by the Standing Committee on Interpretations of IAS, it restated both its financial statements and retained earnings as of December 31, 2001. As more fully explained in note 2 to the consolidated financial statements, the effect of the mentioned restatement was charged to retained earnings.

International Accounting Standards (IAS) vary in certain significant respects from accounting principles generally accepted in the United States. The application of the latter would have affected the determination of consolidated net income expressed in Guatemalan Quetzales for the years ended December 31, 2002 and 2001 and the determination of consolidated stockholders' equity and consolidated cash flows also expressed in Guatemalan Quetzales at December 31, 2002 and 2001 to the extent summarized in Note 17 to the consolidated financial statements.

February 20, 2003, except for Note 17, which is dated March 4, 2003.

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

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003, except for earnings per share)

	Year ended December 31,			Million of U.S. dollars
	2001	2002	2003	
Operating revenues:				
Services:				
Usage charges	P. 28,223,945	P. 32,855,080	P. 48,849,771	\$ 4,348
Monthly rent	5,594,442	10,764,349	11,639,345	1,036
Long-distance	4,232,224	4,951,114	7,385,984	657
Other services	3,429,410	3,976,896	5,996,308	534
Sales of handsets and accessories	3,977,383	7,195,157	12,069,564	1,074
	<u>45,457,404</u>	<u>59,742,596</u>	<u>85,940,972</u>	<u>7,649</u>
Operating costs and expenses:				
Cost of sales	15,675,640	21,744,132	33,572,259	2,988
Cost of sales and services with related parties (Note 17)	3,821,476	3,637,594	3,902,024	347
Commercial, administrative and general	11,869,136	12,076,188	16,099,680	1,433
Commercial, administrative and general with related parties (Note 17)	363,824	657,215	529,053	47
Impairment of investments in affiliates (Note 10)	2,132,600	40,793		
Depreciation and amortization (Notes 7 to 10) (includes P. 3,690,186, P. 6,006,324 and P.10,295,050 for the years ended December 31 2001, 2002 and 2003, respectively not included in cost of sales)	4,920,248	8,606,263	13,877,861	1,235
	<u>38,782,924</u>	<u>46,762,185</u>	<u>67,980,877</u>	<u>6,050</u>
Operating income	<u>6,674,480</u>	<u>12,980,411</u>	<u>17,960,095</u>	<u>1,599</u>
Comprehensive financing (cost) income:				
Interest income	884,160	1,401,503	2,382,557	212
Interest expense	(1,138,433)	(2,439,159)	(3,780,072)	(336)
Interest (expense) income with related parties, net (Note 17)	(6,588)	(57,215)	4,706	
Exchange (loss) gain, net	(382,034)	(1,526,419)	1,354,786	121
Monetary (loss) gain	(817,611)	2,871,978	2,350,798	209
Other financing income (cost), net	795,609	(1,273,744)	(189,395)	(17)
	<u>(664,897)</u>	<u>(1,023,056)</u>	<u>2,123,380</u>	<u>189</u>

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Other income (loss), net	423,211	270,064	(1,044,944)	(93)
Income before income tax and employee profit sharing	6,432,794	12,227,419	19,038,531	1,695
Provisions for:				
Income tax (Note 19)	3,290,281	3,211,308	3,277,526	292
Employee profit sharing	209,677	202,304	247,938	22
	3,499,958	3,413,612	3,525,464	314
Income before equity in results of affiliates	2,932,836	8,813,807	15,513,067	1,381
Equity in net results of affiliates	(4,066,886)	(4,169,755)	(129,582)	(11)
Net (loss) income	P. (1,134,050)	P. 4,644,052	P. 15,383,485	\$ 1,370
Distribution of net (loss) income				
Majority interest	P. (910,023)	P. 4,783,697	P. 15,031,636	\$ 1,338
Minority interest	(224,027)	(139,645)	351,849	32
Net (loss) income	P. (1,134,050)	P. 4,644,052	P. 15,383,485	\$ 1,370
Weighted average of common shares outstanding (in million)	13,199	13,123	12,912	12,912
Net (loss) income earnings per share	P. (0.07)	P. 0.36	P. 1.16	\$ 0.10

See accompanying notes.

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

## CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	December 31,		
	2002	2003	2003
			Million of U.S. dollars
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	P. 9,512,980	P. 9,287,162	\$ 826
Marketable securities (Note 3)	1,510,101	794,873	71
Accounts receivable, net (Note 4)	6,522,689	11,414,686	1,016
Related parties (Note 17)	609,398	647,805	58
Inventories, net (Note 5)	3,127,193	5,229,256	465
Prepaid expenses (Note 6)		184,797	16
Other current assets	925,554	1,994,831	178
<b>Total current assets</b>	<b>22,207,915</b>	<b>29,553,410</b>	<b>2,630</b>
Investments in affiliates and others (Note 10)	3,290,815	2,548,599	227
Plant, property and equipment, net (Note 7)	62,993,999	71,161,642	6,333
Prepaid expenses (Note 6)		2,696,527	240
Licenses, net (Note 8)	15,984,487	25,807,951	2,297
Trademarks (Note 9)	6,796,530	7,884,781	702
Goodwill, net (Note 10)	6,263,876	8,028,349	715
Other non current assets (Note 7)		2,297,288	205
<b>Total assets</b>	<b>P. 117,537,622</b>	<b>P. 149,978,547</b>	<b>\$ 13,349</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
Current liabilities:			
Short-term debt and current portion of long-term debt (Note 14)	P. 10,637,007	P. 12,108,296	\$ 1,078
Accounts payable and accrued liabilities (Notes 12 and 13)	11,375,726	19,944,699	1,775
Taxes payable	1,921,075	2,978,044	265
Related parties (Note 17)	110,204	129,523	12
Deferred revenues	2,807,047	4,623,301	411
<b>Total current liabilities</b>	<b>26,851,059</b>	<b>39,783,863</b>	<b>3,541</b>
Long-term debt (Note 14)	37,399,435	37,204,549	3,311
Deferred taxes (Note 19)	2,140,691	3,648,855	325
Deferred credits	573	129,409	12
<b>Total liabilities</b>	<b>66,391,758</b>	<b>80,766,676</b>	<b>7,189</b>

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Stockholders' equity (Note 18):			
Capital stock	31,193,176	<b>31,191,463</b>	<b>2,776</b>
Retained earnings:			
Prior years	29,948,037	<b>32,673,511</b>	<b>2,908</b>
Net income for the year	4,783,697	<b>15,031,636</b>	<b>1,338</b>
	<u>34,731,734</u>	<u><b>47,705,147</b></u>	<u><b>4,246</b></u>
Other accumulated comprehensive loss items	(16,003,808)	<b>(14,783,458)</b>	<b>(1,316)</b>
Total majority stockholders' equity	49,921,102	<b>64,113,152</b>	<b>5,706</b>
Minority interest	1,224,762	<b>5,098,719</b>	<b>454</b>
Total stockholders' equity	<u>51,145,864</u>	<u><b>69,211,871</b></u>	<u><b>6,160</b></u>
Total liabilities and stockholders' equity	<u>P. 117,537,622</u>	<u><b>P. 149,978,547</b></u>	<u><b>\$ 13,349</b></u>

See accompanying notes.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Retained earnings				Other accumulated compre- hensive loss items	Total majority stockholders equity	Minority interest	Compre- hensive (loss) income	Total stock- holders equity
	Capital Stock	Reserve for pur- chase of Company s own shares	Legal Reserve	Unappropriated Total					
Balances at December 31, 2000	P. 31,223,515		P. 320,612	P. 41,461,633	P. 41,782,245	P. (296,469)	P. 72,709,291	P. 2,426,715	P. 75,136,006
Increase in legal reserve			90,963	(90,963)					
Increase in reserve for purchase of Company s own shares		P. 11,220,961		(11,220,961)					
Dividends paid				(622,314)	(622,314)		(622,314)		(622,314)
Cash purchase of Company s own shares	(22,756)	(7,499,159)		(7,499,159)			(7,521,915)		(7,521,915)
Comprehensive income:									
Net loss for the year				(910,023)	(910,023)		(910,023)	(224,027)	P. (1,134,050)
Other comprehensive income:									
Effect of translation of foreign entities						(377,675)	(377,675)	(377,675)	(377,675)
Results from holding nonmonetary assets						(2,214,161)	(2,214,161)	(2,214,161)	(2,214,161)
Current year deferred income tax on stockholders equity accounts						348,223	348,223	348,223	348,223
Comprehensive income								P. (3,377,663)	

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Minority interest								(1,380,845)	(1,380,845)
Balances at December 31, 2001	31,200,759	3,721,802	411,575	28,617,372	32,750,749	(2,540,082)	61,411,426	821,843	62,233,269
Dividends paid				(618,296)	(618,296)		(618,296)		(618,296)
Cash purchase of Company's own shares	(7,583)	(2,184,416)			(2,184,416)		(2,191,999)		(2,191,999)
Comprehensive income:									
Net income for the year				4,783,697	4,783,697		4,783,697	(139,645) P.	4,644,052
Other comprehensive income:									
Effect of translation of foreign entities						(15,060,115)	(15,060,115)		(15,060,115)
Results from holding nonmonetary assets						2,038,736	2,038,736		2,038,736
Current year deferred income tax on stockholders equity accounts						(442,347)	(442,347)		(442,347)
Comprehensive income:									P. (8,819,674)
Minority interest								542,564	542,564
Balances at December 31, 2002	31,193,176	1,537,386	411,575	32,782,773	34,731,734	(16,003,808)	49,921,102	1,224,762	51,145,864

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

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (Cont.)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Retained earnings				Other		Minority interest	Comprehensive (loss) income	Total stockholders equity
	Reserve for purchase of Company's own shares	Legal Reserve	Unappropriated	Total	accumulated comprehensive loss items	Total majority stockholders equity			
Capital Stock	shares								
Cumulative effect of adoption of a new accounting principle (Note 2w)			(112,074)	(112,074)		(112,074)	P.	(112,074)	(112,074)
Excess of the book value over price paid to acquire minority interests			(178,478)	(178,478)		(178,478)			(178,478)
Increase in reserve for purchase of Company's own shares	5,122,000		(5,122,000)						
Dividends paid			(793,915)	(793,915)		(793,915)			(793,915)
Cash purchase of Company's own shares	(1,713)	(973,756)		(973,756)		(975,469)			(975,469)
Comprehensive income:									
Net income for the year			15,031,636	15,031,636		15,031,636	351,849	15,383,485	15,383,485
Other comprehensive income:									
Effect of translation of foreign entities					6,991,002	6,991,002		6,991,002	6,991,002
Results from holding nonmonetary assets					(5,711,524)	(5,711,524)		(5,711,524)	(5,711,524)
					(59,128)	(59,128)		(59,128)	(59,128)



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Current year deferred income tax on stockholders equity accounts										
Comprehensive income:										P. 16,491,761
Minority interest										3,522,108
Balances at December 31, 2003 (Note 18)	P. 31,191,463	P. 5,685,630	P. 411,575	P. 41,607,942	P. 47,705,147	P. (14,783,458)	P. 64,113,152	P. 5,098,719		P. 69,211,871

See accompanying notes.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Year ended December 31,			
	2001	2002	2003	2003
				Million of U.S. dollars
<b>Operating activities:</b>				
Net (loss) income	P. (1,134,050)	P. 4,644,052	P. 15,383,485	\$ 1,370
Add (deduct) items not requiring the use of resources:				
Depreciation	3,921,251	6,425,542	9,726,756	866
Amortization	998,997	2,180,721	4,151,105	369
Amortization of loss on sale and lease back			134,042	12
Amortization of prepaid expenses			75,428	7
Deferred income tax	(300,288)	(380,958)	80,235	7
Impairment in affiliates	2,132,600	40,793		
Equity in results of affiliates	4,066,886	4,169,755	129,582	11
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Accounts receivable	191,477	(1,705,230)	(4,891,997)	(435)
Prepaid expenses	(48,053)	(234,534)	(3,015,366)	(268)
Inventories	321,057	618,315	(2,102,063)	(187)
Others			(3,554,066)	(318)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(2,125,157)	880,604	8,568,973	763
Related parties	(561,683)	986,409	(19,088)	(2)
Deferred revenues and credits	341,516	1,164,845	1,945,090	173
Taxes payable	1,005,105	618,017	2,425,770	216
Resources provided by operating activities	8,809,658	19,408,331	29,037,886	2,584
<b>Financing activities:</b>				
New loans	21,974,690	41,850,901	22,512,225	2,004
Repayment of loans	(6,648,718)	(15,433,454)	(19,959,537)	(1,776)
Decrease in capital stock and retained earnings due to purchase of Company's own shares	(7,521,915)	(2,191,999)	(975,469)	(87)
Cash dividends paid	(622,314)	(618,296)	(793,915)	(71)
Effect of inflation and exchange rate differences on debt	(700,393)	(1,983,089)	(1,276,286)	(114)
Resources provided by (used in) financing activities	6,481,350	21,624,063	(492,982)	(44)
<b>Investing activities:</b>				
Investment in plant, property and equipment	(12,164,153)	(25,485,394)	(22,359,571)	(1,991)
Investment in subsidiaries and affiliated companies	(16,486,290)	823,587	(2,112,067)	(188)

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Investment in marketable securities	(9,044,625)	9,368,493	715,228	64
Minority interest			3,343,630	298
Initial cash from companies acquired		1,561,893	871,378	78
Investments in trademarks		(6,796,530)	(1,807,928)	(161)
Investment in licenses	(290,710)	(13,768,788)	(7,421,392)	(661)
	<u>(37,985,778)</u>	<u>(34,296,739)</u>	<u>(28,770,722)</u>	<u>(2,561)</u>
Resources used in investing activities				
Net (decrease) increase in cash and cash equivalents	(22,694,770)	6,735,655	(225,818)	(21)
Cash and cash equivalents at beginning of the year	25,472,095	2,777,325	9,512,980	847
	<u>P. 2,777,325</u>	<u>P. 9,512,980</u>	<u>P. 9,287,162</u>	<u>\$ 826</u>
Cash and cash equivalents at end of the year				

See accompanying notes.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

**1. Description of Business and Operations**

América Móvil, S.A. de C.V. and subsidiaries (collectively, the Company or América Móvil) is the leading provider of wireless communications services in Latin America. The Company was established in September 2000 in a spin-off from Teléfonos de México, S.A. de C.V. (Telmex).

América Móvil has subsidiaries and equity investments in affiliated companies in the telecommunications sector in Mexico, Guatemala, Nicaragua, El Salvador, Ecuador, Brazil, Argentina, Colombia and the United States. In Mexico, through its subsidiary Radiomóvil Dipsa, S.A. de C.V. which operates under the trademark Telcel, América Móvil provides nationwide cellular telecommunications services.

At December 31, 2002 and 2003 América Móvil's equity interest in its principal subsidiaries and affiliated companies is as follows:

Name of company	Location	Equity interest at December 31,	
		2002	2003
<b>Subsidiaries: (1)</b>			
Sercotel, S.A. de C.V.	Mexico	100.0%	100.0%
Radiomóvil Dipsa, S.A. de C.V.	Mexico	100.0	100.0
TracFone Wireless, Inc.	USA	97.8	98.2
<b>Telecom Américas, Ltd: (2)</b>			
ATL-Algar Telecom Leste, S.A.	Bermuda	96.5	97.5
Americel, S.A.	Brazil	96.5	97.5
Telet, S.A.	Brazil	78.1	96.0
Tess, S.A.	Brazil	78.6	96.5
BSE, S.A.	Brazil	96.5	97.5
BCP, S.A.	Brazil		97.5
<b>América Central Tel, S.A. (ACT): (3)</b>			
Telecomunicaciones de Guatemala, S.A. (TELGUA)	Guatemala	96.9	100.0
Newcotel, S.A.	Guatemala	96.0	98.8
Servicios de Comunicaciones Personales Inalámbricas, S.A., (Sercom)	Guatemala	96.0	98.8
Telglob, S.A.	Guatemala	96.0	98.8
Telefonía Publica de Guatemala, S.A. (Publitel)	Guatemala	96.0	98.8
<b>Estel, LLC</b>			
Compañía de Telecomunicaciones de El Salvador, S.A. de C.V. (CTE) (4)	El Salvador		100.0
CTE Telecom Personal, S.A. de C.V. (Personal)	El Salvador		51.0
Cablenet, S.A. de C.V. (Cablenet)	El Salvador		51.0
Telecomoda, S.A. de C.V. (Telecomoda)	El Salvador		51.0

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Publicom, S.A. de C.V. (Publicom)	El Salvador		<b>51.0</b>
<b>Comunicación Celular, S.A. (Comcel): (5)</b>	Colombia	95.7	<b>95.67</b>
Occidente y Caribe Celular, S.A. (Ocel)	Colombia	95.2	<b>93.4</b>
Celcaribe, S.A.	Colombia		<b>94.0</b>
<b>Consortio Ecuatoriano de Telecomunicaciones, S.A. (Conecel)</b>	Ecuador	80.6	<b>100.0</b>
<b>Techtel-LMDS Comunicaciones Interactivas, S.A.</b>	Argentina	60.0	<b>60.0</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Name of company	Location	Equity interest at December 31,	
		2002	2003
<b>CTI Holdings, S.A. (6)</b>	Argentina		<b>92.0</b>
CTI Compañía de Teléfonos del Interior, S.A., (CTI Interior)	Argentina		<b>92.0</b>
CTI PCS, S.A. (CTI PCS)	Argentina		<b>92.0</b>
<b>Affiliates: (1)</b>			
Organización Recuperadora de Cartera, S.A. de C.V.	Mexico	45.0	<b>45.0</b>
US Commercial Corporation, S.A. de C.V.	Mexico		<b>29.7</b>
Génesis Telecom., S.A.	Venezuela	25.0	<b>25.0</b>
Iberbanda, S.A.	Spain	18.6	<b>17.8</b>
Network Access Solutions	USA	2.0	<b>2.0</b>
CompUSA, Inc.	USA	49.0	

- (1) See Note 10 for a description of activity in subsidiaries and affiliates.
- (2) The name Telecom Américas as used hereinafter will refer collectively to the companies ATL, Americel, Telet, Tess, BSE and BCP.
- (3) Includes Nicaragua operations.
- (4) The name CTE as used hereinafter will refer collectively to the companies: CTE, Personal, Cablenet, Telecomoda and Multicom.
- (5) The name Comcel as used hereinafter will refer collectively to the companies: Comcel, Occel and Celcaribe.
- (6) The name CTI as used hereinafter will refer collectively to the companies: CTI Holdings, CTI Interior and CTI PCS.

América Móvil through its subsidiaries has licenses to install, operate and manage mobile telecommunications services in Mexico, Guatemala, Nicaragua, El Salvador, Ecuador, Colombia, Argentina and Brazil. These licenses will expire on various dates between the years 2008 and 2018.

Except as mentioned in the following paragraphs, the licenses granted to the Company do not require royalty payments to the respective governments.

As payment for the 800-megahertz (Band B) licenses awarded in Mexico, the Mexican Federal government receives a percentage of Telcel's gross annual revenues ranging from 5% to 10%.

Licenses awarded in Brazil, Colombia, Argentina and Ecuador generate the payment of contributions to their respective governments, based in some cases on revenues and in other cases on the number of channels in operation.

Telgua and CTE provide fixed-line telephone services.

TracFone Wireless, Inc. (TracFone) resells cellular airtime on a prepaid basis through retailers to customers who use telephones equipped with TracFone software. TracFone does not own a cellular infrastructure but purchases airtime from carriers throughout the United States. TracFone's revenues are also derived from the sale of cellular telephones and accessories. TracFone provides services throughout the United States, Puerto Rico and the Virgin Islands.

In December 2002, the Mexican Federal government awarded Telcel a license to install, operate and manage basic radiotelephone domestic and international long-distance and data transmission services in Mexico. The term of the license is for 15 years, which may be extended at the discretion of the government.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

In February 2003, Telecom Américas switched its original Band B cellular concessions, from a mobile cellular communications system (SMC) to mobile access system (PCS). This change will allow these companies to exercise an option to extend the life of the licenses for an additional 15 years, upon payment of a certain fee.

**2. Significant Accounting Policies**

The most important accounting policies and practices followed in the preparation of these financial statements are described below:

**a) Consolidation**

The consolidated financial statements include the accounts of América Móvil and those of the subsidiaries referred in Note 1. All of the companies operate in the telecommunications sector or provide services to companies operating in such sector.

All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements

Minority interest relates to the Company's foreign subsidiaries.

**b) Revenue recognition**

The Company's revenues include: usage charges, monthly rent, incoming interconnection, long-distance charges, value added services and proceeds from sales of handsets and accessories and charges for other services.

Revenues are generally recognized at the time services are provided. Those services are either under prepaid (calling cards) or under contract (post-paid) plans. In both cases, airtime revenues are recognized as a customer uses the airtime or when the card expires in the case of prepayments for unused airtime.



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Except for Mexico and Colombia, monthly basic rent under non-prepaid plans is billed based on the rates approved by the regulatory authorities in the respective countries. For Mexico and Colombia, basic monthly rent is billed one month in advance and recognized as revenues in the month the service is provided.

Revenues from interconnections, which consist of calls of other carriers that enter the Company's own cellular network (incoming interconnections), are recognized at the time the service is provided. Such services are billed based on rates previously agreed with the other carriers, which are regulated by the respective authorities.

Sales of handsets and accessories, which for the most part are made to authorized distributors, are recorded as revenue upon shipment, provided that there are no outstanding Company obligations and that collection of the resulting receivable is deemed probable by management. The cost of telephone equipment delivered to customers under non-prepaid plans is charged to income at the time the respective agreements are signed.

Telgua and CTE's revenues from telephone line installation fees are deferred and recognized over the expected period during which telephone services will be performed.

### **c) Cost of cellular telephone equipment**

Costs related to cellular telephone equipment are charged to operations at the time the telephones are delivered to the distributor or customer.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

**d) Interconnection costs**

Interconnection costs represent the costs of calls of other carriers that enter the Company's own cellular network, the costs of link-ups between fixed and cellular networks, long distance charges and rent paid for use of infrastructure (links and ports), all of which are recognized as costs at the time the service is received.

**e) Commissions paid to distributors**

Commissions paid to distributors for activations are charged to income at the time of activation of new customers, which corresponds to the time the distributor is paid. Commissions for loyalty and activation volumes are accrued based on factors determined by the Company.

**f) Recognition of the effects of inflation**

The Company recognizes the effects of inflation on financial information as required by Mexican accounting Bulletin B-10, Accounting Recognition of the Effects of Inflation on Financial Information, issued by the Mexican Institute of Public Accountants ( MIPA ). Consequently, the amounts shown in the accompanying financial statements and in these notes are expressed in thousands of constant Mexican pesos as of December 31, 2003. Accordingly, the financial statements have been restated as follows:

Plant, property and equipment and construction in progress were restated as described in Note 7. Depreciation is computed on the restated value of telephone plant and equipment using the straight-line method based on the estimated useful lives of the related assets, starting the month after the assets are put into use.

Annual depreciation rates are as follows:

Telephone plant	10% to 33%
System performance monitoring equipment included in telephone plant	33%
Buildings	3%
Other assets	10 to 25

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In Mexico, inventories were restated based on factors derived from the Mexican National Consumer Price Index (NCPI) published by Banco de México. Due to the high turnover, it was estimated that inventories were presented at their replacement cost, which is not in excess of market value. Foreign subsidiaries recorded their inventories at replacement value, not in excess of market. Cost of sales represents estimated replacement cost at the time inventories were sold, restated in constant pesos at year-end.

Capital stock, retained earnings and other non-monetary assets were restated based on the NCPI.

Other accumulated comprehensive loss items include the deficit restatement of stockholders' equity, which consists of the accumulated monetary position gain determined at the time the provisions of Bulletin B-10 were first applied, which at December 31, 2003 aggregates P. 16,471, the result from holding non-monetary assets, which represents the net difference between restatement by the specific indexation method (see Note 7) and restatement based on the NCPI, deferred taxes allocated to equity, net of inflation and the effect of translation of foreign entities.

The net monetary position (loss) gain represents the effect of inflation on monetary assets and liabilities. The related amounts are included in the statements of operations under the caption Comprehensive financing (cost) income.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Mexican accounting Bulletin B-12, *Statement of Changes in Financial Position*, issued by the MIPA specifies the appropriate presentation of the statement of changes in financial position based on financial statements restated in constant Mexican pesos in accordance with Bulletin B-10. Bulletin B-12 identifies the sources and applications of resources representing differences between beginning and ending financial statement balances in constant Mexican pesos. In accordance with this Bulletin, monetary and foreign exchange gains and losses are not treated as non-cash items in the determination of resources provided by operations.

**g) Basis of translation of financial statements of foreign subsidiaries**

The financial statements of foreign subsidiaries and affiliates, located in Guatemala, Nicaragua, El Salvador, Ecuador, Colombia, Argentina, Brazil and the United States, which in the aggregate account for approximately 22%, 29% and 39% of the Company's total operating revenues in 2001, 2002 and 2003 and approximately 58% and 65% of the Company's total assets in 2002 and 2003, respectively, are translated into Mexican pesos in conformity with Mexican accounting Bulletin B-15 *Transactions in Foreign Currency and Translation of Financial Statements of Foreign Operations*, issued by the MIPA, as follows:

The financial statements as reported by the subsidiaries abroad were adjusted by management in Mexico to conform to Mexican GAAP, which includes, among other, the recognition of the effects of inflation as required by Mexican accounting Bulletin B-10 (as described above), using restatement factors of each country.

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

Exchange rate differences and the monetary effect derived from intercompany monetary items were not eliminated in the consolidated statements of operations.

At December 31, 2001, 2002 and 2003, translation (loss) income aggregated P. (377,675), P. (15,060,115) and P. 6,991,002, respectively, and is included in stockholders' equity under the caption other accumulated comprehensive loss items, effect of translation of foreign entities.

The Company's financial statements at December 31, 2001 and 2002, were restated to constant Mexican pesos with purchasing power at December 31, 2003 based on the annual rate of inflation in Mexico. The effects of inflation and variances in exchange rates were not material.

**h) Cash, cash equivalents and marketable securities**

Cash and cash equivalents are represented principally by bank deposits and highly liquid investments with maturities of three months or less; and marketable securities are represented by equity securities and foreign government bonds held for trading purposes. Both are valued at market.

**i) Allowance for doubtful accounts**

Doubtful accounts are provided for based on the operating conditions of each subsidiary. Accounts are provided for when they are between 90 and 120 days old.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

**j) Licenses**

Licenses to operate wireless telecommunications networks are amortized using the straight-line method over the term of the license. The licenses to operate wireless mobile (PCS) in Mexico, Guatemala, Ecuador, Colombia, Brazil and Argentina are being amortized over periods ranging from 15 to 20 years.

**k) Trademarks**

Trademarks were recorded at their market values at the date acquired, as determined by independent expert using the discounted cash-flow techniques and are amortized using the straight-line method over their estimated useful lives. Trademarks relate principally to subsidiaries over which the Company acquired control in 2002 and 2003. (See Note 9)

**l) Equity investments in affiliates**

The investment in shares of affiliates in which the Company has significant influence and holds an equity interest of 10% or more is accounted for using the equity method. This accounting method consists basically of recognizing the investor's equity interest in the results of operations and the stockholders equity of the investees at the time such results are determined. (See Note 10)

**m) Goodwill**

Goodwill represents the excess of cost over the fair value of the net assets of subsidiaries and affiliates acquired and is amortized using the straight-line method over a ten-year period.

**n) Foreign exchange gains or losses**

Transactions in foreign currencies are recorded at the prevailing exchange rate at the time of the related transactions. Foreign currency denominated assets and liabilities are translated at the prevailing exchange rate at the balance sheet date. Exchange rate differences are charged

or credited directly to income of the year.

**o) Employee benefits obligations**

The cost of seniority premiums, where applicable, is recognized during the years of service of employees based on actuarial computations made by independent actuaries using the projected unit -credit method and financial hypotheses net of inflation, as required by Mexican accounting Bulletin D-3, *Labor Obligations* issued by the MIPA (See Note 12). Termination payments are charged to income in the year in which the decision to dismiss an employee is made.

**p) Income tax and employee profit sharing**

Bulletin D-4, *Accounting for Income Tax, Asset Tax and Employee Profit Sharing*, issued by the MIPA, requires that deferred taxes be determined on virtually all temporary differences in balance sheet accounts for financial and tax reporting purposes, using the enacted income tax rate at the time the financial statements are issued. Accordingly, the provision for income tax includes both the current year tax and the deferred portion. See Note 19 for additional information.

In conformity with Bulletin D-4, deferred employee profit sharing is recognized only on temporary differences that are considered to be non-recurring and that have a known turnaround time.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

**q) Advertising**

All advertising costs are expensed as incurred. Advertising expense amounted to approximately, P. 1,892,861, P. 1,544,918 and P. 2,627,498, for the years ended December 31, 2001, 2002 and 2003, respectively.

**r) Comprehensive income (loss)**

In conformity with Bulletin B-4, *Comprehensive Income*, issued by the MIPA, comprehensive income (loss) in América Móvil consists of current year net income or loss shown in the statement of operations plus the current year result from holding non-monetary assets, the effects of translation of foreign entities, minority interest and the effect of deferred taxes applied directly to stockholders' equity.

**s) Earnings per share**

The Company determined earnings per share by dividing net income by the average weighted number of shares issued and outstanding during the period, as specified in Mexican accounting Bulletin B-14, *Earnings per share*, issued by the MIPA. To determine the weighted average number of shares issued and outstanding in 2001, 2002 and 2003, the number of shares held by the Company have been excluded from the computation.

**t) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts reported in the financial statements and in the accompanying notes. Actual results could differ from these estimates.

**u) Concentration of risk**



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The Company invests a portion of its surplus cash in deposits in financial institutions with strong credit ratings and has established guidelines relating to diversification and maturities to maintain safety and liquidity. The Company has not experienced any important losses in its marketable securities. América Móvil does not believe it has significant concentrations of credit risks in its accounts receivable, because the Company's customer base is geographically diverse, thus spreading the trade credit risk.

The Company operates internationally; consequently, it is exposed to market risks for fluctuations in exchange rates.

Approximately 67%, 56% and 34% of the Company's aggregate interconnection expenditures in its cellular network for the years ended December 31, 2001, 2002 and 2003, respectively, represented services rendered from one supplier; approximately 85%, 75% and 75% of the aggregate cost of telephone equipment for such periods represented purchases from three suppliers; and approximately 90%, 90% and 65% of telephone plant purchases were made from two suppliers.

If any of these suppliers fails to provide the company with services or equipment on a timely and cost effective basis, the Company business and results of operations could be adversely affected.

### v) **Financial instruments**

The Company follows the requirements of Bulletin C-2, *Financial Instruments*, issued by the MIPA, which, establishes the rules to be observed by issuers of and investors in financial instruments when valuing, presenting

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

and disclosing these instruments in their financial information. Bulletin C-2 requires that financial instruments (derivatives) be recognized as assets and liabilities and that the determined gains and losses on such instruments be credited and charged, respectively, to income.

With the aim of reducing its financing costs, the Company uses derivatives such as interest-rate swaps and cross currency swaps. Those instruments have been recorded at their market value, and changes in the market value have been taken to income.

w) **Recent pronouncements**

**Intangible Assets.-** Effective January 1, 2003, the Company adopted the requirements of Mexican accounting Bulletin C-8, *Intangible Assets* issued by the MIPA, which, among other things, specifies that project development costs are to be capitalized if they meet certain established requirements with respect to their recognition as assets. Pre-operating costs are to be recognized as an expense of the period and intangible assets with indefinite useful lives are not to be amortized, but instead evaluated annually for impairment. Unamortized balances of pre-operating expenses capitalized in terms of the previous Bulletin C-8 are to be amortized as specified in such bulletin. The adoption of these new rules did not have any effect on the Company's financial statements.

**Liabilities, Provisions, Contingent Assets and Liabilities and Commitments.-** Effective January 1, 2003, the Company also adopted the requirements of Mexican accounting Bulletin C-9, *Liabilities, Provisions, Contingent Assets and Liabilities and Commitments*, issued by the MIPA which is more precise in defining provisions, accrued liabilities and contingent liabilities, and it contains new requirements with respect to the recording of provisions, the use of the present value and the early retirement of debt securities or their replacement by a new issues. Bulletin C-9 also specifies the rules for the valuation, presentation and disclosure of liabilities and provisions.

As a result of the application of Bulletin C-9, the Company recorded a provision at present value of P. 155,830 for costs related to retirement of assets. The amount of such provision was estimated using prevailing prices in each country in which, the Company operates. The initial effect of the application of this new accounting pronouncement represented an adjustment of P. 112,074 to the balance of retained earnings at the beginning of the year.

Rates used to discount the provision to present value were computed by each subsidiary considering, among other factors, the economic situation of their respective countries (country risk), cost of debt and free rate risk.

**Accounting for the Impairment or Disposal of Long-Lived Assets.-** In March 2003, the MIPA issued Bulletin C-15, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the observance of which is compulsory for fiscal years beginning on or after January 1, 2004.

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Bulletin C-15 defines the rules for the computation and recognition of asset impairment losses and their reversal, as well as for the presentation and disclosure of both assets whose values have been impaired and of discontinued operations. The Company early adopted this new Bulletin in 2003. Adoption of this guideline did not affect the Company's earnings or financial position.

### x) Convenience translation

U.S dollar amounts as of December 31, 2003 shown in the financial statements have been included solely for the convenience of the reader and are translated from pesos with purchasing power as of December 31, 2003,

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

as a matter of mathematical computation only, at an exchange rate of P.11.24 to US\$ 1.00, the December 31, 2003 exchange rate. Such translations should not be construed as a representation that the peso amounts have been or could be converted into U.S. dollars at this or any other rate.

**y) Reclassifications**

Some amounts shown in the 2001 and 2002 financial statements have been reclassified for uniformity of presentation with 2003.

**3. Marketable Securities**

A summary of marketable securities as of December 31, 2002 and 2003 is as follows:

	2002		2003	
	Cost	Fair Value	Cost	Fair Value
Government bonds	P. 1,214,202	P. 1,297,051	<b>P. 355,439</b>	<b>P. 371,221</b>
Equity securities	481,700	213,050	<b>469,674</b>	<b>423,652</b>
	<b>P. 1,695,902</b>	<b>P. 1,510,101</b>	<b>P. 825,113</b>	<b>P. 794,873</b>

At December 31, 2001, 2002 and 2003, net unrealized gains (losses) on marketable securities were P. 411,210, P. (185,801) and P. (30,240), respectively. Net realized gains were P. 274,198, P. 299,771 and P. 487,244, in 2001, 2002 and 2003, respectively.

**4. Accounts Receivable**

Accounts receivable consists of the following:

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	<u>2002</u>	<u>2003</u>
Subscribers	P. 3,114,416	<b>P. 8,746,157</b>
Retailers	2,602,069	<b>1,571,312</b>
Cellular operators for interconnections	407,027	<b>949,935</b>
Recoverable taxes	361,366	<b>1,178,713</b>
Other	478,446	<b>848,984</b>
	<u>6,963,324</u>	<u><b>13,295,101</b></u>
Less: Allowance for doubtful accounts	(440,635)	<b>(1,880,415)</b>
Total	<u>P. 6,522,689</u>	<u><b>P. 11,414,686</b></u>

Activity in the allowance for doubtful accounts for the years ended December 31, 2001, 2002 and 2003 was as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Opening balance as of December 31	P. (373,970)	P. (156,789)	<b>P. (440,635)</b>
Increases charged to costs and expenses	(154,063)	(668,723)	<b>(855,969)</b>
Effect of acquired companies			<b>(1,252,315)</b>
Decreases to reserve for write-offs	371,244	384,877	<b>668,504</b>
Ending balance	<u>P. (156,789)</u>	<u>P. (440,635)</u>	<u><b>P. (1,880,415)</b></u>

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)****5. Inventories**

Inventories consist of the following:

	<u>2002</u>	<u>2003</u>
Cellular telephones and accessories	P. 3,160,505	<b>P. 5,427,107</b>
Less:		
Reserve for obsolete inventory	(33,312)	<b>(197,851)</b>
Net	<u>P. 3,127,193</u>	<u><b>P. 5,229,256</b></u>

**6. Prepaid Expenses**

In September 2003, Telcel entered into an agreement with Operadora Unefon, S.A. de C.V., whereby the latter agrees to provide Telcel exclusive and uninterrupted access to a nationwide wireless network using the 1850-1865 MHz / 1930-1945 MHz (Band A ) radio spectrum, for a 16-year period. Under the terms of the agreement, Telcel paid in advance a total consideration of P. 2,925 million (US\$ 267.7 million) that represented the present value of the amounts due over the term of the contract and which is being amortized using the straight-line method over a 16-year period.

Current portion of prepaid expenses amounts to P.184,797 and long-term portion of prepaid expense amounts to P.2,696,527.

**7. Plant, Property and Equipment**

a) Plant, property and equipment consist of the following:

2002

2003

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Telephone plant and equipment	P. 67,846,718	<b>P. 83,725,347</b>
Land and buildings	7,030,549	<b>7,050,009</b>
Other assets	12,017,029	<b>14,832,107</b>
	<hr/>	<hr/>
	86,894,296	<b>105,607,463</b>
Accumulated depreciation	(28,921,225)	<b>(40,909,625)</b>
	<hr/>	<hr/>
Net	57,973,071	<b>64,697,838</b>
Construction in progress and advances to equipment suppliers	4,011,815	<b>5,557,136</b>
Inventories for use in construction of the telephone plant	1,009,113	<b>906,668</b>
	<hr/>	<hr/>
Total	P. 62,993,999	<b>P. 71,161,642</b>
	<hr/>	<hr/>

b) Included in plant, property and equipment are the following assets held under capital leases:

	<u>2002</u>	<u>2003</u>
Assets under capital leases	P. 45,082	<b>P. 1,022,071</b>
Accumulated depreciation	(44,033)	<b>(60,853)</b>
	<hr/>	<hr/>
	P. 1,049	<b>P. 961,218</b>
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AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

c) In 2003, Telcel entered into a three year P. 950 million sale and lease back agreement of a portion of its telephone plant with an unrelated party. This transaction gave rise to a loss of approximately P. 2,784 million, which in conformity with Mexican accounting Bulletin D-5, *Leases*, issued by the MIPA, was deferred and is being amortized based on the remaining useful life of the asset. The Company recorded the telephone plant under the sale and leaseback agreement as a capital lease and the corresponding liabilities are represented by minimum future payments (see Note 16). Derived from the transaction mentioned above, the Company also recorded a deferred tax liability of approximately P. 889 million.

Current portion of the deferred charge amounts to P. 397,250 and was included under the caption other current assets and long-term portion of the deferred charge amounts to P. 2,297,288.

d) Depreciation expense for the years ended December 31, 2001, 2002 and 2003 was P. 3,921,251, P. 6,425,542 and P. 9,726,756, respectively.

e) Through December 31, 1996, items comprising the telephone plant in Mexico were restated based on the acquisition date and cost, applying the factor derived from the specific indexes determined by the Company and validated by an independent appraiser registered with the Mexican National Banking and Securities Commission ( CNBV) .

Effective January 1, 1997, Bulletin B-10 eliminated the use of appraisals to present telephone plant, property and equipment in the financial statements. At December 31, 2002 and 2003 this caption was restated as follows:

The December 31, 1996 appraisal value of the imported telephone plant, as well as the cost of subsequent additions to such plant, were restated based on the rate of inflation in the respective country of origin and the prevailing exchange rate at the balance sheet date (specific indexation factors).

The appraised value of land, buildings and other fixed assets of domestic origin at December 31, 1996, and the cost of subsequent additions to such assets were restated based on the NCPI.

At December 31, 2003, approximately 89% of the value of the telephone plant, property and equipment (74% in 2002) has been restated using specific indexation factors.

f) Following are the plant, property and equipment amounts at December 31, 2002 and 2003, restated on the basis of the 2003 NCPI (starting with the appraised values at December 31, 1996), to meet NBSC disclosure requirements with respect to the restatement of fixed assets based on



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specific indexation factors:

	2002	2003
Telephone plant and equipment	P. 69,698,860	<b>P. 93,511,069</b>
Land and buildings	6,261,525	<b>6,242,065</b>
Other assets	12,045,286	<b>14,785,466</b>
	88,005,671	<b>114,538,600</b>
Accumulated depreciation	(28,887,367)	<b>(44,109,760)</b>
Net	59,118,304	<b>70,428,840</b>
Construction in progress and advances to equipment suppliers	4,011,815	<b>5,557,136</b>
Inventories for use in construction of the telephone plant	1,009,113	<b>906,668</b>
Total	P. 64,139,232	<b>P. 76,892,644</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## 8. Licenses

As of December 31, 2002 and 2003 licenses are as follows:

	2002	2003
	<u>                    </u>	<u>                    </u>
<b>Investment:</b>		
Opening balance as of December 31	P. 2,719,221	P. 16,488,010
Effect of acquired companies	13,768,789	8,142,931
Effect of translation of foreign entities		5,204,148
Cancellation		(1,479,999)
Other increases		758,460
	<u>                    </u>	<u>                    </u>
	16,488,010	29,113,550
	<u>                    </u>	<u>                    </u>
<b>Amortization:</b>		
Opening balance as of December 31		(503,523)
Amortization of the year	(503,523)	(2,333,703)
Effect of translation of foreign entities		(468,373)
	<u>                    </u>	<u>                    </u>
	(503,523)	(3,305,599)
	<u>                    </u>	<u>                    </u>
Ending balance, net	P. 15,984,487	P. 25,807,951
	<u>                    </u>	<u>                    </u>

Amortization expense for the year ended December 31, 2001 was P. 306,118.

## 9. Trademarks

As of December 31, 2002 and 2003 trademarks are as follows:

2002

2003

<b>Investment:</b>		
Opening balance as of December 31		<b>P. 6,796,530</b>
Effect of acquired companies	P. 6,796,530	<b>1,807,928</b>
	<u>6,796,530</u>	<u><b>8,604,458</b></u>
<b>Amortization:</b>		
Opening balance as of December 31		
Amortization of the year		<b>(719,677)</b>
		<u><b>(719,677)</b></u>
Ending balance, net	P. 6,796,530	<u><b>P. 7,884,781</b></u>

## 10. Investments

An analysis at December 31, 2002 and 2003 is as follows:

	<u>2002</u>	<u>2003</u>
Investments in:		
Affiliates	P. 2,910,623	<b>P. 2,192,355</b>
Other investments	380,192	<b>356,244</b>
	<u></u>	<u></u>
Total	P. 3,290,815	<u><b>P. 2,548,599</b></u>

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)****I. Investments in affiliates**

An analysis of equity investments in affiliated companies at December 31, 2002 and 2003, and a brief description of major acquisitions is as follows:

	<u>2002</u>	<u>2003</u>
CompUSA, Inc.	P. 2,434,589	
Organización Recuperadora de Cartera S.A. de C.V. (ORCA)	476,034	<b>P. 425,355</b>
US Commercial Corporation, S.A. de C.V.		<b>1,767,000</b>
<b>Total</b>	<b>P. 2,910,623</b>	<b>P. 2,192,355</b>

**CompUSA**

In December 2003, the Company exchanged its 49% equity interest in CompUSA for a 29.69% equity interest in U.S. Commercial Corp, S.A. de C.V., ( USCO ). The Company received an additional P. 180 million on the exchange.

At the time of the sale, the affiliate's book value was P. 2,226,016, and based on the amounts of the transaction described in the preceding paragraph, a loss of P. 279,016, was included as part of the caption other income (loss), net.

In January 2004, the Company changed the classification of its investment in USCO from equity investee to available for sale.

The Company's equity in the net loss of CompUSA at December 31, 2002 includes an impairment on its goodwill of P.2,137,216, which is included under equity in net results of affiliates in the statement of operations.

**SBC International Puerto Rico**

In January 2002, the Company sold its 50% equity interest in SBC International Puerto Rico, Inc. to SBC International, Inc. (SBCI) in US\$ 106 million in cash and its 11.9% equity interest in Telecom Américas. A gain of P. 11,218 was recognized as a result of this transaction, which is, included under the caption other income (loss), net in the statement of operations.

#### **Empresas Cablevisión**

In April 2002, the Company sold its 49% equity interest in Empresas Cablevisión, S.A. de C.V. and subsidiaries in a public offering through the Mexican Stock Exchange for P. 2,065,974 , realizing a gain of P. 1,334,070 on the sale, which is included under the caption other income (loss), net in the statement of operations.

#### **Other**

At December 31, 2001 and 2002, the Company charged P. 2,132,600 and P. 40,793, respectively, to results of operations for the impairment in the value of non-strategic affiliates ARBROS Communications, Inc, Iberbanda, Network Access and Armillaire in 2001 and Eurotec, S.A. in 2002.

The equity in the 2001 net loss of Telecom Américas includes an impairment to the value of this company's subsidiaries in the amount of P. 1,283,910, which is presented under equity in net results of affiliates in the statement of operations.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## II. Investments in subsidiaries

An analysis of the Company most important equity investments in subsidiaries is as follows:

As explained in detail in subsequent paragraphs, during 2003 and 2002, the Company made several acquisitions. The results of operations of the acquired entities were incorporated into the Company's financial statements in the month following the acquisition date.

## 2003 Acquisitions

All of the Company acquisitions were recorded using the purchase method. The purchase prices of net acquired assets were allocated based on their estimated market values, as follows:

## Historical amounts at acquisition date in thousands of US Dollars

	<u>Celcaribe</u>	<u>BSE</u>	<u>CTE</u>	<u>CTI</u>	<u>BCP</u>	<u>Total</u>
Current Assets	\$ 13,795	\$ 36,550	\$ 168,503	\$ 110,469	\$ 114,829	\$ 444,146
Fixed assets	17,696	112,714	409,011	93,331	152,713	785,465
Licences	82,205	101,602	23,640	55,271	494,417	757,135
Trademarks			93,666	90,336		184,002
Other assets			25,055	2,859	5,792	33,706
Less:						
Current liabilities	13,408	38,980	173,420	71,186	106,947	403,941
Long term debt		2,000	51,250	40,298	17,435	110,983
Fair value of net assets acquired	<u>\$ 100,288</u>	<u>\$ 209,886</u>	<u>\$ 495,205</u>	<u>\$ 240,782</u>	<u>\$ 643,369</u>	<u>\$ 1,689,530</u>
% participation acquired	<u>98.08%</u>	<u>97.55%</u>	<u>51.00%</u>	<u>92.00%</u>	<u>100.00%</u>	
Net assets acquired	98,362	204,744	252,055	221,519	643,369	1,420,049
Amount paid	98,362	204,744	417,000	221,519	643,369	1,584,994
Goodwill generated	\$	\$	\$ 164,945	\$	\$	\$ 164,945

Through appraisals made by independent experts, the Company determined the fair value of Trademarks. The Company made estimations in order to determine the fair value of licenses, based on market values of licenses with similar characteristics.

a) CELCARIBE (Colombia)

In February 2003, the Company, through Comcel, acquired from Millicom Cellular International a 98.08% equity interest in Celcaribe, S.A. for approximately US\$ 98.3 million. As a result, América Móvil has expanded its capacity to provide services throughout Colombia. Celcaribe provides in addition to cellular services, data transmission, internet and short-message services.

b) BSE (Brazil)

In May 2003, the Company, through Telecom Américas, acquired from BellSouth Corporation and Verbier a 89.45% equity interest in BSE, S.A., for approximately US\$ 180 million. Through additional capitalization in May 2003, of approximately US\$25 million the Company increased its equity interest in BSE to 97.55%. BSE provides cellular telecommunications services to approximately one million subscribers in the Ceará, Piauí, Ríó Grande do Norte, Paraiba, Pernambuco and Alagoas states in Brazil.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

c) CTE (El Salvador)

In October 2003, América Móvil acquired from France Telecom and other investors a 51% equity interest in Compañía de Telecomunicaciones de El Salvador (CTE), for approximately US\$ 417 million. CTE provides fixed mobile and other telecommunications services in El Salvador and has approximately 700 thousand fixed line subscribers and 166 thousand cellular subscribers.

d) CTI (Argentina)

As a result of the October 2003 debt restructuring agreement in CTI Holdings, S.A. ( CTI ), the controlling company of CTI PCS, S.A. ( CTI PCS ) and CTI Compañía de Teléfonos del Interior, S.A. ( Interior ), América Móvil acquired a 64% equity interest in such companies. In November 2003, América Móvil increased such equity interest to 92% by purchasing additional shares from various minority stockholders. The total purchase price was US\$ 221.5 million. The remaining 8% interest in CTI is owned by Techint Compañía Técnica Internacional S.A.C.I., or Techint Group, which, has the right to require the Company to purchase all of their interest in CTI for US\$17.1 million at any time during the two years following the completion of the restructuring of CTI 's unsecured indebtedness. América Móvil has the right to require the Techint Group to sell their interest in CTI at any time during such period for US\$18.8 million. CTI provides nationwide PCS wireless services in Argentina.

At the time of the acquisition, CTI had US\$263 million in principal amount of senior notes due 2008, which were in default. These notes are subject to an out-of-court reorganization agreement (*acuerdo preventivo extrajudicial*, or APE ) in Argentina, which was approved by the court in December 2003. Pursuant to this agreement, the notes will be cancelled in exchange for an aggregate cash payment of approximately US\$37.1 million. The judgment approving the APE has been challenged by a creditor of one of CTI 's operating subsidiaries. The Company believes the appeal has no merit. In February 2004, the judge allowed the appeal to proceed but did not suspend the effect of his order approving the APE. Accordingly, The Company decided to make payment under the APE, and expects to make this payment on March 1, 2004. If the appeal were successful, CTI 's obligations under the notes would be reinstated. As of the date of this report only US\$43.5 million in principal amount of the notes remain outstanding in the hands of third parties.

e) BCP (Brazil)

In November 2003, the Company, through Telecom Américas acquired from certain lenders to BCP, which had acquired the shares formerly held by affiliates of Bell South Corporation, the Safra Family and local minority investors, a 100% equity interest in BCP, S.A., for approximately US\$ 643.3 million. BCP provides cellular telecommunications services to approximately 1.7 million subscribers in the Sao Paulo metropolitan area.



f) ENITEL (Nicaragua)

On December 17, 2003, the Nicaraguan government accepted América Móvil's public bid to purchase 49% of the shares of Empresa Nicaragüense de Telecomunicaciones, S.A. ( ENITEL ) for a total purchase price of US\$ 49.6 million. The closing date was January 2004. ENITEL is the sole provider of fixed telephone services in Nicaragua and has approximately 200 thousand phone lines. ENITEL also provides cellular telephone services to 120 thousand fixed-wire lines.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

**2002 Acquisitions**

a) Telecom Américas (Brazil)

Telecom Américas was incorporated in November of 2000, as a joint venture among América Móvil, Bell Canada International (BCI) and SBC Internacional Inc. (SBCI), as a vehicle that would serve the three parties in their expansion in Latin America, with approximately the following equity interests: América Móvil, 44.3%; BCI, 44.3%, and SBCI, 11.4%.

At December 31, 2001, as a result of a series of transactions involving the cancellation of contributions payable to Telecom Américas and additional capitalizations by the shareholders, the ownership interest was as follows: América Móvil, 45.5%; BCI, 41.7%, and SBCI, 12.8%.

In February of 2002, Telecom Américas was reorganized to maintain investments in cellular companies solely in Brazil. According to an agreement executed for this purpose, América Móvil transferred to Telecom Américas its 41% equity interest in ATL plus US\$ 80 million in cash; Telecom Américas transferred its 77.1% and 60% equity interest in Comcel and Techtel respectively to América Móvil; its 76% equity interest in Canbras to BCI; and its 59% equity interest in Genesis equally to América Móvil and BCI. BCI, SBCI and América Móvil's equity interest in Telecom Américas did not change as a result of the restructuring.

In April 2002, Telecom Américas issued to a financial investor 1,844 convertible preferred shares with no voting rights, which at that date represented 6.9% of the capital stock of Telecom Américas. The preferred shares may be converted to common shares at any time at the option of the holder. Preferred shares have no voting rights, or right to representation in the board of directors. As of 2006, the holders will have the right to sell half the preferred shares back to Telecom Américas for US\$ 150 million plus interest at a nominal rate and, likewise, as of 2006, the Company will have the right to purchase half of the shares at the same price.

In May of 2002, América Móvil acquired BCI's 39.1% equity interest for approximately US\$ 370 million, and in June of 2002, it acquired SBCI's 11.9% equity interests for approximately US\$ 173 million.

As a result of the aforementioned transactions, at December 31, 2002, América Móvil's equity interest in Telecom Américas increased to 96% approximately from 45% at December 31, 2001.

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At December 31, 2003, as a result of additional capitalizations by the shareholders, América Móvil's ownership interest in Telecom Américas was 97.55%.

At December 31, 2003, Telecom Américas's cellular holdings in Brazil include: ATL, Tess, Telet, Americel, BSE and BCP band B cellular operators in the states of Rio de Janeiro, Sao Paulo, Rio Grande do Sul and various states in the northern part of Brazil. During the fourth of quarter 2003, América Móvil launched its new Claro brand throughout Brazil.

### b) Comcel (Colombia)

Comunicación Celular S.A. ( Comcel ) and Occidente y Caribe Celular S.A. ( Ocel ) provide wireless telecommunications service in Colombia's eastern and western regions, respectively. América Móvil acquired its investment in Comcel and Ocel in 2002 as a result of the restructuring of Telecom Américas and increased its interest to the present levels through a series of capitalized investments made in 2002 and 2003. The Company currently holds a 95.67% equity interest in Comcel and a 93.4% equity investment in Ocel.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

At December 31, 2003, Comcel's cellular holdings in Colombia include: Comcel, Ocel and Celcaribe band B cellular operators.

c) Techtel LMDS Comunicaciones Interactivas (Argentina)

América Móvil holds a 60% equity interest in Telcel Wireless Argentina, LLC ( Telcel Argentina ), which, in turn, wholly owns Techtel, a company that provides video and data transfer, as well as value added telecommunications services. América Móvil acquired its equity interest in Techtel in 2002 as a result of the restructuring of Telecom Américas.

**Other acquisitions**

During 2003, América Móvil invested approximately US\$ 77 million (US\$ 154 million in 2002) to acquire minority interests in Conecel (Ecuador) and ACT (Guatemala). As a result, the Company increased its equity interest in these subsidiaries to 100%, from 80.6% and 96.9%, respectively.

Other minor acquisitions made by the Company in 2002 aggregated approximately P. 353,498.

The results of operations of the companies acquired in 2001, 2002 and 2003 have been included in the Company's financial statements from the month following the date of acquisition through the end of the period presented.

The Company is not obligated to make any further payments or provide any form of additional or contingent consideration related to these acquisitions, other than those already disclosed.

The following consolidated pro forma financial data for the years ended December 31, 2001, 2002 and 2003 have not been audited and are based on the Company's historical financial statements, adjusted to give effect to (i) the series of acquisitions mentioned in the preceding paragraphs; and (ii) certain accounting adjustments related to the amortization of goodwill and licenses, a reduction in interest income derived from the decrease in cash as a result of the previously-mentioned purchases and adjustments to depreciation of the net fixed assets of the acquired companies.

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The pro forma adjustments assume that the purchases were made at the beginning of the acquisition year and the immediately preceding year and are based upon available information and other assumptions that management considers reasonable.

The pro forma financial information is not intended to indicate what the effect on the Company would have been had the transactions in question actually occurred, nor are they intended to predict the Company's results of operations.

<b>Unaudited pro forma consolidated</b>			
<b>América Móvil</b>			
<b>for the years ended December 31,</b>			
	<b>2001</b>	<b>2002</b>	<b>2003</b>
Operating revenues	P. 70,569,931	P. 75,602,854	<b>P. 97,201,553</b>
Net (loss) income	(12,016,422)	(7,241,816)	<b>17,416,198</b>
(Loss) earnings per share (in Mexican Pesos)	(0.91)	(0.55)	<b>1.35</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## III. Goodwill

An analysis of goodwill at December 31, 2002 and 2003 is as follows:

	<u>2002</u>	<u>2003</u>
<b>Investment:</b>		
Opening balance as of December 31	P. 5,683,069	<b>P. 9,242,062</b>
Effect of acquired companies	3,104,433	<b>1,853,322</b>
Effects of translation of foreign entities	635,662	<b>1,503,222</b>
Cancellations	(181,102)	
	<u>9,242,062</u>	<u><b>12,598,606</b></u>
<b>Amortization:</b>		
Opening balance as of December 31	(1,143,693)	<b>(2,978,186)</b>
Amortization of the year	(1,677,198)	<b>(1,097,725)</b>
Effects of translation of foreign entities	(157,295)	<b>(494,346)</b>
	<u>(2,978,186)</u>	<u><b>(4,570,257)</b></u>
Ending balance, net	<u>P. 6,263,876</u>	<u><b>P. 8,028,349</b></u>

Amortization expense for the year ended December 31, 2001 was P. 692,879.

## 11. Financial Instruments

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

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At December 31, 2003 the Company has US dollar and Mexican peso interest-rate swaps for a total base amount of US\$ 1,426.4 million and P. 6,000 million, respectively. The Company had no instruments of this type at December 31, 2002.

Additionally, at December 31, 2002 and 2003, the Company had contracted cross currency swaps for an outstanding base amount of US\$ 208.8 and US\$ 310.4 million, respectively.

Interest-rate swaps and cross-currency swaps are recorded in results of operations at the respective market interest rates. Gains on these swaps for 2003 were credited to operations as part of the caption comprehensive cost of financing for the year in the amount of P. 118,894 (losses of P. 167,817 were charged in 2002).

### **12. Employee Benefits Obligations**

In 1994, Telcel set up an irrevocable trust fund to cover the payment of the obligations for seniority premiums, adopting the policy of making contributions to the fund as they are deemed necessary. No contributions were made to the fund in 2001, 2002 and 2003.

The transition asset, past services and variances in assumptions are amortized over a thirteen-year period, which is the estimated average remaining working lifetime of Telcel's employees.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

An analysis of the net period cost for 2001, 2002 and 2003 is as follows:

	2001	2002	2003
Service cost	P.1,377	P.1,766	P.1,870
Financial cost of projected benefit obligations	223	339	451
Expected return on plan assets	(213)	(245)	(252)
Amortization of actuarial gain	(28)	(21)	(23)
<b>Net period cost</b>	<b>P.1,359</b>	<b>P.1,839</b>	<b>P.2,046</b>

The change in the pension plan benefit obligation is as follows:

	2002	2003
Benefit obligation at the beginning of the year	P. 5,065	P. 6,733
Service cost	1,766	1,870
Interest cost	339	451
Actuarial gain	(408)	(465)
Benefits paid	(29)	(32)
<b>Benefit obligation at the end of the year</b>	<b>P. 6,733</b>	<b>P. 8,557</b>

An analysis of the seniority premium reserve at December 31, 2002 and 2003 is as follows:

	2002	2003
Projected benefit obligation	P. 6,733	P. 8,557
Plan assets	(2,752)	(4,581)
Transition asset	55	47
Actuarial gain	1,055	1,275
<b>Net projected liability</b>	<b>P. 5,091</b>	<b>P. 5,298</b>



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Unfunded accumulated benefit obligation	P. 3,981	<b>P. 3,976</b>
Accumulated benefit obligation	P. 6,733	<b>P. 8,557</b>

The current net liability was included in the balance sheet under the caption other accounts payable and accrued liabilities.

The change in employee benefit plan assets and plan funded status is as follows:

	<u>2002</u>	<u>2003</u>
Fair value of plan assets at beginning of year	P. 2,724	<b>P. 2,752</b>
Real investment return	28	<b>1,829</b>
Fair value of plan assets at end of year	<u>P. 2,752</u>	<u><b>P. 4,581</b></u>
	<u>2002</u>	<u>2003</u>
Funded status	P. (3,981)	<b>P. (3,976)</b>
Unrecognized net actuarial gain	(1,055)	<b>(1,275)</b>
Unrecognized net transition asset	(55)	<b>(47)</b>
Net amount recognized	<u>P. (5,091)</u>	<u><b>P. (5,298)</b></u>

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

The net of inflation rates used to determine the actuarial present value of benefit obligations at December 31, 2001, 2002 and 2003 are presented below:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Discount rate	6.8%	6.8%	<b>6.8%</b>
Expected return on plan assets	6.8	6.8	<b>6.8</b>
Rate of compensation increase	1.9	1.9	<b>1.9</b>

**13. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consist of the following:

	<u>2002</u>	<u>2003</u>
Suppliers	P. 7,386,956	<b>P. 12,618,896</b>
Sundry creditors	1,140,138	<b>2,857,896</b>
Contingencies	1,253,871	<b>2,709,105</b>
Interest payable	929,965	<b>923,120</b>
Accrued expenses	291,834	<b>260,075</b>
Guarantee deposits	342,235	<b>316,574</b>
Retirement of assets provision		<b>155,830</b>
Others	30,727	<b>103,203</b>
	<hr/>	<hr/>
<b>Total</b>	<b>P. 11,375,726</b>	<b>P. 19,944,699</b>
	<hr/>	<hr/>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## 14. Debt

The Company's debt consists of the following:

Currency	2002		Maturity from		2003		Maturity from	
	Items	Rate	2002 to	Total 2002	Rate	2003 to	Total 2003	
U.S. Dollars								
	Exim Banks	L+.20 to L+1.65	2009	P. 8,788,067	L+.20 to L+1.65	2009	P. 8,934,407	
	Syndicated loans	L+.75 to L+1.35	2007	10,721,906	L+.75 to L+1.35	2007	11,236,000	
	Fixed-rate securities	3.62%	2004	3,897,456	3.3990%	2004	347,033	
	Bank loans	L+.34 to L+1.50	2006	7,671,518	L+.30 to L+1.50	2006	8,212,954	
	Suppliers	3.1675% to 10%	2004	643,625	3.1675% to 10%	2004	149,619	
					UMBNDDES+4.5% to			
	BNDES	UMBNDDES 4.5% to UMBNDDES 5.0%	2008	782,697	UMBNDDES+5.05	2008	675,565	
	Leasing						11,445	
	Others				L+4.50; 11.25%	2008	527,321	
	Subtotal Dollars			32,505,269			30,094,344	
Mexican Pesos								
	Domestic senior notes ( Certificados Bursátiles )	Various	2009	10,398,405	Various	2009	11,250,000	
	Syndicated loans				TIEE + .80	2008	1,750,000	
	Bank loans	TIEE <sub>28</sub> +.70	2004	831,760	TIEE	2004	1,000,000	
	Leasing				TIEE + .55	2006	950,000	
	Subtotal Mexican Pesos			11,230,165			14,950,000	
Reais								
					TJLP + 2.80% to			
	BNDES	TJLP + 2.80% to TJLP +5.00%	2007	2,273,044	TJLP + 5.00%	2007	2,402,875	
	Bank loans	CDI + 1.20		925,537	CDI +.90	2005	60,607	
	Licenses	12% + Inflation	2010	922,695	12% + Inflation	2010	365,788	
	Subtotal Reais			4,121,276			2,829,270	
Colombian pesos								
	Bond				IPC + 7.50%	2010	808,866	
	Subtotal Colombian pesos						808,866	
Others Currencies								

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Bank loans	9%	2003	178,534	6.50%	2004	598,868
Financial Leasing	13%	2004	1,198	7.00%	2004	31,497
Subtotal Other currencies			179,732			630,365
<b>Total Debt</b>			48,036,442			49,312,845
Less: short-term debt and current portion of long-term debt			10,637,007			12,108,296
Long term debt			P. 37,399,435			P. 37,204,549

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

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

The above-mentioned interest rates are subject to variances in international and local rates and do not include the effect of the Company's agreement to reimburse certain lenders for Mexican taxes withheld. The Company's weighted average interest rate cost on borrowed funds at December 31, 2003 was approximately 5.19% (5.45% at December 31, 2002).

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

Short-term debt at December 31, 2002 and 2003 consists of the following:

Concept	2002	2003
Domestic senior notes	P. 1,819,475	
Fixed-rate securities	2,748,157	<b>P. 347,033</b>
Syndicated loans	1,297,351	<b>1,241,578</b>
Other loans	1,526,717	<b>6,602,879</b>
<b>Total</b>	<b>P. 7,391,700</b>	<b>P. 8,191,490</b>
Weighted average interest rate	6.7%	<b>3.05%</b>

Maturities of long-term debt at December 31, 2003 are as follows:

Years	Amount
2005	P.14,606,800
2006	10,955,100
2007	5,595,528
2008	3,269,676
2009 and thereafter	2,777,445
<b>Total</b>	<b>P.37,204,549</b>

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**Lines of credit guaranteed by Export Credit Agencies.-** The Company has a number of equipment financing facilities, under which export development agencies provide support for financing to purchase exports from their respective countries. These facilities are generally medium to long-term, with periodic amortization and interest at a spread over LIBOR. They are extended to the Company or to operating subsidiaries, usually with guarantees from one or more of América Móvil, Telcel or Sercotel.

During 2002 and 2003, the Company established lines of credit up to US\$ 250 million with the Export Development Corporation (EDC) of Canada to purchase telecommunications equipment. Drawings on these lines of credit are repayable semiannually and bear interest at LIBOR plus 0.95% to LIBOR plus 1.25% with maturities between 2004 and 2009.

**Syndicated loans.-** During 2001 and 2002, the Company entered into syndicated loan agreements for US\$ 500, US\$ 200 and US\$ 400 million. With respect to the first loan of US\$ 500 million, US\$ 100 million was repaid in 2002 and the remaining US\$ 400 million is due in January 2005, bearing interest at LIBOR plus 1.0%. The US\$ 200 million syndicated loan is due in May 2005, bearing interest at LIBOR plus 1.0%.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

The US\$ 400 million syndicated loan has been structured into three tranches (credits A, B and C for US\$ 121 million, US\$ 137 million and US\$ 142 million, respectively) with maturities in 2003, 2005 and 2007, bearing interest at LIBOR plus 0.75%, LIBOR plus 1.10% and LIBOR plus 1.35%, respectively. In 2003, the Company has renewed tranche A for US\$110.5 million for an additional six month period.

**BNDES.-** At December 31, 2002, ATL, Tess and Americel have outstanding syndicated loans provided with resources of the Brazilian development bank Banco Nacional de Desenvolvimento Econômico e Social ( BNDES ). These loans are principally denominated in reais, with a portion indexed to US dollars. The principal amount of the loan is approximately R\$ 618 million plus approximately US\$ 60 million.

**Purchase of licenses.-** As of December 2003, the Company owed the Brazilian Government P. 365.7 million in reais- denominated obligations. These are indexed based on factors derived from Brazilian Consumer Price Index and carry a coupon of 12%. They are payable over 8 years in equal annual amortization beginning in August 2005.

**Domestic Senior Notes (certificados bursatiles).-** The CNBV has authorized the Company to establish three programs for the issuance of domestic senior notes guaranteed by Telcel for P. 5,000 million each.

During 2002, the Company made seven issues of the second program for amounts ranging from P. 400 to P. 1,250 million, with maturities ranging from 3 to 7 years. Three issues bear a fixed annual interest rate ranging from 10.40% to 10.45% and the remaining four issues bear a floating interest rate established as a percentage of the CETES rate.

During 2003, the Company made three issues of the third program each for an amount of P.1,000 million, the first one with maturity in 2006 at a rate of Cetes 91 plus 1.20% and the other two maturing in 2008 at a rate of Cetes 182 plus 0.90% and Cetes 91 plus 0.89%, respectively.

As of December 31, 2003, the Company had a total of P. 11,250 million outstanding in the market.

**General**

At December 31, 2003, the Company had a number of bank facilities bearing interest at LIBOR plus a spread. For certain of the facilities, the spread over LIBOR can vary if there is a deterioration in the Company's financial condition. The facilities have similar terms as to covenants, and under all of the facilities América Móvil, Sercotel and Telcel are either borrowers or guarantors. For certain of these facilities, Telgua is also

a guarantor.

Additionally, the Company has available two commercial paper programs for P. 2,000 and P. 5,000 million. As of December 31, 2003, the Company had no outstanding commercial paper debt.

The Company is subject to financial and operating covenants under the loan agreements. They limit the ability to pledge assets, to effect a merger or a sale of all or substantially all of the assets, and to permit restrictions on the ability of the subsidiaries to pay dividends or make distributions to the Company. The most restrictive financial covenants require the Company to maintain a consolidated ratio of debt to EBITDA not greater than 3.5 to 1 and a consolidated ratio of EBITDA to interest expense not less than 2.5 to 1 (using terms defined in the loan agreements). Telcel is subject to financial covenants similar to those applicable to América Móvil. A number of the financing instruments are subject to either acceleration or repurchase at the holder's option if there is a change of control. In the event of a default under certain material provisions of some of the bank loans, the Company is prohibited from paying dividends to the shareholders. At December 31, 2003, the Company was in compliance with all of these requirements.



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

At December 31, 2003, 87% of total outstanding consolidated debt is guaranteed by Telcel.

**15. Foreign-Currency Position and Transactions**

a) At December 31, 2002 and 2003, América Móvil had the following foreign-currency denominated assets and liabilities:

	Foreign currency in million			
		Exchange		Exchange
	2002	Rate	2003	Rate
		At December 31 2002		At December 31 2003
<b>Assets</b>				
US dollar	380	10.31	1,326	11.23
Quetzal	432	1.34	702	1.39
Reais	1,942	2.91	2,356	3.89
Colombian peso	240,505	0.0035	290,163	0.004
Argentinean peso			380	3.83
Euro			1	14.11
<b>Liabilities</b>				
US dollar	(3,710)	10.31	(3,726)	11.23
Quetzal	(1,107)	1.34	(1,330)	1.39
Reais	(1,540)	2.91	(4,160)	3.89
Colombian peso	(288,605)	0.0035	(781,447)	0.004
Argentinean peso			(395)	3.83

At February 23, 2004 the exchange rate of the Mexican peso relative to the US dollar, quetzal, real, Colombian peso, Argentinean peso and Euro was P. 11.04 per US dollar, P. 1.36 per quetzal, P. 3.73 per real, P. 0.004 per Colombian peso, P. 3.78 per Argentinean peso and P. 13.8 per Euro.

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b) In the years ended December 31, 2001, 2002 and 2003, the Company had the following transactions denominated in foreign currencies. Currencies other than the US dollar (reais, quetzals, Colombian pesos, Argentinean peso and Euro) were translated to US dollars using the average exchange rate for the year.

	Thousands of U.S. dollars		
	2001	2002	2003
Net revenues	1,048,464	1,711,259	<b>3,037,013</b>
Operating costs and expenses	1,655,682	2,423,335	<b>4,103,468</b>
Interest income	62,867	108,469	<b>141,484</b>
Interest expense	90,514	147,529	<b>298,075</b>
Other income (expense), net	95,808	(110,778)	<b>260,394</b>

**16. Commitments and Contingencies**

a) As of December 31, 2003, the Company has entered into various leases (as a lessee) with related parties for the buildings in which its offices are located, as well as with owners of property where the Company has installed radio bases. The leases expire within one to five years.

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

Following is an analysis of minimum rental payments due in the next five years. In some cases, the amount will be increased either based on the NCPI or on the appraisal values of the property.

The Company leases certain equipment used in its operations under capital leases. At December 31, 2003, the Company had the following commitments under non-cancelable leases:

Years ended December 31,	Capital lease	Operating lease
2004	P. 27,915	P. 752,771
2005	493,205	769,516
2006	492,557	790,920
2007		800,905
2008 and thereafter		3,705,691
Total	1,013,677	P. 6,819,803
Less interest	(20,735)	
Present value of minimum rental payments	992,942	
Less current installments	37,401	
Long-term obligations at December 31, 2003	P. 955,541	

Rent charged to expenses in 2001, 2002 and 2003 aggregated, P. 247,564, P. 344,679 and P. 1,091,415, respectively.

## b) Certain Telmex Obligations Iberbanda

Telmex has guaranteed certain obligations of Iberbanda, S.A.(formerly FirstMark Comunicaciones España, S.A.). The guarantee is limited to 13.7 million euros (P. 194 million). América Móvil has agreed to indemnify Telmex for any liability derived from this guarantee.

Post Spin-Off Agreement

In conformity with clause eleven of the post spin-off master agreement between Telmex and América Móvil, Telmex is obligated to indemnify and hold América Móvil harmless from any and all claims resulting from any liability or contingency which was to be paid by Telmex as a result of the spin-off of América Móvil from Telmex and América Móvil is obligated to indemnify and hold Telmex harmless from any liability or contingency which was expressly transferred to América Móvil as a result of the spin-off América Móvil from Telmex.

c) Payment Guarantees With Suppliers

At December 31, 2003, some of the Companies subsidiaries had commitments to acquire equipment comprising their GSM networks, for as much as approximately US\$ 580 million (approximately P. 6,516 million), which amounts have been guaranteed by America Móvil.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

**Telcel**

d) Antitrust Proceedings

In November 1995, a competitor of Telcel that provides cellular telephone services reported Telmex and Telcel to Cofeco, the Federal Competition Commission, for alleged monopolistic practices. In July 2001, Cofeco ruled that Telmex was responsible for the alleged monopolistic practices. The ruling did not find Telcel responsible for such practices.

Administrative proceedings were commenced in January and June 2001 by Cofeco against Telcel for alleged anti-competitive behavior in connection with certain actions carried out by certain distributors of Telcel in 2001. In May 2002, Cofeco ruled against Telcel in connection with the proceeding begun in January. Telcel appealed this ruling in June 2002. In September 2002, Cofeco ruled against this appeal. Telcel filed a lawsuit (*demanda de nulidad*) against this ruling in January 2003, the resolution of which is still pending. With respect to the administrative proceedings commenced in June 2001, Cofeco ruled against Telcel in December 2002, and Telcel appealed this ruling. In May 2003, Cofeco ruled against this appeal. In August 2003, Telcel filed a lawsuit (*demanda de nulidad*) against this ruling, the resolution of which is pending. If the Company is unsuccessful in challenging these proceedings, they may result in fines or specific regulations applicable to Telcel.

e) Administrative Investigation

The Company has received requests for information from the CNBV and the SEC regarding Telcel's entry into a capacity services agreement with Operadora Unefon in September 2003. The investigation regards the alleged use by Operadora Unefon of the US\$267.7 million paid by Telcel to Operadora Unefon under the agreement and related public disclosures made by an affiliate of Operadora Unefon. The Company is cooperating with the authorities.

f) Interconnection

Under the terms of its concessions for the 800 megahertz spectrum, Telcel must pay a royalty on gross revenues from concessioned services. The royalty is levied at rates that vary from region to region but average approximately 8%. The Company believes that short message services are value-added services, which are not concessioned services, and that revenues from short message services should not be subject to this royalty. In related proceedings, Cofetel has ruled that short text messages are subject to the interconnection regulatory regime and that such services do not constitute value-added services. The Company is currently disputing these issues in an administrative proceeding, but have made provisions in the financial statements with respect to this potential liability.

**CompUSA**

g) In January 2000, COC Services, LTD. ( COC Services ) filed with the District Court for the County of Dallas, Texas, a lawsuit against CompUSA, Inc. ( CompUSA ) alleging breach of contract and civil liability on the part of CompUSA in connection with certain letter of intent relating to the franchises granted to various Mexican retailers. The lawsuit also named Grupo Carso, Grupo Sanborns and Carlos Slim Helú as additional defendants. In the lawsuit, COC Services sought to recover from CompUSA US\$150 million (approximately P. 1,685.4) in actual damages for breach of contract, tortious interference with a contract or prospective contract, and conspiracy, as well as US\$2 million (approximately P. 22.4) in damages for fraud and US\$300 million (approximately P. 3,370.8) in punitive damages, plus interest and the reimbursement of all legal fees and expenses. The lawsuit was turned over to the 116<sup>th</sup> District Court for the County of Dallas, Texas, and a jury trial

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

was held in January and February 2001. The jury trial concluded in February 2001 with a verdict against all the defendants in respect of several COC claims. The verdict awarded to COC Services actual and punitive damages from the various defendants, as follows: punitive damages of US\$175.5 million (approximately P. 1,971.9) from James Halpin, CompUSA's former Chief Executive Officer, US\$94.5 million (approximately P. 1,061.8) from CompUSA, US\$67.5 million (approximately P. 758.4) from Carlos Slim Helú, US\$13.5 million (approximately P. 151.6) from Grupo Carso and US\$13.5 million (approximately P. 151.6) from Grupo Sanborns. The defendants filed with the court a motion challenging various legal aspects of the final award.

On May 18, 2001, the court reduced the amount of the damages awarded by the jury verdict against Grupo Carso, Grupo Sanborns, Carlos Slim Helú, CompUSA and James Halpin, from US\$454.0 million (approximately P. 5,101.1) to US\$121.5 million (approximately P. 1,365.1), which represented a 73% reduction. In addition, the court vacated the jury award against CompUSA and James Halpin. Grupo Carso, Grupo Sanborns and Carlos Slim Helú have filed various motions in connection with these proceedings, and have filed an appeal with the competent courts of the State of Texas. Such actions are pending and we cannot predict their outcome, but we have posted with the court a bond to guarantee the payment of any amounts that may be awarded by a final resolution. Although the amount of the jury verdict has been reduced, we plan to continue pursuing all legal avenues available before the competent courts, for so long as it may be necessary, in order to obtain the dismissal of the pending accusations. COC Services has appealed the judgment, seeking to obtain the payment of damages in an amount closer than that stipulated in the jury verdict, and to reinstate CompUSA and James Halpin as defendants. The appeals have been processed and all arguments have been heard. The final resolution of the court of appeals is currently pending.

**Telgua**

**h) Reversal of Privatization**

In June 2000, the executive branch of the Guatemalan government issued declarations concerning Empresa Guatemalteca de Telecomunicaciones ( Guatel ), a Guatemalan state agency that conducted the privatization of Telgua. The declarations stated that certain actions of Guatel relating to the privatization of Telgua were contrary to the interests of the Guatemalan State. In September 2000, the Guatemalan government commenced judicial proceedings against Guatel, Telgua and certain other parties involved in the privatization of Telgua seeking reversal of the privatization.

In October 2001, the Guatemalan State announced a governmental accord issued by the President of Guatemala and the Cabinet Ministers establishing the principal terms and conditions of a settlement agreement among the Guatemalan State, Telgua, Guatel and America Central Tel S.A. ( ACT ), and ordering the Attorney General of Guatemala to enter into such agreement in the name and on behalf of the Guatemalan State.

Under the terms of the settlement agreement, which was executed on October 2001, Telgua agreed, among other things, to undertake a fixed, mobile, rural and Internet telephone development project within Guatemala, to be completed within a period of three years and to consist of an

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investment of at least 1,950 million quetzals (approximately US\$246 million), and to establish a total of 380,000 public, mobile and rural telephone lines.

Pursuant to the settlement agreement, the Guatemalan State, ACT and Telgua agreed to abandon all litigation and related actions with respect to this matter. While the competent court held that as a procedural matter the attorney for the Guatemalan State could not withdraw the State's claims, it recognized the settlement agreement and ordered the files closed. During 2002, certain former government officials presented claims to the Guatemalan courts challenging the validity of the October 2001 settlement agreement on the grounds that they should have been included as parties. These actions are pending.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

i) ITI-GEDO

In addition, judicial proceedings were commenced in the United States District Court for the Southern District of New York in March 2001 by International Telecom, Inc. ( ITI ) against Generadora Eléctrica de Oriente, S.A. ( GEDO ), Antonio Jorge Álvarez and Telgua, alleging breach of contract, tortious interference with contract and fraud in connection with an international telecommunications service agreement. In March 2002, the court granted Telgua's motion to dismiss the case against it for lack of personal jurisdiction, holding that Telgua had insufficient contacts with New York to subject it to jurisdiction in that forum. After a final judgment is issued, ITI, GEDO or Mr. Álvarez may appeal the decision dismissing Telgua from the litigation to the United States Court of Appeals for the Second Circuit.

**Comcel**

j) Value Added Tax

The Colombian tax authorities have demanded that Comcel and Ocel pay additional value-added taxes arising from cellular activation fees in 1995 and 1996. Comcel and Ocel have challenged these claims before the corresponding administrative authorities. The administrative authorities have reviewed several of the bi-monthly tax periods in question and have decided all of them in favor of Comcel and Ocel.

The amount claimed by the tax authorities (including fines and interest) relating to the tax periods for which challenges were still pending as of December 31, 2003 totaled approximately Colombian P. 19.6 billion for Comcel and P. 2.7 billion for Ocel (approximately P. 79.2 million and P. 10.9 million, respectively). In the opinion of its management, Comcel and Ocel have appropriately filed and paid the value-added tax for all of the periods in question and has made no provisions in its financial statements as of December 31, 2003 against these proceedings.

k) Voice/IP

In March 2000, the Colombian Superintendencia de Industria y Comercio (SIC) issued Resolution No. 4954, requiring Comcel to pay a fine of Colombian P. 234 million for alleged anti-competitive behavior. In addition to this administrative fine, the SIC ordered Comcel to pay damages to other long distance operators. The long distance operators estimated their damages to be US\$70 million. Comcel requested an administrative review of the damages decision, which was denied in June 2000. Comcel appealed, and the appeal was rejected in November 2000. Comcel resubmitted the appeal in February 2001.

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Comcel also filed a special action in court challenging the denial of the administrative review. Following a series of court proceedings, a Colombian appeals court in June 2002 ordered that Comcel's February 2001 appeal be granted and that the administrative decision against Comcel be reviewed. After additional proceedings, the Consejo Superior de la Judicatura ratified this decision. However, in 2003, an appeals court decided to revoke the decision of the Consejo Superior de la Judicatura, and the Tribunal Superior de Bogotá currently is reverting the procedure back to the SIC in order to continue the damages claim.

### **Telecom Americas**

#### 1) Tess and ATL-Telecom Leste

ANATEL has challenged each of Tess and ATL regarding the calculation of inflation-related adjustments due under these companies' concession agreements with ANATEL. Forty percent of the concession price under each of these agreements was due upon execution and 60% was due in three equal annual installments (subject to inflation-related adjustments and interest) beginning in 1999.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

Both companies have made these concession payments, but ANATEL has rejected the companies' calculation of the inflation-related adjustments and requested payment of the alleged deficiencies. The companies have filed declaratory and consignment actions in Brazilian courts seeking resolution of the disputes. The court of first instance ruled against ATL's filing for declaratory action in October 2001 and ATL's filing for consignment action in September 2002. Subsequently, ATL filed appeals, which are pending. In September 2003, the court of first instance ruled against Tess' filing for consignment action. Subsequently, Tess filed an appeal, which is still pending. No ruling has been made to date in respect of the declaratory action filed by Tess. The aggregate contested amounts were approximately R\$422 million (including potential penalties and interest) (US\$146 million) at December 31, 2003. We have made provisions in our financial statements with respect to this potential liability.

m) BNDESPAR

Prior to our acquisition of Telet and Americel, BNDESPAR, a subsidiary of BNDES, the Brazilian development bank, had entered into investment and other shareholder agreements with Americel, Telet and certain of their significant shareholders. Under these agreements, BNDESPAR had the right, among others, to participate in the sale of shares of Telet and Americel in the event of certain transfers of control, for so long as BNDESPAR held 5% of the share of capital in those companies. In October 2003, the Company increased the capital of each of Telet and Americel and BNDESPAR's ownership fell below 5% from approximately 20% in each as it elected not to exercise its preemptive rights. Subsequently, BNDESPAR sent official notices to Telet and Americel reserving its rights under the agreements in respect of certain past transfers of shares. To the Company's knowledge, BNDESPAR has not commenced judicial action against us or any of our subsidiaries. The Company does not believe that BNDESPAR has a valid claim against us or our subsidiaries under the agreements. Moreover, does not believe that any such possible actions, even if successful, could result in a material adverse effect on our business, results or liquidity, but it is difficult for to predict the outcome of any such possible actions since a lawsuit has not yet been filed.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## 17. Related Parties

a) Following is an analysis of balances due from/to related parties as of December 31, 2002 and 2003. All of the companies are considered América Móvil affiliates, as the Company's principal stockholders are also directly or indirectly stockholders of these related parties.

	December 31,	
	2002	2003
Accounts receivable:		
Teléfonos de México, S.A. de C.V.	P. 506,192	P. 497,629
Sanborns Hermanos, S.A. de C.V.	63,276	69,306
Sears Roebuck, S.A. de C.V.	21,076	40,665
Teléfonos del Noroeste, S.A. de C.V.	16,797	27,081
Seguros Inbursa, S.A. de C.V.		7,414
Others	2,057	5,710
	<u>P. 609,398</u>	<u>P. 647,805</u>
Accounts payable:		
América Telecom, S.A. de C.V.	P. 46,238	P. 48,455
Fianza Guardiania Inbursa, S.A. de C.V.	23,455	26,511
Consortio Red Uno, S.A. de C.V.	18,872	3,634
Alquiladora de Casas, S.A. de C.V.	215	450
Carso Global Telecom, S.A. de C.V.		21,767
Compañía de Teléfonos Bienes y Raíces, S.A. de C.V.	331	16,631
Others	21,093	12,075
	<u>P. 110,204</u>	<u>P. 129,523</u>
Total	<u>P. 110,204</u>	<u>P. 129,523</u>

b) Neither Telmex nor América Móvil owns any capital stock in the other; however, both companies are controlled by the same group of stockholders. The relationship between Telmex and América Móvil is limited to commercial relationships in the ordinary course of business between a major fixed-line network operator and a major wireless network operator including, among others, the interconnection of their respective networks and the use of facilities, particularly the co-location on premises owned by Telmex. These operational relationships are subject to various agreements, which, for the most part, were in place prior to the spin-off and have continued in effect without significant modification following the spin-off. Many of them are also subject to specific regulations governing all telecommunications operators. The terms of these agreements are similar to those on which each company does business with other unaffiliated parties.

c) In 2001, marketable securities included notes and corporate bonds issued by related parties, interest earned on such instruments for the years ended December 31, 2001 and 2002 were P. 401,774 and P. 81,346, respectively.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

d) In the years ended December 31, 2001, 2002 and 2003 the Company had the following significant transactions with related parties, (mainly with Telmex):

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues:			
Calling Party Pays (CPP) interconnection fees and other(1)	P. 8,421,326	P. 8,746,336	<b>P. 9,553,850</b>
Costs and expenses:			
Payments of long-distance, circuits and others(2)	3,821,476	3,637,594	<b>3,902,024</b>
Commercial, administrative and general:			
Advertising	473,706	467,765	<b>533,662</b>
Others, net	(109,882)	189,450	<b>(4,609)</b>
Interest expense (income)	6,588	57,215	<b>(4,706)</b>

- (1) Interconnection fees from CPP: incoming calls from a fixed-line telephone to a wireless telephone. Prior to the spin-off Telcel had entered into interconnection agreements with Telmex. The interconnection agreements specify a number of connection points, locations of interconnection points, the method by which signals must be transmitted and received and the costs and fees of interconnection.
- (2) Includes: a) Interconnection (cost): payments of interconnection for outgoing calls from the wireless network to the fixed-line network; b) Long-distance: payments for the use of national and international long-distance; and c) leases of buildings and other cellular space.

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

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

**18. Stockholders Equity**

a) The shares of América Móvil were authorized and issued pursuant to the Telmex stockholders' meeting on September 25, 2000 approving the spin-off. Capital stock at December 31, 2001, 2002 and 2003, is represented by 13,199 million, 12,916 million and 12,836 million common shares with no par value, respectively, representing the fixed portion of capital.

An analysis of the shares at December 31, 2003 is as follows:

**Millions of  
shares**

3,647	Series AA voting shares
279	Series A voting shares
8,910	Series L limited voting rights
<hr/>	
12,836	
<hr/>	

b) Series AA shares, which may be subscribed only by Mexican individuals and corporate entities, must represent at all times no less than 20% of capital stock and no less than 51% of the combined AA shares and A shares. Common series A shares, which may be freely subscribed, must account for no more than 19.6% of

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

capital stock and no more than 49% of the common shares. Series AA and A shares combined may not represent more than 51% of capital stock. The combined number of series L shares, which have limited voting rights and may be freely subscribed, and series A shares may not exceed 80% of capital stock.

The Company's bylaws permit the holders of series L shares to exchange such shares, in certain circumstances, for series AA shares, commencing January 1, 2001. During 2001, a total of 605 million series L shares were exchanged for series AA shares.

c) In April 2002 and 2003, the stockholders approved payment of a cash dividend of Ps. 0.044 and Ps. 0.060 per share, respectively, payable in four installments of Ps. 0.011 and Ps. 0.015 each in June, September and December of 2002 and 2003 and in March 2003 and 2004.

During the three year period ended December 31, 2003, the Company has purchased the following shares:

Year	Number of shares in million		Amount in thousands of Mexican pesos		Historical amounts in thousands of Mexican pesos	
	L Shares	A Shares	L Shares	A Shares	L Shares	A Shares
2001	807	4	P. 7,477,552	P. 44,363	P. 6,662,635	P. 38,999
2002	281.6	1.9	P. 2,178,493	P. 13,506	P. 2,038,972	P. 12,641
2003	66.2	0.2	P. 975,119	P. 350	P. 1,009,870	P. 330

Under the Mexican Securities Trading Act, amended starting June 1, 2001, it is no longer required to create a reserve for the repurchase of the Company's own shares. The Company's own shares that have been purchased since this change were acquired using the reserve.

d) In conformity with the Mexican Corporations Act, at least 5% of the net income of each year must be appropriated to increase the legal reserve until it reaches 20% of capital stock issued and outstanding.

**19. Income Tax, Asset Tax and Employee Profit Sharing**



**a) Mexico**

- 1) Effective January 1, 2002, the Ministry of Finance and Public Credit authorized América Móvil to consolidate the group tax returns of its Mexican subsidiaries. Global Central América, S.A. de C.V., one of the Company's subsidiaries is excluded from this tax consolidation.
  
- 2) Asset tax is a minimum income tax payable on the average value of most assets net of certain liabilities. Since asset tax may be credited against income tax, the former is actually payable only to the extent that it exceeds income tax. Asset tax for the years ended December 31, 2001, 2002 and 2003 was P. 114,819, P. 1,356,718 and P. 1,076,528, respectively. Such amounts were paid by crediting income tax paid in such years. Asset tax for the years ended December 31, 2002 and 2003, was determined on a consolidated basis.
  
- 3) The statutory income tax rate for 2002 and 2003 was 35% and 34% respectively. However, corporate taxpayers had the option of deferring a portion, so that the tax payable in 2001 represented 30% of taxable income. The deferred portion of the tax had to be controlled in the so-called net reinvested tax profit account (CUFINRE) to clearly identify the earnings on which the taxpayer opted to defer payment of a portion of income tax. Effective January 1, 2002, the above-mentioned option of deferring a portion of income tax, was eliminated.

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

Since in 2001, the Company opted for this tax deferral, earnings will be considered to be distributed first from the CUFINRE account and any excess will be paid from the net tax profit account ( CUFIN ) so as to pay the 5% deferred tax.

Any distribution of earnings in excess of the above-mentioned account balances will be subject to payment of corporate income tax.

At December 31, 2003, the balance of the restated contributed capital account (CUCA) and CUFIN was P. 29,665,720, and P. 30,905,823, respectively.

4) An analysis of income tax charged to results of operations for the years ended December 31, 2001, 2002 and 2003 is as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Current year income tax of Mexican Subsidiaries	P. 3,470,644	P. 3,309,574	<b>P. 2,642,174</b>
Current year income tax of foreign Subsidiaries	119,925	282,692	<b>555,117</b>
Deferred income tax of Mexican Operations	(300,288)	(380,958)	<b>80,235</b>
<b>Total</b>	<b>P. 3,290,281</b>	<b>P. 3,211,308</b>	<b>P. 3,277,526</b>

The current year income tax of Mexican subsidiaries includes a tax credit of P. 864 million resulting from the favorable ruling handed down in an appeal against the tax authority's rejection of certain deductions in connection with the fiscal treatment on the loss of sale of subsidiaries.

5) A reconciliation of the statutory corporate income tax rate to the effective rate recognized for financial reporting purposes is as follows:

	<u>Year ended December 31</u>		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Statutory income tax rate in Mexico	35.0%	<b>35.0%</b>	<b>34.0%</b>

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Financing costs	1.8	<b>0.2</b>	<b>8.80</b>
Goodwill	0.7	<b>0.5</b>	<b>1.42</b>
Impairment on affiliates	1.0		
Sale of affiliates		<b>(4.5)</b>	
Recoverably taxes			<b>(7.4)</b>
Asset tax		<b>5.2</b>	<b>7.5</b>
Royalties			<b>(10.4)</b>
Others	5.4	<b>(8.1)</b>	<b>3.6</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Effective tax rate for Mexican operations	43.9	<b>28.3</b>	<b>37.5</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues and costs from foreign subsidiaries	7.3	<b>(2.0)</b>	<b>(20.3)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Effective tax rate	51.2%	<b>26.3%</b>	<b>17.2%</b>
	<u>          </u>	<u>          </u>	<u>          </u>

On January 1, 2002, a annual one-percentage point decrease in the income tax rate was approved, starting in 2003, so that in 2005 the rate will be 32%. The effect of this tax rate change on the determination of deferred taxes for the year represented a credit to result of operations in 2003, of approximately P. 130 million. The effect of this change is included in each of the concepts presented.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

6) The temporary differences on which the Company recognized deferred taxes in the years ended December 31, 2002 and 2003, were as follows:

	December 31,	
	2002	2003
<i>Deferred tax assets</i>		
Liability provisions	P. (387,727)	P. (434,134)
Other	(164,987)	(153,419)
Deferred revenues	(488,424)	(782,689)
Tax loss carryforwards	(5,671,749)	(19,383,420)
	(6,712,887)	(20,753,662)
<i>Deferred tax liabilities</i>		
Fixed assets	1,883,497	2,539,064
Inventories	723,785	935,909
Licenses	583,650	651,778
Sale and lease back		889,290
	3,190,932	5,016,041
Valuation allowance	5,662,646	19,386,476
Deferred income tax liability	P. 2,140,691	P. 3,648,855

7) The Company is legally required to pay employee profit sharing in addition to the compensations and benefits to which Mexican employees are contractually entitled. The statutory employee profit sharing rate in 2001, 2002 and 2003 was 10% of taxable income.

## b) Foreign Subsidiaries

The foreign subsidiaries determine their income tax based on the individual results of each subsidiary and in conformity with the specific tax regimes of each country. The pretax (loss) income and tax provisions of these subsidiaries in 2001, 2002 and 2003 were P. (2,449,956), P. 1,330,656, P.3,759,371 and P. 119,925, P. 282,692 and P. 555,117, respectively.

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At December 31, 2003, America Móvil's foreign subsidiaries, have available tax loss carryforwards in conformity with the tax regulations of their respective countries as follows:

### Million of pesos at December 31, 2003

Years	Brazil	Argentina	USA	Colombia	Ecuador
1997	P. 45		P. 12		
1998	1,540		408		
1999	11,116	P. 83	390		P. 81
2000	7,721	949	1,786	P. 1,243	460
2001	9,125	517	1,223	1,180	348
2002	7,758	5,191	94	162	116
2003	4,628	641			46
	P. 41,933	P. 7,381	P. 3,913	P. 2,585	P. 1,051

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

In Brazil there is no time limit on the carryforward of tax losses; however, the carryforward in each year may not exceed 30% of the tax base for such year.

In Argentina, the tax loss of a given year may be carried forward only against the taxable earnings of the succeeding five years.

Up to 2002, tax losses incurred in Colombia, may be carried forward against taxable earnings of the succeeding five years, with no limitations whatsoever. Beginning in 2003, the tax loss of a given year may be carryforwards only against the taxable earnings of the succeeding eight years, not exceeding 25% of the earnings generated in each of those years.

Tracfone experienced a change in ownership as defined by U.S. Internal Revenue Code section 382, under which, there is an annual limitation on Tracfone's ability to realize the benefit of its loss carryforwards. As a result, some or all of the Tracfone's loss carryforwards may never be realized.

In Ecuador the tax loss of a given year may be carryforwards only against the taxable earnings of the succeeding five years, not exceeding 25% of the earnings generated in each of those years.

In Guatemala and El Salvador there is no carryforward of tax losses against earnings of future years.

**20. Stock option plan**

During 2001, the Company established a stock option plan for most of its senior executives. The Compensation Committee and Board of Directors authorized the plan, reserving a total of 3,215,000 L Shares from treasury. The subscription price for the 2001 plan is P. 1.00 per share. Participants under the plan may exercise 25% of the options during 2001, 25% during 2002, 25% during 2003, and the remaining 25% during 2004. Because the options do not expire if not exercised in a particular year, a participant could wait until the fourth anniversary of the plan to exercise 100% of the options granted. During 2002 and 2003, the Company established second and third plans, respectively, each of which functions under the same rules as the 2001 plan, except that the second plan established in 2002 has a one-year lag while the third plan established in 2003 has a two-year lag. Additional L Shares from treasury were reserved for such plans. As of December 31, 2003, a total of 3,355,750 L Shares have been acquired by employees under the stock option plans. At December 31, 2003, the Company has expensed the difference between the market value of the total authorized shares and the subscription price.



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## 21. Segments

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

	Mexico Corporate	Mexico (Telcel)	Guatemala (includes Nicaraguan operations)	Ecuador	Colombia	Brazil	Argentina	U.S.A.	El Salvador	Eliminations	Consolidated total
December 31, 2001											
Operating revenues		35,460,890	4,406,171	852,491				4,748,540		(10,688)	45,457,404
Depreciation and amortization	241,566	2,697,582	1,119,651	646,249				264,418		(49,218)	4,920,248
Operating loss income	(1,890,874)	9,837,962	1,343,631	(546,628)				(1,694,227)		(375,384)	6,674,480
Interest paid	1,075,726	5,063,565	539,228	127,443						(5,660,941)	1,145,021
Segment assets	74,981,185	75,136,512	11,018,358	4,194,031				1,493,131		(64,989,837)	101,833,380
Plant, property and equipment, net	603,483	33,497,338	7,961,852	1,353,635				517,839			43,934,147
Goodwill, net	2,319,822	501,856	325,688	2,027,756						(496,562)	4,678,560
Licenses, net		1,849,691	537,892	331,637							2,719,220
December 31, 2002											
Operating revenues		42,407,871	4,620,722	1,300,688	3,838,763	3,316,564	49,032	4,241,627		(32,671)	59,742,596
Depreciation and amortization	247,794	3,913,562	1,244,856	226,293	914,357	1,897,828	(60,392)	166,969		54,996	8,606,263
Operating loss income	212,035	12,290,269	1,108,690	(109,613)	355,889	(901,876)	44,303	(256,908)		237,622	12,980,411
Interest paid	4,587,479	8,761,004	392,879	56,954	425,896	686,420	10,092			(12,424,350)	2,496,374
Segment assets	267,439,076	80,072,447	11,776,136	4,390,739	9,380,478	4,058,989	809,708	1,295,424		(261,685,375)	117,537,622
Plant, property and equipment, net	860,426	35,422,658	9,507,389	1,538,363	5,681,460	9,430,259	934,851	420,200		(801,607)	62,993,999
Goodwill, net	2,138,671		441,709	2,046,822	1,619,466		274,717			(257,509)	6,263,876
Trademarks					1,974,142	4,822,388					6,796,530
Licenses, net		1,694,775	597,764	305,174	2,284,094	11,102,448	232				15,984,487
December 31, 2003											
Operating revenues		52,465,905	5,662,567	2,716,700	5,769,694	11,397,248	889,348	6,246,478	811,906	(18,874)	85,940,972
Depreciation and amortization	1,133,875	4,719,971	1,360,255	452,536	1,398,657	4,319,775	96,371	196,350	160,321	39,750	13,877,861
Operating loss income	(1,204,704)	17,695,289	1,706,214	548,529	592,468	(2,134,005)	70,451	200,179	269,429	216,245	17,960,095
Interest paid	5,927,629	5,555,664	412,117	69,406	475,909	1,730,162	225,440		529	(10,621,490)	3,775,366
Segment assets	263,073,070	43,673,117	10,775,727	5,357,175	12,763,467	61,315,156	4,839,104	2,399,293	8,911,217	(263,128,779)	149,978,547



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Plant, property and equipment, net	1,148,449	28,364,683	7,799,619	2,370,918	6,917,840	18,026,807	1,455,481	359,566	4,718,279	71,161,642	
Goodwill, net	3,061,521		577,091	1,849,132	2,831,175		287,871		(578,441)	8,028,349	
Trademarks					1,782,692	4,034,641	1,015,015		1,052,433	7,884,781	
Licenses, net		1,553,455	638,732	256,289	2,623,521	19,894,324	639,971		327,528	(125,869)	25,807,951

### 22. Subsequent Events

The Company has issued and privately offered senior notes in an amount of US\$ 1.6 billion (See Note 24)

### 23. Differences between Mexican and U.S. GAAP

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

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

The principal differences between Mexican GAAP and U.S. GAAP, as they relate to the Company, are described below together with an explanation, where appropriate, of the method used to determine the adjustments that affect operating income, net income, total stockholders equity and resources provided by operating and financing activities.

**Income Statement Information:**

Cost of sales as shown in the income statement, includes cost of sales of telephone equipment and other in the amount of P. 8,413,262, P. 12,049,529 and P. 19,222,816, for the years ended December 31, 2001, 2002 and 2003, respectively.

**Cash Flow Information:**

Under Mexican GAAP, the Company presents consolidated statements of changes in financial position, as described in Note 2. The changes in the consolidated financial statement balances included in this statement constitute resources provided by and used in operating, financing and investing activities stated in constant pesos (including monetary and foreign exchange gains and losses). Under Mexican GAAP changes in trading securities are presented as investing activities, while under U.S. GAAP the cash flows from these type of securities should be disclosed as cash provided by (used in) operating activities.

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

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

	Year ended December 31,		
	2001	2002	2003
Operating activities:			
Net (loss) income	P. (670,140)	P. 6,037,225	P. 14,898,894
Depreciation	4,496,868	6,990,841	10,314,852
Amortization	998,997	1,147,097	3,053,380
Amortization of loss of sale and lease back			134,042
Amortization of prepaid expenses			75,428
Excess of contributed company over cost	(106,950)	(1,004,907)	
Deferred taxes	(802,146)	121,144	1,348,836
Monetary effect	817,611	(2,871,978)	(2,350,798)
Equity in results of affiliates, minority interest and others	3,842,859	4,030,110	481,431
Effect of exchange rate differences on debt	(700,393)	(1,983,089)	(1,276,286)
Marketable securities	532,575	9,368,493	715,228
Change in operating assets and liabilities	(875,738)	2,328,427	(678,747)
Resources provided by operating activities	7,533,543	24,163,363	26,716,260
Financing activities:			
New loans	21,974,690	41,850,901	22,512,225
Repayment of loans	(6,648,718)	(15,433,454)	(19,959,537)
Purchase of Company's own shares and cash dividend paid	(7,821,115)	(2,602,356)	(1,749,584)
Resources provided by financing activities	7,504,857	23,815,091	803,104
Resources used in investing activities	(38,125,297)	(40,124,217)	(29,191,090)
Effect of inflation accounting	70,945	(1,118,582)	1,445,908
Net (decrease) increase in cash and cash equivalents	(23,015,952)	6,735,655	(225,818)
Cash and cash equivalents at beginning of year	25,793,277	2,777,325	9,512,980
Cash and cash equivalents at end of year	P. 2,777,325	P. 9,512,980	P. 9,287,162

Net resources provided by operating activities reflect cash payments for interest, income tax and employee profit sharing as follows:

	Year ended December 31,		
	2001	2002	2003
Interest expense	P. 47,772	P. 2,522,224	<b>P. 2,551,943</b>
Income tax	2,345,579	3,961,536	<b>3,171,943</b>
Employee profit sharing	154,248	200,811	<b>182,348</b>

Cash flows from purchases and sales of trading securities during 2001 were P. 10,626,421 and P. 1,777,721, respectively. Cash flows from purchases and sales of trading securities during 2002 were P. 1,518,575 and P. 10,523,173, respectively. Cash flows from purchases and sales of trading securities during 2003 were P. 370,593 and P. 1,528,591, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

**Capitalized Interest:**

Under Mexican GAAP, the Company does not capitalize net financing costs on assets under construction. Under U.S. GAAP, interest on borrowings in foreign currencies or comprehensive financing cost for borrowings in pesos, must be considered an additional cost of constructed assets to be capitalized in plant, property and equipment and depreciated over the lives of the related assets. The amount of interest or net financing costs capitalized for U.S. GAAP purposes was determined by reference to the Company's average interest cost of outstanding borrowings, and qualifying expenditures during each of the years presented.

**Valuation of Plant, Property and Equipment:**

As previously discussed in Note 7, through December 31, 1996, items comprising telephone plant were restated based on the acquisition date and cost, applying the factors derived from the specific indexes determined by the Company and validated by an independent appraiser registered with the NBSC. Since January 1, 1997, the valuation method of plant, property and equipment was modified, as Bulletin B-10 eliminated the use of appraisals to restate plant, property and equipment.

The restatement method required by the Bulletin B-10, which was adopted in 1997 by the Company as described in Note 7e, is not acceptable for U.S. GAAP purposes; consequently, the difference between this method and the restatement of plant, property and equipment based on the NCPI was taken to the U.S. GAAP reconciliations.

As a result of this comparison, plant, property and equipment and stockholders' equity increased by P. 1,145,233 in 2002 and P. 6,856,757 in 2003 and depreciation expense increased by P. 477,944 in 2001, P. 416,884 in 2002 and P. 438,141 in 2003.

**Deferred Income Tax and Deferred Employee Profit Sharing:**

As explained in Note 2 under Mexican GAAP, Bulletin D-4 requires that deferred income tax be determined on virtually all temporary differences in balance sheet accounts for financing and tax reporting purposes. Statement of Financial Accounting Standards No. 109 (SFAS No. 109) Accounting for Income Taxes, requires deferred income tax be determined using the liability method for all temporary differences between financial reporting and tax bases of assets and liabilities and that such difference be measured at the enacted income tax rates for the years in which such taxes will be payable or refundable. Consequently, the main differences between SFAS 109 and D-4, as they relate to the Company, which were included as reconciling items are:

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the effect of income tax on the difference between the indexed cost and the restatement through use of specific indexation factors of fixed assets is applied as an adjustment to stockholders' equity, and

the effect of deferred taxes on the other U.S. GAAP adjustments reflected in the respective summaries.

In addition, the Company is required to pay employee profit sharing in accordance with Mexican labor law. Deferred employee profit sharing under U.S. GAAP has been determined following the guidelines of SFAS No.109. Bulletin D-4 did not significantly change the accounting for employee profit sharing.

To determine operating income under U.S. GAAP, deferred employee profit sharing and employee profit sharing expense are considered as operating expenses.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

Significant components of deferred taxes under U.S. GAAP at December 31, 2002 and 2003 are as follows:

	2002			2003		
	Income Tax	Employee Profit Sharing	Deferred Taxes	Income Tax	Employee Profit Sharing	Deferred Taxes
Deferred tax assets:						
Tax loss carry forwards	P. 5,671,748		P. 5,671,748	P. 18,067,265		P. 18,067,265
Accrued liabilities	1,311,378	P. 142,223	1,453,601	1,583,287	P. 401,695	1,984,982
Deferred revenues	488,424	139,549	627,973	1,059,670	237,178	1,296,848
Others	72,919	10,240	83,159	195,202	14,271	209,473
Valuation allowance	(6,380,316)	(87,592)	(6,467,908)	(17,817,858)		(17,817,858)
Total deferred tax assets	1,164,153	204,420	1,368,573	3,087,566	653,144	3,740,710
Deferred tax liabilities:						
Fixed assets	(3,411,314)	(632,322)	(4,043,636)	(5,487,947)	(533,004)	(6,020,951)
Inventories	(723,785)	(206,796)	(930,581)	(938,336)	(283,609)	(1,221,945)
Sale and lease back				(889,290)	(269,481)	(1,158,771)
Licenses	(583,650)	(166,757)	(750,407)	(940,381)	(136,503)	(1,076,884)
Others	(4,090)	(1,169)	(5,259)	(747,273)		(747,273)
Total deferred tax liabilities	(4,722,839)	(1,007,044)	(5,729,883)	(9,003,227)	(1,222,597)	(10,225,824)
Net deferred tax liabilities	P. (3,558,686)	P. (802,624)	P. (4,361,310)	P. (5,915,661)	P. (569,453)	P. (6,485,114)

For Mexican GAAP purposes, net deferred income tax liabilities of P. 2,140,691 and P. 3,648,855 were recognized at December 31, 2002 and 2003.

**Business Combinations, Goodwill and Other Intangible Assets:**

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In 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 141 also includes guidance on the initial recognition and measurement of goodwill and other intangible assets arising from business combinations, including intangible assets with indefinite useful lives. SFAS 142 prohibits the amortization of goodwill and intangible assets with indefinite useful lives. SFAS 142 requires that these assets be reviewed for impairment at least annually. Intangible assets with finite lives will continue to be amortized over their estimated useful lives. Additionally, SFAS 142 requires that goodwill included in the carrying value of equity method investments no longer be amortized.

The Company adopted SFAS 142 in 2002. Application of the nonamortization provisions of Statement 142 resulted in an increase in net income of P. 1,677,198 and P.1,097,725 in 2002 and 2003, respectively. Had the Company adopted SFAS 142 in 2001, the nonamortization of goodwill in such year would have decrease the net loss by P. 692,879.

Additionally, as mentioned in Note 10, the equity in the net loss of CompUSA at December 31, 2002, includes an impairment of its goodwill as reported in its financial statements of P. 2,137,216, which is included in the caption Equity in net results of affiliates in the Mexican GAAP Consolidated Statements of Operations.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

In 2003, the Company performed the required impairment tests of goodwill and indefinite-lived intangible assets, and the tests did not result in an impairment charge.

**Negative Goodwill:**

In 2000, under Mexican GAAP, the excess value of ATL when contributed to Telecom Américas, in the amount of P. 1,116,563 was considered as a gain and included under the caption other income, net. For U.S. GAAP purposes, the Company accounted for this excess value as negative goodwill which was being amortized over a ten-year period until December 31, 2001. Amortization for the year ended December 31, 2001 was P. 111,656.

In 2002 as a result of the application of SFAS 141, the Company included in the U.S. GAAP reconciliation, as a cumulative effect of an accounting change the write off of the unamortized negative goodwill at December 31, 2001, which amounted to P. 1,004,907.

Also in 2002 the remaining percentage of América Móvil's interest in ATL was contributed to Telecom Américas. Under Mexican GAAP, the excess value of ATL in the amount of P. 643,574 was considered a gain and included under the caption other income, net. For US GAAP purposes since this was considered a step acquisition, this excess was accounted for as negative goodwill and netted with the positive goodwill of ATL in the U.S. GAAP reconciliation acquired in previous years.

**Net Gain (loss) on sale to affiliates:**

In 2002, the Company recognized in its equity in results of affiliates a gain of P. 228,007 (América Móvil's equity interest) derived from the sale of assets by CompUSA to Organización Recuperadora de Cartera, S.A. (ORCA). Since both entities are affiliates of América Móvil, this gain was considered a transaction between entities under common control; therefore, this gain was considered as additional paid in capital for US GAAP purposes. In addition, the excess value paid by ORCA on such sale, was, under Mexican GAAP, considered as goodwill which was being amortized over a ten-year period. During 2002 and 2003, ORCA amortized P. 56,448 and P. 50,000, respectively (América Móvil's equity interest); therefore, net adjustments of P. 171,559 and P. 50,000 in 2002 and 2003, respectively, were included in the US GAAP reconciliation.

In 2003, as mentioned in Note 10, the Company exchanged its 49% equity interest in CompUSA for a 29.69% equity interest in U.S. Commercial Corp, S.A. de C.V., ( USCO ). The Company received an additional P.180 million on the exchange. As a result of this transaction, a loss of P. 279,016 was recognized under Mexican GAAP. For US GAAP purposes, this transaction was considered a transaction between entities under common control; therefore, the loss is accounted for as a reduction of paid in capital.

**Accrued Vacation Pay:**

Up to December 31, 2002, for Mexican GAAP, the expense for vacation pay was recognized when paid rather than during the period in which it was earned by employees. For U.S. GAAP purposes, the Company determined the accrued liability for vacation pay at December 31, 2001 and 2002, and accordingly, adjusted the expense for vacation pay for the periods then ended. Beginning 2003, under Mexican GAAP the Company has accounted for vacation pay using the accrual method.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

**Unrealized gains and losses**

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

**Employee Benefits Obligations:**

The Company recognizes the cost for seniority premiums on the basis of actuarial computations. The Company's funding policy has been in accordance with the projected unit credit method based on the provisions of Bulletin D-3 issued by the Mexican Institute of Public Accountants for recording labor obligations by employers. This bulletin substantially follows the same basis for the computation of labor costs and related liability as prescribed by SFAS No. 87.

The differences between D-3 and SFAS 87, as they relate to the Company are not presented because such information is considered to be immaterial in relation to the consolidated financial statements taken as a whole.

**Minority Interest:**

Under Mexican GAAP, minority interest is presented as a component of stockholders' equity, immediately after total majority stockholders' equity. Under U.S. GAAP, minority interest is generally presented out of stockholders' equity. As a result of the above, for U.S. GAAP purposes the Company reclassified minority interest from stockholders' equity, decreasing its total stockholders' equity by P. 1,224,762 and P. 5,098,719 at December 31, 2002 and 2003, respectively. In addition, minority interest as reported under Mexican GAAP in the statement of operations of P. 224,027, P. 139,645 and P. (351,849) in 2001, 2002 and 2003, respectively has been excluded from the income statement reconciliation.

**Reporting Comprehensive Income:**

Statement of Financial Accounting Standards No. 130 establishes rules for the reporting and disclosure of comprehensive income and the related components. SFAS No. 130 requires the deficit from restatement of stockholders' equity, deferred taxes on the difference between indexed cost and replacement cost and the effect of translation of foreign entities, to be included in other comprehensive income.

Cumulative effects of the surplus from restatement of stockholder's equity, deferred taxes on the difference between indexed cost and replacement cost and the effect of translation of foreign entities included in comprehensive income at December 31, 2003, that increased (decreased) stockholder's equity are P. 703,747, P. 683,762 and P. (9,122,853), respectively.

**Accounting for Derivative Instruments and Hedging Activities:**

For U.S. GAAP reporting, beginning January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) 133, Accounting for Derivative Instruments and Hedging Activities, as amended, which establishes that all derivative instruments (including certain derivative instruments embedded in other contracts) should be recognized in the balance sheet as assets or liabilities at their fair values and changes in their fair value are recognized immediately in earnings, unless the derivative qualifies as a hedge as defined in SFAS 133 for which certain special accounting treatment is permitted.

As of December 31, 2002 and 2003, there were no differences in accounting for derivative instruments between Mexican and U.S. GAAP, as they relate to the Company.

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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)****Asset Retirement Obligations:**

Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, requires that legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, that cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. As mentioned in Note 2, under the requirements of the new Mexican Bulletin C-9, the Company recognized a provision at present value of P. 155,830 for cost related to retirement of assets; therefore, no reconciling item is included in the US GAAP reconciliation.

**Effects of Inflation Accounting on Approximate U.S. GAAP Adjustments:**

To determine the net effect on the consolidated financial statements of recognizing the adjustments described above, it is necessary to recognize the effects of applying the Mexican GAAP inflation accounting provisions (described in Note 2) to such adjustments. These effects are taken into consideration in the preparation of U.S. GAAP reconciliations of net income, operating income and equity.

**Summary**

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

	Year ended December 31,		
	2001	2002	2003
Net (loss) income as reported under Mexican GAAP	P. (1,134,050)	P. 4,644,052	<b>P. 15,383,485</b>
U.S. GAAP adjustments:			
Capitalized interest or net financing cost	428,794	66,147	
Depreciation of capitalized interest	(97,673)	(148,415)	<b>(149,955)</b>
Accrued vacation pay	(37,866)	(35,963)	<b>213,949</b>
Deferred income tax on U.S. GAAP adjustments	323,603	(604,007)	<b>(1,368,770)</b>
Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI	(477,944)	(416,884)	<b>(438,141)</b>
Deferred employee profit sharing on U.S. GAAP adjustments	100,974	(175,867)	<b>142,506</b>

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Deferred employee profit sharing	77,280	277,771	(42,337)
Minority interest	224,027	139,645	(351,849)
Unrealized gains on securities	(393,058)	393,058	
Amortization of the excess of contributed company over cost	111,656		
Non-amortization of goodwill		1,677,198	1,097,725
Application of additional negative goodwill of ATL to goodwill		(643,574)	
Net (gain) loss on sale to affiliate, net		(171,559)	329,016
Effect of accounting change		1,004,907	
Effects of inflation accounting on U.S. GAAP Adjustments	204,117	30,716	83,265
	<u>          </u>	<u>          </u>	<u>          </u>
Total U.S. GAAP adjustments, net	463,910	1,393,173	(484,591)
	<u>          </u>	<u>          </u>	<u>          </u>
Net (loss) income under U.S. GAAP	P. (670,140)	P. 6,037,225	P. 14,898,894
	<u>          </u>	<u>          </u>	<u>          </u>
Weighted average of common shares outstanding as of December 31, (in million):	13,199	13,123	12,912
	<u>          </u>	<u>          </u>	<u>          </u>
Net (loss) income per share under U.S. GAAP (in pesos):	P. (0.05)	P. 0.46	P. 1.15
	<u>          </u>	<u>          </u>	<u>          </u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

After giving effect to the foregoing adjustments for accrued vacation pay, amortization of the excess of contributed company over cost, depreciation of capitalized interest, the difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI, non-amortization of goodwill and the application of additional goodwill, as well of the reclassification of the employee profit sharing expense and the deferred employee profit sharing expense, operating income under U.S. GAAP totaled P. 6,141,230, P. 13,312,374 and P.18,535,904 in 2001, 2002 and 2003, respectively.

	December 31,	
	2002	2003
Total stockholders equity under Mexican GAAP	P. 51,145,864	<b>P. 69,211,871</b>
U.S. GAAP adjustments, net of effects of inflation on monetary items:		
Capitalized interest or net financing cost	1,319,936	<b>1,319,936</b>
Accumulated depreciation of capitalized interest or net financing cost	(424,957)	<b>(574,912)</b>
Accrued vacation pay	(213,949)	
Deferred income tax from US GAAP	(688,897)	<b>(1,537,169)</b>
Deferred employee profit sharing from US GAAP	(107,515)	<b>77,440</b>
Deferred employee profit sharing	(629,129)	<b>(640,580)</b>
Deferred taxes on the difference between the indexed cost and replacement cost valuation of fixed assets	(795,078)	<b>(735,950)</b>
Difference between the restatement of fixed assets based on specific indexation factors and on the basis of the NCPI	1,145,233	<b>6,856,757</b>
Minority interest	(1,224,762)	<b>(5,098,719)</b>
Non-amortization of goodwill	1,677,198	<b>2,774,923</b>
Application of additional negative goodwill of ATL to Goodwill	(643,574)	<b>(643,574)</b>
Net gain on sale to affiliate	(171,559)	<b>157,457</b>
Total U.S. GAAP adjustments, net	(757,053)	<b>1,955,609</b>
Total stockholders equity under U.S. GAAP	P. 50,388,811	<b>P. 71,167,480</b>

**Other Recent Accounting Pronouncements:**

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities. Interpretation No. 46 addresses how to identify variable interest entities and provides guidance as to how a company may assess its interests in a variable interest entity for purposes of deciding whether consolidation of that entity is required. The adoption of Interpretation No. 46 did not have an impact on the Company's financial statements since it has no investments in variable interest entities.

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In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. The Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS No. 150 did not have an impact on the Company's financial statements.

### **Disclosure about Fair Value of Financial Instruments:**

In accordance with Statement of Financial Accounting Standards No. 107 (SFAS No. 107), Disclosures about Fair Value of Financial Instruments, under U.S. GAAP it is necessary to provide information about the fair value of certain financial instruments for which it is practicable to estimate that value.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)**

The carrying amounts of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments.

The fair value of total debt, excluding capital leases, is estimated using discounted cash flow analyses based on current borrowing rates offered to the Company for debt of the same remaining maturities and the market value for the domestic senior notes at December 31, 2002 and 2003. As of December 31, 2002 and 2003, the carrying value of total debt is P. 48,035,245 and P.48,319,903, respectively. The fair value is P. 46,157,069 at December 31, 2002 and P. 49,808,470 at December 31, 2003.

As of December 31, 2002 and 2003, the estimated fair value of the cross currency swaps amounts to P. 149,124 and P. 235,192, respectively. The Company had no instruments of this type at December 31, 2001.

Additionally, at December 31, 2003, the Company has interest-rate swaps with an estimated fair value of P. 235,509.

**Stock options:**

Under local GAAP, due to immateriality of the amounts involved, the Company has expensed the difference between the market value of the total authorized shares and the subscription price for P. 16,212 and P. 67,484 in 2002 and 2003, respectively. Under U.S. GAAP the Company recognizes a compensation expense which amounted to P. 4,605, P. 4,385 and P. 9,477 for the years ended December 31, 2001, 2002 and 2003, respectively, using the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, Accounting for stock issued to employees, as allowed by Statement of Financial Accounting Standards No. 123 ( SFAS 123 ), Accounting for stock based compensation.

The fair value for the options was estimated at the date of grant, using a Black-Scholes option pricing model with the following assumptions used for grants in 2001, 2002 and 2003: risk-free interest rate of 15.30%, 11.44% and 7.15%; dividend yield of 0.39%, 0.60% and 0.45%; expected volatility factor of 41.2%, 40.0% and 35.3%; and expected option life of 1.8, 2.3 and 2.8 years, respectively. The fair value of each option at the date of granted in 2001, 2002 and 2003 was P. 5.99, P. 5.92 and P. 18.51, respectively.

Information related to options is summarized below:

**Number of stock**

**Weighted**

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	options (in millions)	average exercise price
	<u>                    </u>	<u>                    </u>
Outstanding at January 1, 2001		
Granted	3.215	5.99
Exercised		
Outstanding at December 31, 2001	3.215	5.99
	<u>                    </u>	<u>                    </u>
Granted	2.939	5.92
Exercised	2.035	7.58
Outstanding at December 31, 2002	4.119	6.49
	<u>                    </u>	<u>                    </u>
Granted	2.565	18.51
Exercised	1.321	14.59
Outstanding at December 31, 2003	5.363	13.19
	<u>                    </u>	<u>                    </u>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

For purposes of pro forma disclosure, if the Company were to account for its employee stock options granted under the fair value method of SFAS 123, the estimated fair value of the options at the date of the grant is amortized to expense over the vesting period. Under the fair value method, the Company's U.S. GAAP net income and net income per share would have been as follows:

	Year ended December 31,		
	2001	2002	2003
Net income	P. (670,140)	P. 6,037,225	P. 14,898,894
Stock-based compensation cost included in net income	4,605	4,385	9,477
Stock-based compensation cost that would have been included in net income if the fair value based method had been applied to all awards			
Pro forma net income as if the fair value based method had been applied to all awards	P. 4,820	P. 9,171	P. 21,044
Earnings per share (in pesos):	P. (670,355)	P. 6,032,439	P. 14,887,327
Basic:			
As reported	P. (0.05)	P. 0.46	P. 1.15
Pro forma	P. (0.05)	P. 0.46	P. 1.15
Diluted:			
As reported	P. (0.05)	P. 0.46	P. 1.13
Pro forma	P. (0.05)	P. 0.46	P. 1.13

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

## Consolidated Statements of Changes in Stockholders' Equity

Under U.S. GAAP at December 31, 2002 and 2003

(Thousands of Constant Pesos with purchasing power as of December 31, 2003)

	Retained earnings					Other accumulated comprehensive income (loss)	Comprehensive (loss)	Total
	Capital Stock	Reserve for purchase of Company's own shares	Legal reserve	Unappropriated	Total			
Balances at December 31, 2000	P. 31,617,217		P. 324,654	P. 39,709,434	P. 40,034,088	P. (621,489)		P. 71,029,816
Increase in legal reserve			90,963	(90,963)				
Increase in reserve for purchase of Company's own shares		11,220,961		(11,220,961)				
Cash purchase of Company's own shares	(22,756)	(7,499,159)			(7,499,159)			(7,521,915)
Dividends paid				(622,314)	(622,314)			(622,314)
Comprehensive income:								
Net loss for the year				(670,140)	(670,140)		P. (670,140)	(670,140)
Other comprehensive income:								
Effect of translation of foreign entities						(377,675)	(377,675)	(377,675)
Unrealized gains on securities						393,058	393,058	393,058
Surplus from holding nonmonetary assets						617,077	617,077	617,077
Deferred taxes allocated to equity, net of inflation						(232,853)	(232,853)	(232,853)
Comprehensive income							(270,533)	

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Balances at December 31, 2001	31,594,461	3,721,802	415,617	27,105,056	31,242,475	(221,882)		62,615,054
Cash purchase of Company's own shares	(7,583)	(2,184,416)			(2,184,416)			(2,191,999)
Dividends paid				(618,296)	(618,296)			(618,296)
Comprehensive income:								
Net income for the year				6,037,225	6,037,225		P. 6,037,225	6,037,225
Other comprehensive income:								
Effect of translation of foreign entities						(15,060,115)	(15,060,115)	(15,060,115)
Unrealized gains on securities						(393,058)	(393,058)	(393,058)
Comprehensive income							(9,415,948)	

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

## Consolidated Statements of Changes in Stockholders' Equity (Cont.)

Under U.S. GAAP at December 31, 2002 and 2003

(Thousands of Constant Pesos with purchasing power as of December 31, 2003)

	Retained earnings					Other accumulated comprehensive income (loss)	Comprehensive (loss)	Total
	Capital Stock	Reserve for purchase of Company's own shares	Legal reserve	Unappropriated	Total			
Balances at December 31, 2002	31,586,878	1,537,386	415,617	32,523,985	34,476,988	(15,675,055)		50,388,811
Cumulative effect of adoption of a new accounting principle				(112,074)	(112,074)		P. (112,074)	(112,074)
Excess of the book value over price paid to acquired minority Interest				(178,478)	(178,478)			(178,478)
Increase in reserve for purchase of Company's own shares		5,122,000		(5,122,000)				
Cash purchase of Company's own shares	(1,713)	(973,756)			(973,756)			(975,469)
Dividends paid				(793,915)	(793,915)			(793,915)
Comprehensive income:								
Net income for the year				14,898,894	14,898,894		14,898,894	14,898,894
Other comprehensive income:								
Effect of translation of foreign entities						6,991,002	6,991,002	6,991,002
Deferred taxes allocate to equity, net of effect of inflation						948,709	948,709	948,709
Comprehensive income							P. 22,726,531	
	P. 31,585,165	P. 5,685,630	P. 415,617	P. 41,216,412	P. 47,317,659	P. (7,735,344)		P. 71,167,480

Balances at  
December 31,  
2003



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**AMÉRICA MÓVIL, S.A. DE C.V. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)****24.- Supplemental Guarantor Information**

On March 9, 2004, the Company concluded the issuance of US\$ 500 million in principal amount of 4.125% senior notes due 2009 and US\$ 800 million in principal amount of 5.50% senior notes due 2014. In addition on April 20, 2004, the Company issued US\$ 300 million in principal amount of floating rate notes due 2007, bearing interest at a rate equal to three-month Libor plus 0.625%. These notes are fully and unconditionally guaranteed by Telcel.

## Consolidating Condensed Financial Statements

The following consolidating information presents condensed consolidating balance sheets as of December 31, 2002 and 2003 and condensed consolidating statements of operations and cash flows for each of the three years in the period ended December 31, 2003 of the Company and Telcel. These statements are prepared in accordance with Mexican GAAP with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantor are full and unconditional. The significant differences between Mexican GAAP and U.S. GAAP as they affect the Guarantor are set out below.

The Company's consolidating condensed financial statements for the (i) Company; (ii) its wholly-owned subsidiary (Telcel on stand alone basis) which is a wholly and unconditional guarantor under the Senior Notes; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

**Condensed consolidated balance sheets:**

	Parent		Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
	<u>Parent</u>		<u>Subsidiary</u>	<u>Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
	<i>December 31, 2002</i>					
Current assets:						
Cash and cash equivalents	P.	1,885	P. 1,358,853	P. 8,152,242		P. 9,512,980
Marketable securities				1,510,101		1,510,101
Accounts receivable, net		11,356	3,287,429	3,223,904		6,522,689
Related parties		9,551,278	1,130,113	33,791,700	P. (43,863,693)	609,398



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Inventories, net		2,128,781		998,412		3,127,193
Other current assets		210,508		715,046		925,554
Plant property and equipment, net		27,827,610		35,166,389		62,993,999
Investments	51,269,878	41,296,123		3,290,815	(92,566,001)	3,290,815
Licenses, net		1,694,775		14,289,712		15,984,487
Trademarks				6,796,530		6,796,530
Goodwill, net				6,263,876		6,263,876
Total assets	P. 60,834,397	P. 78,934,192		P. 114,198,727	P. (136,429,694)	P. 117,537,622
Liabilities:						
Short-term debt	P. 1,819,475	P. 425,131		P. 8,392,401		P. 10,637,007
Current liabilities	514,889	11,249,770		17,185,686	P. (12,736,293)	16,214,052

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Wholly-owned		Combined		Consolidated Total
	Parent	Guarantor	non-guarantor	Eliminations	
		Subsidiary	Subsidiaries		
<i>December 31, 2002</i>					
Long-term debt	8,578,931	1,700,523	27,119,981		37,399,435
Other non-current liabilities		33,227,769	40,895	(31,127,400)	2,141,264
Total liabilities	10,913,295	46,603,193	52,738,963	(43,863,693)	66,391,758
Total majority stockholders equity	49,921,102	32,330,999	60,235,002	(92,566,001)	49,921,102
Minority interest			1,224,762		1,224,762
Total stockholders equity under Mexican GAAP	49,921,102	32,330,999	61,459,764	(92,566,001)	51,145,864
Total liabilities and stockholders equity	P. 60,834,397	P. 78,934,192	P. 114,198,727	P. (136,429,694)	P. 117,537,622
<i>December 31, 2003</i>					
Current assets:					
Cash and cash equivalents	P. 60,265	P. 1,344,896	P. 7,882,001		P. 9,287,162
Marketable securities			794,873		794,873
Accounts receivable, net	11,487	3,008,532	8,394,667		11,414,686
Related parties	9,658,533	1,065,774	35,779,947	P. (45,856,449)	647,805
Inventories, net		2,836,089	2,393,167		5,229,256
Other current assets		919,626	1,260,002		2,179,628
Plant property and equipment, net		21,677,989	49,483,653		71,161,642
Investments	66,328,617	22,801,769	2,548,599	(89,130,386)	2,548,599
Licenses, net		1,539,859	24,268,092		25,807,951
Trademarks			7,884,781		7,884,781
Goodwill, net			8,028,349		8,028,349
Other assets		4,993,815			4,993,815
Total assets	P. 76,058,902	P. 60,188,349	P. 148,718,131	P. (134,986,835)	P. 149,978,547
Liabilities:					
Short-term debt	P. 510,486	P. 452,578	P. 11,145,232		P. 12,108,296
Current liabilities	185,264	17,208,376	27,899,813	P. (17,617,886)	27,675,567
Long-term debt	11,250,000	2,567,445	23,387,104		37,204,549
Other non-current liabilities		29,882,193	2,134,634	(28,238,563)	3,778,264
Total liabilities	11,945,750	50,110,592	64,566,783	(45,856,449)	80,766,676
Total majority stockholders equity	64,113,152	10,077,757	79,052,629	(89,130,386)	64,113,152
Minority interest			5,098,719		5,098,719
Total stockholders equity under Mexican GAAP	64,113,152	10,077,757	84,151,348	(89,130,386)	69,211,871
Total liabilities and stockholders equity	P. 76,058,902	P. 60,188,349	P. 148,718,131	P. (134,986,835)	P. 149,978,547

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## Condensed consolidated statements of operations:

	Wholly-owned		Combined		Consolidated
	Parent	Guarantor Subsidiary	non-guarantor Subsidiaries	Eliminations	
<i>For the year ended December 31, 2001</i>					
Total revenues		P. 35,460,890	P. 12,282,261	P. (2,285,747)	P. 45,457,404
Total cost and expenses operating	P. 63,284	27,220,234	13,990,511	(2,491,105)	38,782,924
Operating (loss) income	(63,284)	8,240,656	(1,708,250)	205,358	6,674,480
Interest income	319,290	142,627	6,017,702	(5,595,459)	884,160
Interest expense	(276,579)	(5,439,075)	(1,024,826)	5,595,459	(1,145,021)
Exchange loss, net	16	(583,957)	201,907		(382,034)
Monetary effect, net	166,953	1,426,125	(2,410,689)		(817,611)
Other financing income (cost), net			795,609		795,609
Other income (loss), net	238,102	(437,835)	828,302	(205,358)	423,211
Tax provision	55,842	1,715,891	1,728,225		3,499,958
Equity in results of affiliates	(1,238,679)	508,734	(4,066,886)	729,945	(4,066,886)
Majority net (loss) income	P. (910,023)	P. 2,141,384	P. (2,871,329)	P. 729,945	P. (910,023)
Minority net (loss) income	P.	P.	P. (224,027)	P.	P. (224,027)
<i>For the year ended December 31, 2002</i>					
Total revenues		P. 42,407,871	P. 22,814,057	P. (5,479,332)	P. 59,742,596
Total cost and expenses operating	P. 32,841	34,572,514	17,789,397	(5,632,567)	46,762,185
Operating (loss) income	(32,841)	7,835,357	5,024,660	153,235	12,980,411
Interest income	1,345,078	203,985	6,852,219	(6,999,779)	1,401,503
Interest expense	(1,042,352)	(5,726,450)	(2,727,351)	6,999,779	2,496,374
Exchange loss, net	(239)	(2,358,811)	832,631		(1,526,419)
Monetary effect, net	25,098	1,758,143	1,088,737		2,871,978
Other financing income (cost), net			(1,273,744)		(1,273,744)
Other income (loss), net		(1,500,804)	1,924,103	(153,235)	270,064
Tax provision	109,492	425,209	2,878,911		3,413,612
Equity in results of affiliates	4,598,445	4,119,062	(4,169,755)	(8,717,507)	(4,169,755)
Majority net income (loss)	P. 4,783,697	P. 3,905,273	P. 4,812,234	P. (8,717,507)	P. 4,783,697
Minority interest net income (loss)	P.	P.	P. (139,645)	P.	P. (139,645)

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Parent	Wholly-owned	Combined	Eliminations	Consolidated Total
		Guarantor Subsidiary	non-guarantor Subsidiaries		
<i>For the year ended December 31, 2003</i>					
Total revenues		P. 52,465,905	P. 42,337,578	P. (8,862,511)	P. 85,940,972
Total cost and expenses operating	P. 86,276	42,078,637	34,685,988	(8,870,024)	67,980,877
Operating (loss) income	(86,276)	10,387,268	7,651,590	7,513	17,960,095
Interest income	1,306,972	106,658	10,321,293	(9,352,366)	2,382,557
Interest expense	(1,070,648)	(5,536,804)	(3,739,511)	6,571,597	(3,775,366)
Exchange loss, net	15	(4,405,787)	2,979,789	2,780,769	1,354,786
Monetary effect, net	49,663	1,467,803	833,332		2,350,798
Other financing income (cost), net			(189,395)		(189,395)
Other (loss) income, net	(323)	(589,657)	(447,451)	(7,513)	(1,044,944)
Tax provision	90,522	(563,050)	3,997,992		3,525,464
Equity in results of affiliates	14,922,755	5,160,528	(129,582)	(20,083,283)	(129,582)
Majority net income (loss)	P. 15,031,636	P. 7,153,059	P. 12,930,224	P. (20,083,283)	P. 15,031,636
Minority net income (loss)	P.	P.	P. 351,849	P.	P. 351,849

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## Condensed consolidated statements of changes in financial position:

	Wholly-owned		Combined		Consolidated
	Parent	Guarantor Subsidiary	non-guarantor Subsidiaries	Eliminations	
	<i>December 31, 2001</i>				
<b>Operating activities:</b>					
Net (loss) income	P. (910,023)	P. 2,141,384	P. (2,871,329)	P. 729,945	P. (910,023)
Non-cash items	1,238,678	1,729,580	8,581,133	(729,945)	10,819,446
Changes in operating assets and liabilities:	(6,153,111)	4,198,522	854,824		(1,099,765)
Resources (used in) provided by operating activities	(5,824,456)	8,069,486	6,564,628		8,809,658
<b>Financing activities:</b>					
Bank loans, net	5,494,815	566,760	8,564,004		14,625,579
Dividends paid	(622,314)				(622,314)
Decrease in capital stock and retained earnings due to purchases of Company's own shares	(7,521,915)	2,569,637		(2,569,637)	(7,521,915)
Resources (used in) provided by financing activities	(2,649,414)	3,136,397	8,564,004	(2,569,637)	6,481,350
<b>Investing activities:</b>					
Investment in telephone plant		(6,979,685)	(5,184,468)		(12,164,153)
Investment in subsidiaries and affiliated companies	8,473,989	(4,515,920)	(23,013,996)	2,569,637	(16,486,290)
Marketable securities			(9,044,625)		(9,044,625)
Investment in licenses			(290,710)		(290,710)
Resources provided by (used in) investing activities	8,473,989	(11,495,605)	(37,533,799)	2,569,637	(37,985,778)
Net increase (decrease) in cash and cash equivalents	119	(289,722)	(22,405,167)		(22,694,770)
Cash and cash equivalents at beginning of the Period		735,527	24,736,568		25,472,095
Cash and cash equivalents at end of the period	P. 119	P. 445,805	P. 2,331,401	P.	P. 2,777,325

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## Condensed consolidated statements of changes in financial position:

	Wholly-owned		Combined		Consolidated
	Parent	Guarantor Subsidiary	non-guarantor Subsidiaries	Eliminations	
	<i>For the year ended December 31, 2002</i>				
<b>Operating activities:</b>					
Net income	P. 4,783,697	P. 3,905,273	P. 4,812,234	P. (8,717,507)	P. 4,783,697
Non-cash items	(4,598,445)	(1,301,298)	9,618,089	8,717,507	12,435,853
Changes in operating assets and liabilities:	(2,894,634)	568,185	4,654,875		2,328,426
Resources (used in) provided by operating activities	(2,709,382)	3,172,160	19,085,198		19,547,976
<b>Financing activities:</b>					
Bank loans, net	4,903,590	(358,763)	19,889,531		24,434,358
Dividends paid	(618,296)				(618,296)
Decrease in capital stock and retained earnings due to purchases of Company's own shares	(2,191,999)	65,835		(65,835)	(2,191,999)
Resources provided by (used in) financing activities	2,093,295	(292,928)	19,889,531	(65,835)	21,624,063
<i>For the year ended December 31, 2002</i>					
<b>Investing activities:</b>					
Investment in telephone plant		(1,250,399)	(24,234,995)		(25,485,394)
Investment in subsidiaries and affiliated companies	617,853	(715,785)	2,277,932	65,835	2,245,835
Marketable securities			9,368,493		9,368,493
Investments in trademarks			(6,796,530)		(6,796,530)
Investment in licenses			(13,768,788)		(13,768,788)
Resources provided by (used in) investing activities	617,853	(1,966,184)	(33,153,888)	65,835	(34,436,384)
Net increase decrease in cash and cash equivalents	1,766	913,048	5,820,841		6,735,655
Cash and cash equivalents at beginning of the period	119	445,805	2,331,401		2,777,325
Cash and cash equivalents at end of the period	P. 1,885	P. 1,358,853	P. 8,152,242	P.	P. 9,512,980

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

	Parent	Wholly-owned Guarantor Subsidiary	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>For the year ended December 31, 2003</i>					
<b>Operating activities:</b>					
Net income	P. 15,031,636	P. 7,153,059	P. 12,930,224	P. (20,083,283)	P. 15,031,636
Non-cash items	(14,922,755)	(2,015,312)	11,151,932	20,083,283	14,297,148
Changes in operating assets and liabilities:	72,244	(2,812,513)	2,097,522		(642,747)
Resources provided by operating activities	181,125	2,325,234	26,179,678		28,686,037
<b>Financing activities:</b>					
Bank loans, net	852,946	894,369	(470,913)		1,276,402
Dividends paid	(793,915)	(3,540,271)		3,540,271	(793,915)
Decrease in capital stock and retained earnings due to purchases of Company's own shares	(975,469)				(975,469)
Resources provided by financing activities	(916,438)	(2,645,902)	(470,913)	3,540,271	(492,982)
<b>Investing activities:</b>					
Investment in telephone plant		2,328,007	(24,687,578)		(22,359,571)
Investment in subsidiaries and affiliated companies	793,693	(2,021,296)	3,879,034	(3,540,271)	(888,840)
Marketable securities			715,228		715,228
Minority interest			3,343,630		3,343,630
Investments in trademarks			(1,807,928)		(1,807,928)
Investment in licenses			(7,421,392)		(7,421,392)
Resources used in investing activities	793,693	306,711	(25,979,006)	(3,540,271)	(28,418,873)
Net increase (decrease) in cash and cash equivalents	58,380	(13,957)	(270,241)		(225,818)
Cash and cash equivalents at beginning of the period	1,885	1,358,853	8,152,242		9,512,980
Cash and cash equivalents at end of the period	P. 60,265	P. 1,344,896	P. 7,882,001	P.	P. 9,287,162

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Constant Mexican Pesos as of December 31, 2003)

## Guarantor US GAAP reconciliation of net income and stockholder s equity

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

## Summary

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

	Year ended December 31,		
	2001	2002	2003
Net income as reported under Mexican GAAP	P. 2,141,384	P. 3,905,273	<b>P.7,153,059</b>
U.S. GAAP adjustments:			
Capitalized interest or net financing cost, net	331,121	(82,268)	<b>(149,955)</b>
Accrued vacation pay	(37,866)	(35,963)	<b>213,949</b>
Deferred income tax and employee profit sharing adjustments	537,469	(588,511)	<b>575,343</b>
Difference between the restatement of depreciation expense based on specific indexation factors and on the basis of the NCPI	(477,944)	(129,326)	<b>2,041</b>
Effects of U.S. GAAP adjustments on subsidiaries, net	(34,702)	100,453	<b>(877,597)</b>
Effects of inflation accounting on U.S. GAAP Adjustments	203,207	25,377	<b>120,765</b>
Total U.S. GAAP adjustments, net	521,285	(710,238)	<b>(115,454)</b>
Net (loss) income under U.S. GAAP	P. 2,662,669	P. 3,195,035	<b>P. 7,037,605</b>

December 31,



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	<u>2002</u>	<u>2003</u>
Total stockholders' equity under Mexican GAAP	P. 32,330,999	<b>P. 10,077,757</b>
U.S. GAAP adjustments, net of effects of inflation on monetary items:		
Capitalized interest or net financing cost, net	894,979	<b>745,024</b>
Accrued vacation pay	(213,949)	
Deferred income tax and employee profit sharing Adjustments	(744,796)	<b>(120,468)</b>
Difference between the restatement of fixed assets based on specific indexation factors and on the basis of the NCPI	162,601	<b>437,613</b>
Effect of U.S. GAAP adjustments on subsidiaries, net	(506,761)	<b>(921,783)</b>
Total U.S. GAAP adjustments, net	<u>(407,926)</u>	<u><b>140,386</b></u>
Total stockholders' equity under U.S. GAAP	<u>P. 31,923,073</u>	<u><b>P. 10,218,143</b></u>

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**Report of Independent Registered Chartered Accountants**

**To the Board of Directors and Shareholders of Telecom Américas Ltd.**

We have audited the accompanying consolidated balance sheets of Telecom Américas Ltd. as at December 31, 2001 and 2000 and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the year ended December 31, 2001 and the 186-day period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2001 and 2000 and the consolidated results of its operations and its cash flows for the year ended December 31, 2001 and the 186-day period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Montreal, Canada

January 31, 2002, except as to Notes 1 and 25 which are as of February 12, 2002

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## TELECOM AMERICAS LTD.

## CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(in thousands of U.S. dollars)

	Notes	2001	2000 (186 days)
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues		\$ 473,207	\$
Cost of sales		220,786	
Selling, general and administrative expenses		139,179	28
Depreciation and amortization		248,280	
		<u>          </u>	<u>          </u>
Operating loss from continuing operations		(135,038)	28
Equity in loss of joint venture investees	9,24	(98,885)	(21,459)
Foreign exchange loss	24	(17,081)	
Interest expense	18	(246,751)	
Other income		29,895	8
		<u>          </u>	<u>          </u>
Loss from continuing operations before minority interest		(467,860)	(21,423)
Minority interest		36,772	
		<u>          </u>	<u>          </u>
Net loss from continuing operations		(431,088)	(21,423)
Discontinued operations	3	(513,135)	(51,748)
		<u>          </u>	<u>          </u>
Net loss		\$ (944,223)	\$ (73,171)
		<u>          </u>	<u>          </u>

## TELECOM AMERICAS LTD.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended and for the 186-day period ended December 31

(in thousands of U.S. dollars)

2001	2000
<u>          </u>	<u>          </u>

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		(186 days)
Net loss	\$ (944,223)	\$ (73,171)
Other comprehensive loss:		
Foreign currency translation adjustment net of income taxes of nil	(192,545)	(24,986)
	<u>\$ (1,136,768)</u>	<u>\$ 98,157</u>

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## TELECOM AMERICAS LTD.

## CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(in thousands of U.S. dollars, except number of shares)

	Common stock		Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total
	Shares	Par value				
Balance at beginning of period		\$ 12	\$	\$	\$	\$
Issuance of common stock (Note 17)	12,000.000	12				12
Cancellation of shares pursuant to reorganization of the Corporation's share capital (Note 17)	(12,000.000)	(12)				(12)
Issuance of shares of new common stock (Note 17)	22,309.858	22	3,629,990			3,630,012
Foreign currency translation loss					(24,986)	(24,986)
Net loss				(73,171)		(73,171)
Balances at December 31, 2000	22,309.858	22	3,629,990	(73,171)	(24,986)	3,531,855
Issuance of common stock (Note 17)	1,439.298	2	234,184			234,186
Cancellation of shares (Note 17)	(865,956)	(1)	(140,898)			(140,899)
Foreign currency translation loss					(192,545)	(192,545)
Net loss				(944,223)		(944,223)
Balances at December 31, 2001	22,883.200	\$ 23	\$ (3,723,276)	\$ (1,017,394)	\$ (217,531)	\$ 2,488,374

## TELECOM AMERICAS LTD.

## CONSOLIDATED BALANCE SHEETS

As at December 31,

(in thousands of U.S. dollars)

	Notes	2001	2000
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 552,245	\$ 65,814
Notes receivable	5	11,415	2,151,690
Accounts receivable, net	6	204,163	69,091
Inventory		93,410	19,330
Prepaid expenses and other current assets		34,680	4,983
		<u>895,913</u>	<u>2,310,908</u>
Goodwill, net	7,8	3,033,791	947,968
Investments, at equity	9		947,193
Fixed assets, net	10	1,429,092	268,638
Licenses, net	11	1,821,297	286,699
Other assets		105,120	27,166
		<u>\$ 7,285,213</u>	<u>\$ 4,788,572</u>
<b>Current liabilities</b>			
Short-term loan facilities	12	896,063	\$ 64,790
Accounts payable and accrued liabilities	13	753,913	106,876
Notes payable	14	143,693	5,090
Long-term debt due within one year	15	979,769	67,576
		<u>2,773,438</u>	<u>244,332</u>
Long-term debt	15	1,748,898	714,712
Other long-term liabilities	16	127,540	
		<u>4,649,876</u>	<u>959,044</u>
Minority interest		146,963	22,673
Series C Preferred Stock	17		275,000
Commitments and contingencies	22		
<b>Stockholders equity</b>			
Common stock	17	23	22
Additional paid-in capital	17	3,723,276	3,629,990
Deficit		(1,017,394)	(73,171)
Accumulated other comprehensive loss		(217,531)	(24,986)
		<u>2,488,374</u>	<u>3,531,855</u>

\$ 7,285,213

\$ 4,788,572

On behalf of the Board of Directors

Director

Director

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## TELECOM AMERICAS LTD.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(in thousands of U.S. dollars)

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
			(186 days)
<b>Operations</b>			
Net loss from continuing operations		\$ (431,088)	\$ (21,422)
Items not affecting cash			
Depreciation and amortization		248,280	
Unrealized foreign exchange losses		62,957	
Accreted interest on long-term debt		52,894	
Minority interest		(36,772)	
Equity in net loss of associated company		98,885	21,459
Amortization of discount on notes	15	21,771	
Changes in working capital items		125,219	(92)
		<u>142,146</u>	<u>(55)</u>
Cash provided by (used for) continuing operations			
<b>Investing activities</b>			
Acquisition of subsidiaries (net of cash)		(616,877)	
Investments		(146,891)	(8,386)
Notes receivable		1,436,147	
Capital expenditures		(136,667)	
Other long-term assets		(33,801)	
		<u>501,911</u>	<u>(8,386)</u>
Cash provided by (used for) continuing investing activities			
<b>Financing activities</b>			
Short-term loan facilities		9,229	
Increase in notes payable		172,846	
Addition of long-term debt		391,502	
Reduction of long-term debt		(516,753)	
Issuance of common shares		234,186	
Other long-term liabilities		56,194	
Shareholder contributions (including subsidiaries cash of \$19,108,000 in 2000)			159,307
		<u>347,204</u>	<u>159,307</u>
Cash provided by continuing financing activities			
Foreign exchange loss on cash held in foreign currencies		(5,131)	
		<u>(499,699)</u>	<u>(85,052)</u>
Cash used for discontinued operations			
Net increase in cash and cash equivalents		486,431	65,814



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Cash and cash equivalents, beginning of period		<u>65,814</u>	<u>        </u>
Cash and cash equivalents, end of period	4	<u>\$ 522,245</u>	<u>\$ 65,814</u>

See Note 21 for supplementary cash flow information

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**TELECOM AMERICAS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

**1. Description of Business and Basis of Presentation**

Ivey Holdco Ltd. was incorporated under the Companies Act 1981 of Bermuda on June 28, 2000, and on November 8, 2000, changed its name to Telecom Americas Ltd. ( *Telecom Americas* ).

Telecom Americas, through joint ventures and subsidiaries (collectively the *Corporation* ) is a communications company.

*a) Formation of Telecom Americas*

On November 16, 2000, pursuant to a joint venture agreement entered into by America Movil S.A. de C.V. ( *America Movil* ), Bell Canada International Inc. ( *BCI* ) and SBC International Inc. ( *SBC* ), Telecom Americas received the following contributions in exchange for 22,309.858 shares of Common stock and 1,690.142 shares of Series C Preferred stock (see Note 16):

(i) BCI contributed certain of its equity interests in Latin American investments and promissory notes payable in the amount of \$964,140,000 and;

(ii) America Movil and SBC contributed their respective equity interests in ATL Algar Telecom Leste S.A. ( *ATL* ) and America Movil contributed \$164,950,000 in cash, \$1,007,500,000 in promissory notes payable and a \$180,050,000 commitment to contribute its 60% economic interest in an Argentine broadband company, Techtel LMDS Comunicaciones Interativas S.A. ( *Techtel* ). America Movil undertook to contribute Techtel upon the receipt of the necessary regulatory approvals.

The results of operations and cash flows reflect the operations of the companies contributed as of the effective dates of their contribution to the *Corporation* which reflect approximately one month of operations for such companies in 2000.

The following table summarizes the *Corporation*'s principal operations, along with the accounting treatment for such operations as of December 31, 2001.

Company	Operations	Equity Interest(1)	Accounting Treatment
<b>Continuing Operations</b>			
Brazil Mobile			
ATL-Algar Telecom Leste S.A. ( ATL )	Cellular	59.0%	Consolidation
Tess S.A. ( Tess )	Cellular	100.0%	Consolidation
Telet S.A. ( Telet )	Cellular	77.6%	Consolidation
Americel S.A. ( Americel )	Cellular	76.7%	Consolidation
<b>Discontinued Operations</b>			
Brazil Broadband			
Canbras Communications Corporation ( Canbras )	Broadband cable and ISP	75.6%	Discontinued operation
Spanish Americas Broadband			
Techtel-LMDS Comunicaciones Interativas ( Techtel ) S.A.	Broadband, Long Distance Carrier	60.0%	Discontinued operation
Genesis Telecom C.A. ( Genesis )	LMDS	59.1%	Discontinued operation
Spanish Americas Mobile			
Comunicacion Celular S.A. Comcel S.A. ( Comcel )	Cellular	77.1%	Discontinued operation

(1) Figures represent Telecom Americas' economic interests in the operating companies listed.

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**TELECOM AMERICAS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

*b) Telecom Americas Reorganization*

In order to address the funding requirements of Telecom Americas, on February 8, 2002, BCI, America Movil and SBC completed the reorganization (the Reorganization) of Telecom Americas. This resulted in Telecom Americas becoming a company focused exclusively on the provision of mobile wireless services in Brazil, with reduced consolidated indebtedness.

The Reorganization included the following transactions (see Note 3):

Telecom Americas transferred its 77.1% indirect interest in Comcel to America Movil;

America Movil transferred cash U.S.\$80 million and its 41% indirect interest in ATL to Telecom Americas;

Telecom Americas distributed its 75.6% indirect interest in Canbras to BCI;

Telecom Americas distributed its 59.1% interest in Genesis equally to BCI and America Movil; and

Telecom Americas will distribute its 60% indirect interest in Techtel to America Movil upon the receipt of regulatory approvals.

*c)* In January 2002, America Movil agreed to sell its investment in Cellular Communications of Puerto Rico, a cellular property, to SBC for cash and a note redeemable for SBC's investment in Telecom Americas.

**2. Summary of Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*a) Investments*

The financial statements of entities which are controlled by the Corporation are consolidated and entities which are jointly controlled by the Corporation, referred to as joint venture investees, are accounted for using the equity method. All significant intercompany transactions and balances have been eliminated.

*b) Revenue Recognition*

Revenues from airtime, monthly fixed charges, prepaid cards, and cable subscriber fees are recognized when services are provided. Revenues from sales of equipment are recognized upon shipment to third party distributors or direct sales to subscribers. Activation revenues are deferred and amortized over the expected period of benefit.

*c) Translation of Foreign Currencies*

The financial statements of Telecom Americas subsidiaries and joint venture investees which have a functional currency other than the U.S. dollar are translated into U.S. dollars in accordance with Statement of

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**TELECOM AMERICAS LTD.**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

Financial Accounting Standard ( SFAS ) No. 52, Foreign Currency Translation . Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at the average exchange rates prevailing during the period. The resulting translation gains or losses are accumulated and reported in other comprehensive income or loss.

*d) Cash and Cash Equivalents*

Cash and cash equivalents represent cash and highly-liquid investments with a maturity of three months or less at the date of acquisition.

*e) Inventory*

Inventory consists mainly of mobile telephones held for resale and is recorded at the lower of weighted average cost or market.

*f) Fixed Assets*

Fixed assets are recorded at cost and are depreciated and amortized over their expected useful lives, using principally the straight-line method. The annual depreciation and amortization rates by fixed asset category are as follows:

Buildings	20-25 years
Network equipment	3-15 years
Other equipment	3-10 years
Leasehold improvements	5-10 years

Costs that are directly attributable to the construction of a network, including materials, direct labour, construction overhead and interest are capitalized and are included in network equipment.

*g) Licenses*

Licenses are recorded at cost and are amortized over their terms ranging from 15 to 20 years using the straight-line method.

*h) Handset Subsidies*

The excess of cost over the selling price of handsets is expensed upon subscriber activation.

*i) Goodwill*

Goodwill represents the excess of the purchase price over the estimated fair values of the net assets of subsidiaries and joint venture investees at the dates of acquisition. Goodwill is amortized on a straight-line basis over the estimated useful lives ranging between 9 and 17 years. For acquisitions recorded after June 30, 2001, the Corporation did not amortize the associated goodwill in accordance with the new Standards of the Financial Accounting Standards Board ( FASB ). (See Note 2n).

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TELECOM AMERICAS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

*j) Impairment of Long-lived Assets*

The Corporation evaluates the carrying value of its long-lived assets, including goodwill, on an ongoing basis. In order to determine whether an impairment exists, management compares the undiscounted cash flows estimated to be generated by those assets with their carrying amount. If such assets are considered to be impaired, the impairment charge to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value. Any permanent impairment in the carrying value of assets is charged against income in the period an impairment is determined (See Note 2n).

*k) Income Taxes*

The Corporation accounts for income taxes under the liability method. Deferred taxes relate to the expected future tax consequences of temporary differences between the carrying amount of balance sheet items and their corresponding tax values. Deferred tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the deferred tax assets will be realized. Deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Telecom Americas is not liable for income taxes in Bermuda. It has been given assurance from the appropriate authorities that in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any of the aforementioned taxes shall not be applicable until March 28, 2016.

*l) Comprehensive Income (loss)*

Comprehensive income (loss) is comprised entirely of foreign currency translation adjustments, net of income taxes.

*m) Derivative Instruments and Hedging Activities*

To manage interest rate exposure, the Corporation enters into interest rate swap agreements. Furthermore, the Corporation manages exposure to fluctuations in foreign exchange rates by creating offsetting positions principally through the use of foreign exchange swaps. The Corporation enters into foreign exchange swaps to hedge certain short-term loan facilities. The Corporation does not use financial instruments for trading or



speculative purposes.

In accordance with SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, the Corporation records derivatives on the balance sheet as assets or liabilities measured at fair value. For those derivatives representing effective hedges of risks and exposures, unrealized gains or losses resulting from changes in the fair values are presented either in net earnings or as a component of comprehensive income (loss), depending upon the nature of the hedge.

*n) Recent Accounting Pronouncement*

The FASB recently issued SFAS No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with an

**TELECOM AMERICAS LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test. The Corporation is currently evaluating the impact of the adoption of the new standards, and therefore has not yet finalized their effect on its consolidated financial statements. However, a substantial amount of goodwill on the consolidated balance sheet at January 1, 2002 may be found to be impaired.

The FASB recently issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*, which is effective for fiscal years beginning after December 15, 2001 and addresses how to account for and report impairments or disposals of long-lived assets (including discontinued operations). An impairment loss is to be recorded on long-lived assets being held or used when the carrying amount of the asset is not recoverable from its undiscounted cash flows. The impairment loss is equal to the difference between the asset's carrying amount and estimated fair value. Long-lived assets to be disposed of by other than a sale for cash are to be accounted for and reported like assets being held or used, except that the impairment loss is recognized at the time of the disposition. Long-lived assets to be disposed of by sale are to be recorded at the lower of their carrying amount or estimated fair value (less costs to sell) at the time the plan of disposition has been approved and committed to by the appropriate company management. The results of operations of discontinued operations must be reported in the period in which they occur. In addition, depreciation is to cease at the same time. The Corporation's management does not expect the adoption of this standard to have a significant impact on its future consolidated financial results.

### **3. Discontinued Operations**

Discontinued operations are comprised of the following:

Spanish Americas Mobile, Spanish Americas Broadband and Brazil Broadband

Effective December 31, 2001, the Corporation adopted a formal plan of disposal for all of its operations in the Spanish Americas Mobile (Comcel), Spanish Americas Broadband (Techtel and Genesis) and Brazil Broadband (Canbras) business segments. On February 8, 2002, Comcel, Canbras, Genesis and Techtel were disposed of at management's best estimate of fair value as part of the Reorganization, as described in Note 1. As at December 31, 2001, a provision was recorded for the expected loss on disposal.

**Years ended December 31**

2001	2000
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	_____	_____
		(186 days)
Revenues applicable to discontinued operations, excluded from consolidated revenues	\$ 355,100	\$ 25,356
	_____	_____
Net operating loss from discontinued operations, net of tax:	(252,086)	(53,424)
Provision for loss on disposal	(280,754)	
Minority interest	19,705	1,676
	_____	_____
Net loss from discontinued operations	\$ (513,135)	\$ (51,748)
	_____	_____

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## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

Amounts related to the discontinued operations included in the consolidated balance sheets are as follows:

	Years ended December 31	
	2001	2000
Current assets	\$ 153,892	\$ 124,470
Fixed assets, net	434,194	268,637
Licenses, net	290,079	286,699
Goodwill	1,023,693	947,968
Other assets	61,040	26,971
	1,962,898	1,654,745
Current liabilities	673,594	244,154
Long-term debt	543,754	714,712
Total liabilities	1,217,348	958,866
Net assets	\$ 745,550	\$ 695,879

Cash flows from discontinued operations are as follows:

	Years ended December 31	
	2001	2000
Operating activities	\$ (35,059)	\$ (46,274)
Investing activities	(334,958)	(4,792)
Financing activities	(128,171)	(36,999)
Foreign exchange (loss) gain on cash held in foreign currencies	(1,511)	3,013
Cash flows from discontinued operations	\$ (499,699)	\$ (85,052)

**4. Cash and Cash Equivalents**

Cash and cash equivalents at December 31, 2001 include \$351,633,000 of restricted cash. This amount represents cash not available for use other than to collateralize short-term bank loans of certain subsidiaries of the Corporation.

**5. Notes Receivable**

	<u>2001</u>	<u>2000</u>
Shareholders(1)	\$	\$ 2,151,690
Other	11,415	
	<u>\$ 11,415</u>	<u>\$ 2,151,690</u>

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(1) These notes are non-interest bearing, payable on demand and include \$180,050,000 receivable from America Movil representing its commitment to contribute its 60% economic interest in Techtel (see Note 1).

## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

## 6. Accounts Receivable

	<u>2001</u>	<u>2000</u>
Third parties		
Customers	\$ 195,759	\$ 65,482
Other	24,058	7,855
	<u>219,817</u>	<u>73,337</u>
Allowance for doubtful accounts	(15,837)	(4,350)
Net	203,980	68,987
Related parties		
Associated company(1)	183	104
	<u>\$ 204,163</u>	<u>\$ 69,091</u>

(1) An associated company is a company where the Corporation or any one of the Corporation's shareholders exercises significant influence.

## 7. Investments in Subsidiaries

During the year ended December 31, 2001 the Corporation completed several acquisitions.

The results of operations for each of the acquisitions are included in the consolidated statements of earnings as of the effective date of acquisition. Each acquisition was accounted for using the purchase method.

2001

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The allocation of the purchase price to the estimated fair value of net assets acquired is as follows:

	<u>ATL(b)</u>	<u>Americel(c)</u>	<u>Telet(c)</u>	<u>Tess(d)</u>	<u>Techtel(e)</u>	<u>Total</u>
Current assets (including cash of \$405,078,000)	408,420	53,814	39,462	107,345	17,491	626,532
Fixed assets	245,604	151,310	208,447	296,389	94,946	996,696
License	721,119	94,807	135,693	736,526	26,114	1,714,259
Other assets	1,173	12,542	7,843	5,409	36,020	62,987
	<u>1,376,316</u>	<u>312,473</u>	<u>391,445</u>	<u>1,145,669</u>	<u>174,571</u>	<u>3,400,474</u>
Less:						
Current liabilities	97,260	266,546	299,991	528,151	16,994	1,208,942
Long-term debt	980,144	70,308	102,118	393,660	53,209	1,599,439
Minority interest	122,573				41,748	164,321
	<u>176,339</u>	<u>(24,381)</u>	<u>(10,664)</u>	<u>223,858</u>	<u>62,620</u>	<u>427,772</u>
Net assets (liabilities) acquired	176,339	(24,381)	(10,664)	223,858	62,620	427,772
Goodwill	123,661	232,939	193,079	667,491	147,430	1,364,600
	<u>300,000</u>	<u>208,558</u>	<u>182,415</u>	<u>891,349</u>	<u>210,050</u>	<u>1,792,372</u>
Consideration paid	300,000	208,558	182,415	891,349	210,050	1,792,372
Goodwill amortization period	12 years	11 years	11 years	12 years	N/A	

- a) On February 28, 2001 Canbras completed a rights offering amounting to \$66,058,000 (CDN\$99,105,000). The Corporation exercised all rights issued to it, as well as all remaining rights which were unexercised at the expiry of the offering, for a total investment of \$54,373,000 (CDN\$81,575,000) and which resulted in an increase of its economic interest in Canbras from 70.7% to 75.6%.

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**TELECOM AMERICAS LTD.**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

- b) On March 27, 2001, the Corporation invested U.S.\$300,000,000 in ATL, increasing its total economic interest from 50% to 59% and changed its basis of accounting for ATL from the equity method to consolidation as of that date.
- c) On March 30, 2001, the Corporation acquired an additional 16.3% economic interest in each of Americal and Telet for an aggregate purchase price of \$153,311,000.

On September 25, 2001, the Corporation acquired an additional 42.7% and 43.4% economic interest in each of Americal and Telet, respectively, for an aggregate purchase price of \$376,364,000 including acquisition costs and changed its basis of accounting for Americal and Telet from the equity method to consolidation as of that date.

On December 5, 2001, the Corporation acquired an additional 1.3% and 1.5% in Americal and Telet, respectively for an aggregate purchase price of \$14,612,000.

- d) On April 9, 2001, the Corporation acquired, for total consideration of approximately \$950,000,000 a 100% economic interest in Tess, one of two B Band cellular companies operating in the Brazilian state of Sao Paulo. The consideration consisted of \$318,725,000 in cash and \$631,275,000 in notes payable (see Note 14), which had an estimated fair value of \$571,275,000, resulting in an effective purchase price of approximately \$890,000,000 before related costs of acquisition.

The following table summarizes the results of the Corporation as if it had acquired Tess at January 1, 2001:

	<u>2001</u>
Revenues	\$ 523,867
Net loss	(1,005,355)

- e) On August 31, 2001, the Corporation acquired, for a total consideration of \$210,050,000, a 60% economic interest in Techtel, an Argentine broadband company. Techtel was contributed to Telecom Americas by America Movil in exchange for shares pursuant to the joint venture agreement entered into in November 2000 (see Note 1).

- f) During 2001, the Corporation invested amounts totalling \$187,117,000 in Comcel resulting in an increase in its economic interest from 68.5% to 77.1%



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- g) During November 2001, the Corporation invested \$14,471,000 in Genesis, resulting in an increase in its economic interest from 51.0% to 59.06%.

2000

During the 186-day period ended December 31, 2000, the Corporation either directly, through subsidiaries or operating companies, completed several transactions as follows:

- a) During December 2000, the Corporation converted, through a subsidiary, a note receivable in the amount of \$17,083,000 (CDN\$25,590,000) into common shares of Canbras Communications, resulting in an additional 6.2% effective economic interest for the Corporation. The transaction resulted in additional goodwill of \$2,648,000.
- b) During December 2000, the Corporation, through a subsidiary, invested \$116,000,000, resulting in a 9.33% increase in the Corporation's effective economic interest in Comcel. The net equity investment of the minority interest shareholders of Comcel is Nil as a result of accumulated losses experienced by Comcel. Consequently, the Corporation does not allocate losses to the minority interest shareholders.

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## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

## 8. Goodwill, Net

	Cost	Accumulated amortization	Net book value
	<u>          </u>	<u>          </u>	<u>          </u>
2001	\$ 3,199,520	\$ 165,729	\$ 3,033,791
	<u>          </u>	<u>          </u>	<u>          </u>
2000	\$ 953,866	\$ 5,898	\$ 947,968
	<u>          </u>	<u>          </u>	<u>          </u>

## 9. Investments, At Equity

As at December 31, 2000, investments at equity comprised the following joint venture investees (see Notes 7 b) and c)):

	2000
	<u>          </u>
ATL	\$ 806,374
Americel	66,932
Telet	73,887
	<u>          </u>
	\$ 947,193
	<u>          </u>

During 2000, the Corporation made cash investments in the aggregate of \$8,386,000 to fund its pro-rata share of its joint venture investees operations. These investments did not change the Corporation's economic interest in such operations.

The table below sets out the financial position and results of operations of investments for the periods during which they were accounted for using the equity method:

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	<u>2001</u>	<u>2000</u>
Balance sheet		
Total assets		\$ 2,103,997(1)
Total liabilities		1,996,695
Statement of operations		
Revenues	\$ 263,029	\$ 68,338
Net loss	\$ (313,481)	\$ (61,976)

(1) Includes approximately \$899,793,000 of goodwill (net of accumulated amortization).

**10. Fixed Assets, Net**

2001

	<u>Cost</u>	<u>Accumulated depreciation/ amortization</u>	<u>Net book value</u>
Land	\$ 8,604	\$	\$ 8,604
Buildings	39,614	2,827	36,787
Network equipment	861,469	223,399	638,070
Other equipment	494,025	158,103	335,922
Network equipment under construction	323,686		323,686
Leasehold improvements	109,687	23,664	86,023
	<u>\$ 1,837,085</u>	<u>407,993</u>	<u>\$ 1,429,092</u>

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## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

2000

	Cost	Accumulated depreciation/ amortization	Net book value
	<u>          </u>	<u>          </u>	<u>          </u>
Land	\$ 2,899	\$	\$ 2,899
Buildings	6,543	1,332	5,211
Network equipment	246,269	85,054	161,215
Other equipment	57,672	15,841	41,831
Network equipment under construction	55,120		55,120
Leasehold improvements	3,357	995	2,362
	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 371,860	\$ 103,222	\$ 268,638
	<u>          </u>	<u>          </u>	<u>          </u>

**11. Licenses**

	Cost	Accumulated amortization	Net book value
	<u>          </u>	<u>          </u>	<u>          </u>
2001	\$ 2,319,616	\$ 498,319	\$ 1,821,297
	<u>          </u>	<u>          </u>	<u>          </u>
2000	\$ 402,043	\$ 115,344	\$ 286,699
	<u>          </u>	<u>          </u>	<u>          </u>

**12. Short-term Loan Facilities**

The Corporation's principal short-term loan facilities are as follows:

*Comcel*

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At December 31, 2001, Comcel had \$33,081,000 owing to banks, bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from Colombian fixed-term deposit rate plus 1.67% to Colombian fixed-term deposit rate plus 7% on peso denominated loans (\$22,523,000), and at LIBOR plus 4.5% on U.S. dollar denominated loans (\$10,558,000). The LIBOR and the Colombian fixed-term deposit rates were 2.44% and 10.75%, respectively, as at December 31, 2001.

### *ATL*

At December 31, 2001, ATL had \$79,063,000 owing to banks, bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from 102.4% of the Interbank Certificate Deposit rate ( CDI ) to 118% of CDI on real denominated loans (\$33,240,000) and from 7.4% to 12.35% on foreign exchange variation rate ( FE ) loans denominated in U.S. dollars (\$45,823,000). The CDI and FE rates were 19.02% and 7.45% respectively as at December 31, 2001. Included in the real denominated loans are \$41,865,000, which were swapped from U.S. dollars to real. (See Note 24)

### *Tess*

At December 31, 2001, Tess had \$175,888,000 owing to banks, bearing interest at variable and fixed rates. Effective interest rates at December 31, 2001 on these loans ranged from 2% to 12.35% on FE loans denominated in U.S. dollars (\$119,583,000) and from 101% of CDI to 140% of CDI and fixed rates of 17.8% to 26.08% on real denominated loans (\$56,304,000). Included in the real denominated loans are \$23,588,000, which were swapped from U.S. dollars to real. (See Note 24)

## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

*Americel*

At December 31, 2001, Americel had \$196,306,000 owing to banks bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from 104% of CDI to 130% of CDI on Real denominated loans (\$142,448,000) and from 4.5% to 12% on FE loans denominated in U.S. dollars (\$53,858,000). Included in the real denominated loans are \$11,298,000, which were swapped from U.S. dollars to real. (See Note 24)

*Telet*

At December 31, 2001, Telet had \$408,030,000 owing to banks, bearing interest at variable rates. Effective interest rates at December 31, 2001 on these loans ranged from 5% to 19% on FE loans (\$280,091,000) and from 104% of CDI to 134% of CDI on real denominated loans (\$127,939,000).

**13. Accounts Payable and Accrued Liabilities**

	<u>2001</u>	<u>2000</u>
Third parties		
Trade	\$ 227,498	\$ 48,316
Accrued liabilities	242,761	56,234
	<u>470,259</u>	<u>104,550</u>
Provision for loss on disposal (see Note 3)	280,754	
	<u>751,013</u>	<u>104,550</u>
Related parties		
Shareholder		1,688
Affiliated companies(1)	2,900	638
	<u>2,900</u>	<u>2,326</u>

	\$ 753,913	\$ 106,876
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(1) Affiliated companies are companies controlled by the Corporation's shareholders.

**14. Notes Payable**

	2001	2000
Third parties	\$ 3,076	\$ 5,090
Shareholders(1)	140,617	
	\$ 143,693	\$ 5,090

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(1) Notes payable to shareholders, bearing interest at various rates up to 6.75%, maturing February 8, 2002.

## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

## 15. Long-term Debt

	2001	2000
<b>Continuing Operations</b>		
ATL:		
Equipment financing, bearing interest at LIBOR plus 2.50% to LIBOR plus 3.75%, repayable in varying amounts ending in 2002	\$ 215,769	
Bank loans (R\$295,253,000), bearing interest at the long-term Brazilian Development bank prime rate ( TJLP ) plus 3.00% to TJLP plus 4.50%, due in 2007	239,288	
Debentures (R\$573,230,000), bearing interest at CDI plus 1.20% repayable in 2003	151,485	
Other	13,601	
	<u>620,143</u>	
Tess:		
Equipment financing, bearing interest at LIBOR plus 6.50%, repayable in varying amounts ending in 2002	\$ 271,301	\$
Bank loans (R\$227,543,000) bearing interest at TJLP plus 2.80% to TJLP plus 4.30%, due in 2006	99,448	
Bank loans, bearing interest at FE 4.30%, due in 2006	16,678	
	<u>387,427</u>	
Americel:		
Bank loan (R\$181,517,000) bearing interest at TJLP plus 3.0% repayable in varying amounts beginning in 2002 and ending in 2006	\$ 79,408	\$
Other		
	<u>79,408</u>	
Telet:		
Equipment financing, bearing interest at LIBOR plus 3.75%, due in 2002	\$ 40,504	\$
Other	12,392	
	<u>52,896</u>	
<b>Discounted Operations</b>		
Comcel:		
14.125% senior deferred coupon bonds, due in 2005	\$ 280,370	\$ 281,103
Senior term loan, bearing interest at LIBOR plus a variable margin (3.25% to 4.25%), repayable in varying payments ending in 2002	92,832	164,513



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14% senior discount notes, due in 2004	185,495	178,903
Bank loans, bearing interest at LIBOR plus 2.70% to LIBOR plus 3.75%, repayable in varying amounts ending in 2004	21,319	33,584
Bank loans (2001 Cols Ps 53,099,440,000, 2000 Col Ps 82,574,300,000), bearing interest at 15.00% to 17.00%, repayable in varying amounts ending in 2002	24,110	36,932
Other	17,796	24,617
	<u>621,922</u>	<u>719,652</u>

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## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

	2001	2000
<b>Techtel:</b>		
Other	\$ 65,417	\$
<b>Canbras:</b>		
Floating rate note facility, bearing interest at LIBOR plus 4.50% to LIBOR plus 7.50%, due in 2007	\$ 27,752	\$ 27,735
Bank loan repaid in 2001		16,664
Other	2,946	9,276
	<u>30,698</u>	<u>53,675</u>
<b>Genesis Telecom:</b>		
Equipment financing, bearing interest at LIBOR plus 8.00% to LIBOR plus 10.00%, repayable in varying amounts ending 2004	\$ 7,695	\$ 8,735
Other		226
	<u>7,695</u>	<u>8,961</u>
<b>Telecom Americas:</b>		
Tess Note (see Notes a) and b)):		
Series A Notes bearing interest at LIBOR, payable annually, with principal repayable in three equal annual installments ending in April 2004	\$ 315,638	\$
Series B Notes bearing interest at an average rate of 3.62%, payable semi-annually, with principal repayable in three equal annual installments ending in April 2004	315,638	
Discount on Series A and Series B Notes (see Note 7 d)	(38,229)	
	<u>593,047</u>	
Loan payable to a shareholder, bearing interest at 12% per year, maturing June 15, 2004	198,619	
Loan payable to a shareholder, bearing interest at 12% per year, maturing June 15, 2004, repayable in shares of Telecom Americas (see Note c)	71,395	
	<u>863,061</u>	
	<u>2,728,667</u>	<u>782,288</u>
Less: due within one year	979,769	67,576
	<u>\$ 1,748,898</u>	<u>\$ 714,712</u>

Estimated principal repayments of long-term debt outstanding at December 31, 2001 over the next five years are as follows:

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
979,769	469,304	756,274	390,251	78,251

*a) Tess Notes*

The Tess Notes were purchased by an affiliate of America Movil from the vendors of Tess.

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**TELECOM AMERICAS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

*b) Change of Control Covenants*

The covenants of the Tess Notes, Series A and B include change of control clauses in respect of the ownership of BCI by its ultimate parent company. If these clauses were to be breached, the repayment of the outstanding amounts under these financial obligations could be accelerated.

*c) 12% Loan Repayable in Shares of Telecom Americas*

During December 2001, the Corporation received a loan facility in the amount of U.S.\$120,000,000, bearing interest at 12%, repayable on June 15, 2004 in shares of Telecom Americas at a price of \$47,353.06 per share.

*d) Collateral*

In general, substantially all of the assets of the Corporation's operating companies have been pledged to secure short-term and long-term loan facilities.

**16. Other Long-Term Liabilities**

Other long-term liabilities are comprised of disputed amounts related to license fee instalments payable to Agencia Nacional de Telecomunicacoes ( Anatel ) for ATL (\$78,781,000) and Tess (\$48,759,000). The amounts in dispute reflect a difference in the application of inflation indexing in the computation of the license instalments payable in March, 1999, 2000 and 2001 and interest thereon. The dispute is not expected to be resolved within the next twelve months.

**17. Preferred and Common Stock**

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Authorized	
Common stock, par value \$1.00 per share	46,309.858(1)
Series C Preferred stock, par value \$1.00 per share, voting, cancelled during 2001.	1,690.142

(1) As of June 30, 2001, the share capital of Telecom Americas consists of a single class of Common Stock.

	2001	2000
	—	—
Issued and outstanding		
22,883.200 in 2001 (22,309.858 in 2000) Common stock	\$ 23	\$ 22
Nil in 2001 (1,690.142 in 2000) Series C Preferred stock		2
	—	—
	\$ 23	\$ 24
	—	—

On July 13, 2001, BCI and America Movil each tendered shares of Telecom Americas to redeem \$275,000,000 and \$140,898,191, respectively, of notes due to Telecom Americas. As a result, 1,690.142 Series C Preferred stock in the amount of \$275,000,000 and 865.956 shares of Common stock, having a par value of \$1.00, in the amount of \$140,898,191 were cancelled.

On September 19, 2001, Telecom Americas issued 1,439.298 shares of Common Stock having a par value of \$1.00 per share, in exchange for cash consideration of \$234,186,349.

## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

On June 28, 2000, in connection with its incorporation, Telecom Americas issued 12,000 shares of Common stock in exchange for cash consideration of \$12,000.

On November 16, 2000, Telecom Americas issued redeemable Preferred stock Series A through G (100 shares for each of Series A, B, D, E, F and G of Preferred stock, par value \$1.00 per share and 1,690.142 shares of Series C preferred stock, par value \$1.00 per share). Series A, B, D, E, F and G of Preferred stock were non-voting and non-convertible. In exchange for the issuance of shares of Preferred stock, the Corporation received \$164,950,000 in cash, \$2,151,690,000 in promissory notes and equity interests in certain investments having an aggregate fair value of \$1,588,360,000. Also on November 16, 2000, in connection with a reorganization of the Corporation's authorized and issued share capital, the Series A, B, D, E, F and G of Preferred stock and 12,000 shares of Common stock outstanding at that time were exchanged for 22,309.858 shares of new Common stock having a par value of \$1.00 per share. As a result of this reorganization of share capital, all authorized and unissued Preferred stock series, A, B, D, E, F and G were cancelled.

Outstanding Common Stock at December 31, 2001 are owned as follows:

	<u>Number</u>	<u>Ownership</u>
BCI	9,536.138	41.7%
America Movil	10,415.643	45.5%
SBC	2,931.419	12.8%
	<u>22,883.200</u>	<u>100.000%</u>

## 18. Interest Expense

	<u>2001</u>	<u>2000</u>
		<u>(186 days)</u>
Interest expense long-term debt	\$ 83,554	\$
Interest expense other	163,197	
	<u>\$ 246,751</u>	<u>\$</u>

**19. Income Taxes**

As at December 31, future income taxes are as follows:

	<u>2001</u>	<u>2000</u>
Deferred tax assets:		
Tax benefits on losses	\$ 807,255	\$ 183,664
Deferred tax liabilities:		
Current assets	11,523	1,284
Other assets	9,851	41,861
Current liabilities	39,999	4,391
	<u>61,373</u>	<u>47,536</u>
	745,882	136,128
Valuation Allowance	(745,882)	(136,128)
	<u>\$</u>	<u>\$</u>
Deferred taxes, net	<u>\$</u>	<u>\$</u>

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## TELECOM AMERICAS LTD.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000

(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)

The Corporation has Brazilian non-capital tax losses from continuing operations carried forward amounting to approximately \$1,847,000,000 that can be used to offset future years taxable income indefinitely. A significant portion of these losses was accumulated in the foreign operations prior to them being contributed to or acquired by the Corporation (see Notes 1 and 7). The benefit of these losses has not been reflected in the consolidated financial statements except to the extent of future income tax liabilities.

The valuation allowance as at December 31, 2001 and 2000 represents primarily tax benefits on losses carryforwards that may remain indefinitely unutilized.

**20. Segmented Information**

As of December 31, 2001, the Corporation's continuing operations are in only one operating segment: Brazil Mobile, which is comprised of four cellular companies in Brazil.

**21. Supplementary Cash Flow Information**

	<u>2001</u>	<u>2000</u>
		<b>(186 days)</b>
a) Changes in working capital items		
Increase (decrease) in current assets of continuing operations		
Accounts receivable	\$ (7,584)	\$ (299)
Inventory	(25,556)	
Prepaid expenses and other current assets	1,156	28
Decrease in accounts payable and accrued liabilities	157,203	179
	<u>125,219</u>	<u>(92)</u>
Decrease in working capital items	\$ 125,219	\$ (92)
b) Non-cash investing and financial activities		
Investing activities		
Increase in promissory notes receivable from shareholders	\$	\$ (2,151,690)
Shareholder contributions		(1,588,360)
Non-cash consideration paid for subsidiaries	841,325	



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Financing activities	\$ 841,325	\$ (3,740,050)
Issuance of shares of common stock and of Preferred Series C stock (including additional paid-in capital)	\$	\$ 3,740,050
Redemption of shares	415,898	
	<u>\$ 415,898</u>	<u>\$ 3,740,050</u>
c) Other cash flow information		
Interest paid	\$ 173,628	\$
Income taxes paid	\$	\$

**22. Commitments and Contingencies**

- a) At December 31, 2001, the Corporation is committed in the aggregate amount of \$81,400,000 under the terms of operating leases with various expiration dates for the rental of premises and equipment.

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**TELECOM AMERICAS LTD.**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

Annual lease payments in 2001 amounted to \$19,349,000. Future payments will be as follows:

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$18,849	\$11,597	\$7,730	\$5,883	\$5,511

- b) Pursuant to the joint venture agreement relating to the formation of Telecom Americas, BCI agreed to increase the amount of the promissory notes it contributed to Telecom Americas to the extent Comcel is required to pay damages in excess of U.S.\$5 million as a result of litigation in respect of the provision by Comcel, between December 1998 and September 1999, of long distance services through voice-over Internet protocol (VOIP). Comcel is currently involved in litigation whereby plaintiffs are claiming damages of approximately U.S.\$70 million. While Comcel's Colombian counsel believes the damage allegations will be subject to defenses on the merits and that substantially all of the claims lack a sufficient evidentiary basis, there can be no assurance that Comcel will be successful in its defense.

As part of the Telecom Americas Reorganization (see Note 1) which closed on February 8, 2002, the parties agreed to modify the existing indemnification obligation of BCI. BCI has agreed: (i) that BCI shall indemnify Comcel for the initial U.S.\$5 million of damages; (ii) Comcel shall be responsible for damages in excess of U.S.\$5 million up to and including U.S.\$7.5 million; and (iii) BCI shall indemnify Comcel for any damages in excess of U.S.\$7.5 million.

- c) The Corporation's consolidated long-term debt includes certain debt of ATL and Tess (\$215,769,000 and \$217,301,000, respectively), maturing in 2002 (see Note 15). Management of ATL and Tess are currently renegotiating the repayment terms of such debt.

The accounts of ATL and Tess have been included in these consolidated financial statements on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The continuation of ATL and Tess as going concerns is dependent upon their ability to successfully renegotiate the terms of the long-term debt referred to above, the ability to generate sufficient future cash flows to meet their obligations on a timely basis and the continuing financial support of Telecom Americas.

Should ATL and Tess not be able to continue as going concerns, the recoverability by the Corporation of the net assets included in these consolidated financial statements is in doubt. In addition, the Corporation guarantees the majority of these subsidiaries long-term bank loans and equipment financings.

Management believes that the terms of the long-term debt will be successfully renegotiated.

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The net assets at December 31, 2001 related to each of ATL and Tess included in these consolidated financial statements are as follows:

	<u>ATL</u>	<u>Tess</u>	<u>Total</u>
Assets	\$ 1,738,631	\$ 1,597,079	\$ 3,335,710
Liabilities	919,628	1,549,935	2,469,563
Net assets	<u>\$ 819,003</u>	<u>\$ 47,144</u>	<u>\$ 866,147</u>

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**TELECOM AMERICAS LTD.**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

**23. Related Party Transactions**

In the normal course of business, the Corporation had transactions which were measured at exchange amounts with its shareholders and affiliated companies as follows:

	<u>2001</u>	<u>2000</u>
Interest expense	\$ 43,511	\$ 6,977

**24. Financial Instruments***a) Currency Risk*

The Corporation is exposed to market risks from changes in foreign currency rates.

*b) Concentration of Credit Risk*

Financial instruments which potentially subject the Corporation to concentration of credit risk consist principally of accounts receivable from customers and distributors. The Corporation's customers from continuing operations are located in Brazil. The ability of the customers to pay their debt depends, in part, upon the general condition of the Brazilian economy. Generally, the Corporation does not require collateral or other security to support receivables.

*c) Fair Value of Financial Instruments*

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Fair values approximate amounts at which financial instruments could be exchanged for instruments of similar risk, principal and remaining features. Fair values are based on estimates using present value and other valuation techniques which are significantly affected by assumptions concerning future cash flows and discount rates and should not be interpreted as being realizable in an immediate settlement of the instruments. Estimated fair value of the Corporation's financial instruments, where the fair value differs from the carrying amounts in the financial statements as at December 31, 200 are as follows:

	2001		2000	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Long-term debt	\$ 2,728,667	\$ 2,624,240	\$ 782,288	\$ 690,542

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, short-term loan facilities, notes payable and accounts payable, in the consolidated balance sheet, approximate their estimated fair values.

In addition, the fair value of the foreign exchange swaps utilized by the Corporation as hedges for certain short-term loan facilities (see Note 12) amounts to \$6,296,000 (\$Nil in 2000) and is included in short-term loan facilities in these consolidated financial statements. Foreign exchange loss and equity loss of joint venture investees for the year ended December 31, 2001 includes \$13,419,000 and \$2,369,000, respectively, (\$Nil in 2000) relating to realized and unrealized fair value gains on foreign exchange swaps.

**TELECOM AMERICAS LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**For the year ended December 31, 2001 and for the 186-day period ended December 31, 2000**

**(all tabular amounts are in thousands of U.S. dollars, unless otherwise stated)**

*d) Interest Rate Risk*

The Corporation is exposed to market risks from changes in interest rates on its long-term debt and does not currently hold any financial instruments that mitigate this risk.

**25. Subsequent Events**

On February 12, 2002, the Corporation entered into an agreement with a private investor relating to the purchase of U.S.\$300 million of common shares in Telecom Americas. The proceeds will be used to retire debt. The transaction is expected to close in the first quarter of 2002, and is subject to a number of conditions.

**SIGNATURES**

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

Dated: July 23, 2004

AMÉRICA MÓVIL, S.A. 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**