

## RISK FACTORS

### Risks Relating to Our Businesses

#### ***Competition in the wireless industry is intense and could adversely affect the revenues and profitability of our business***

Our wireless businesses face substantial competition from other wireless providers. We also face competition from fixed-line telephone companies and, increasingly, other service providers such as cable, paging, trunking and Internet companies because of the trend towards convergence of telecommunication services.

Competition in our markets has intensified in recent periods, and we expect that it will continue to intensify in the future as a result of the entry of new competitors, the development of new technologies, products and services, and the auction of additional spectrum. We also expect the current consolidation trend in the wireless industry to continue, as companies respond to the need for cost reduction and additional spectrum. This trend may result in larger competitors with greater financial, technical, promotional and other resources to compete with our businesses. Telefónica, S.A. (*"Telefónica Móviles"*), which has important operations in Mexico and Brazil, as well as other of our markets, consolidated its position as our largest regional competitor through several acquisitions.

Among other things, our competitors could:

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

Competition can result in increases in advertising and promotional spending and reductions in prices for services and handsets. In addition, portability requirements, which enable customers to switch wireless providers without changing their wireless numbers, have been introduced in some of our markets, including Mexico and Brazil, and may be introduced in other markets in the near future.

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

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

#### ***Changes in government regulation could hurt our businesses***

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

degrees by government or regulatory authorities. Any of these authorities having jurisdiction over our businesses could adopt or change regulations or take other actions that could adversely affect our operations. In particular, the regulation of prices operators may charge for their services could have a material adverse effect on us by reducing our profit margins.

These risks are significant in all of the markets in which we operate. See “Mexican Operations–Regulation” and “Non-Mexican Operations–Regulation” under Item 4. The risks in our largest markets, for example, include the following.

- In Mexico, the business of Radiomóvil Dipsa, S.A. de C.V., or “Telcel,” is subject to extensive government regulation, principally by the Mexican Ministry of Communications and Transportation (*Secretaría de Comunicaciones y Transportes*, or “SCT”), the Federal Telecommunications Commission (*Comisión Federal de Telecomunicaciones*, or “Cofetel”), the Federal Antitrust Commission (*Comisión Federal de Competencia*, or “Cofeco”) and the Federal Consumer Bureau (*Procuraduría Federal del Consumidor*, or “Profeco”), and may be adversely affected by changes in law or by actions of Mexican regulatory authorities. In particular, there has been extensive controversy and dispute in Mexico concerning the interconnection fees payable by local and long-distance operators to mobile operators. If these disputes are resolved against us, the consequences for our business could be material.
- In Brazil, our business is regulated principally by the Brazilian National Telecommunications Agency (*Agência Nacional de Telecomunicações*, or “Anatel”) and may be adversely affected by its actions or changes in its regulations. In particular, Anatel has defined a series of cost-based methods, including the fully allocated cost methodology, for determining interconnection fees charged by operators belonging to an economic group with significant market power. Anatel has not published all of the applicable regulations, but the implementation of the cost-based methodology is expected to take effect in 2010. It is uncertain how Anatel will define the criteria for determining whether an operator belongs to an economic group with significant market power for purposes of this new regulation. When these methods are ultimately implemented and if we are deemed to be an economic group with significant market power, the revenues and results of operations of our Brazilian operations may be affected.
- In Colombia, the Colombian Ministry of Communications (Ministerio de Comunicaciones, or “Ministry of Communications”) and the Colombian Telecommunications Regulation Commission (Comisión de Regulación de Telecomunicaciones, or “CRT”) are responsible for regulating and overseeing the telecommunications sector, including cellular operations. In March 2009, the CRT issued a series of resolutions stating that Comunicación Celular, S.A. (“Comcel”), our Colombian subsidiary, has a dominant position in Colombia’s market for outgoing mobile services. Under Colombian law, a market participant is considered to have a dominant position in a specified market if the regulators determine that it has the capacity to control the conditions in that market. The CRT made its determination based on Comcel’s traffic, revenues and subscriber base. The resolutions also included regulations that would require Comcel to charge rates (excluding access fees) for mobile-to-mobile calls outside the Comcel network (“off net”) that are no higher than the fees charged for mobile-to-mobile calls within the Comcel network (“on net”). CRT would monitor the rates by reviewing Comcel’s average revenue per minute on a quarterly basis. The resolutions did not present a timetable for implementation of the regulations. In April 2009, Comcel filed a request for review of the resolutions (*recurso de reposición*) with the CRT. See “Legal Proceedings–Comcel Dominant Position” under Item 8.

In addition, changes in political administrations could lead to the adoption of policies concerning competition and taxation of communications services that may be detrimental to our operations throughout Latin America. These restrictions, which may take the form of preferences for local over foreign ownership of communications licenses and assets, or for government over private ownership, may make it impossible for us to continue to develop our businesses. These restrictions could result in our incurring losses of revenues and require capital investments all of which could materially adversely affect our businesses and results of operations.

***Dominant carrier regulations could hurt our business by limiting our ability to pursue competitive and profitable strategies***

Cofetel is authorized to impose specific requirements as to rates, service quality and information on any wireless operator that is determined by Cofeco to have substantial market power in a specific market. In two investigations, Cofeco has issued preliminary reports (*dictámenes preliminares*) concluding that Telcel has substantial market power in specified markets. We cannot predict what regulatory steps Cofetel might take if these determinations become final. We believe that if dominant carrier regulations are imposed on our business in the future, they will likely reduce our flexibility to adopt competitive market policies and impose specific tariff requirements or other special regulations on us, such as additional requirements regarding disclosure of information or quality of service. Any such new regulation could have a material adverse effect on our operations.

Cofeco is also conducting four investigations into whether Telcel has engaged in monopolistic practices. Adverse determinations against Telcel in any of the ongoing investigations could also result in material fines, penalties or restrictions on our operations.

***We will, in the future, have to acquire additional radio spectrum capacity in order to expand our customer base and maintain the quality of our services***

Licensed radio spectrum is essential to our growth and the quality of our services, particularly for GSM and UMTS services and increased deployment of 3G networks to offer value-added services. We can increase the density of our network, thus reducing our need for additional spectrum by building more cell and switch sites, but such measures are costly and would be subject to local restrictions and approvals, and they will not fully meet our needs.

In 2005, we acquired the right to use 10 megahertz in the 1900 megahertz spectrum in each of Mexico's nine regions, through a public auction. We also bid and won the auction for an additional 10 megahertz of capacity in three principal regions, but were subsequently prohibited from acquiring this additional spectrum based on restrictions imposed by Cofeco. We expect that government will conduct auctions for additional spectrum capacity during the second half of 2009 or 2010. We cannot assure that we will be allowed to participate in any new auctions for additional spectrum capacity in Mexico.

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

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

Our concessions and licenses have specified terms, ranging typically from 10 to 30 years, and are generally subject to renewal upon payment of a fee, but renewal is not assured. The loss of, or failure to renew, any one concession could have a material adverse effect on our business and results of operations. Our ability to renew concessions and the terms of renewal are subject to a number of factors beyond our control, including the prevalent regulatory and political environment at the time of renewal. Fees are typically established at the time of renewal. As a condition for renewal, we may be required to agree to new and stricter terms and service requirements. For example, in order to renew our concession to provide services in Ecuador, we were required to pay U.S.\$289 million in August 2008. If our concessions are not renewed, we are required to transfer the assets covered by the concession to the government, generally for fair market value, although certain jurisdictions provide for other valuation methodologies. In Mexico, we have important concessions expiring in 2010 and 2011, and the SCT may impose additional conditions in connection with the renewal of a concession. See Note 1 to our audited consolidated financial statements.

In Mexico, the Mexican Federal Telecommunications Law (*Ley Federal de Telecomunicaciones*, or the "Telecommunications Law") also gives certain rights to the Mexican government, including the right to revoke

the concessions pursuant to an expropriation or to take over the management of Telcel's networks, facilities and personnel in cases of imminent danger to national security, internal peace or the national economy, natural disasters and public unrest.

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

We continue to look for other investment opportunities in telecommunication companies primarily in Latin America and the Caribbean, including in markets where we are already present, and we often have several possible acquisitions under consideration. For example, we may pursue further market consolidation opportunities in Argentina and Brazil depending on their terms and conditions. Any future acquisitions and related financings could have a material effect on our business, results of operations and financial condition, but we cannot give any assurances that we will complete any of them. In addition, we may incur in significant costs and expenses as we integrate these companies in our systems, controls and networks.

***We may be unsuccessful in addressing the challenges and risks presented by our investments in countries outside Mexico***

We have invested in a growing number of telecommunications businesses outside our historical activity of providing wireless telecommunications services in Mexico, and we plan to continue to do so in the rest of Latin America and the Caribbean. Whereas Mexico accounted for 63.0% of our total wireless subscribers as of December 31, 2002 and 71% of our consolidated revenues during 2002, it accounted for 30.9% of our total wireless subscribers as of December 31, 2008 and 39.1% of our consolidated revenues during 2008. During that period, Brazil, as a result of rapid subscriber growth and the acquisitions of BSE S.A. and BCP S.A. (now Claro S.A.), increased its share of our total wireless subscribers from 16.3% as of December 31, 2002 to 21.2% as of December 31, 2008, and it accounted for 20.3% of our consolidated revenues during 2008. These investments outside Mexico may involve risks to which we have not previously been exposed. Some of the investments are in countries that may present different or greater risks, including from competition, than Mexico. We cannot assure you that these investments will be successful.

***We are subject to significant litigation***

Some of our subsidiaries are subject to significant litigation, which if determined adversely to our interests may have a material adverse effect on our business, results of operations, financial condition or prospects. In Mexico, for example, there are pending administrative investigations into whether Telcel has substantial market power and whether it has engaged in monopolistic practices, and there are legal proceedings regarding rates for interconnection with other operators. In Brazil, there are pending regulatory proceedings regarding the calculation of inflation-related adjustments due under our concessions with Anatel. In Colombia, there are pending administrative proceedings against Comcel regarding alleged anti-competitive behavior. Our significant litigation is described in "Legal Proceedings" under Item 8.

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

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

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

- natural disasters; and
- disruptions beyond our control.

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

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

The cost of acquiring a new subscriber is much higher than the cost of maintaining an existing subscriber. Accordingly, subscriber deactivations, or “churn,” could have a material negative impact on our operating income, even if we are able to obtain one new subscriber for each lost subscriber. Because a substantial majority of our subscribers are prepaid, we do not have long-term contracts with those subscribers. Our weighted monthly average churn rate on a consolidated basis for the twelve-month period ended December 31, 2007 was 2.9% and for the twelve-month period ended December 31, 2008 was 2.8%. If we experience an increase in our churn rate, our ability to achieve revenue growth could be materially impaired. In addition, a decline in general economic conditions could lead to an increase in churn, particularly among our prepaid subscribers.

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

We depend upon various key suppliers and vendors, including Apple, Nokia, Sony-Ericsson, Huawei, Motorola, LG and Samsung, to provide us with handsets and network equipment, which we need to operate our business. If these suppliers or vendors fail to provide equipment or service to us on a timely basis, we could experience disruptions, which could have an adverse effect on our revenues and results of operations. In addition, we might be unable to satisfy the requirements contained on our concessions.

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

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

**Risks Relating to the Wireless Industry Generally**

***Changes in the wireless industry could affect our future financial performance***

The wireless communications industry is experiencing significant changes as new technologies are developed that offer subscribers an array of choices for their communications needs. These changes include, among others, regulatory changes, evolving industry standards, ongoing improvements in the capacity and quality of digital technology, shorter development cycles for new products, and changes in end-user needs and preferences. In Mexico and in the other countries in which we conduct business, there is uncertainty as to the pace and extent of growth in subscriber demand, and as to the extent to which prices for airtime and line rental may continue to decline. If we are unable to meet future advances in competing technologies on a timely basis or at an acceptable cost, we could lose subscribers to our competitors. In general, the development of new services in our industry requires us to anticipate and respond to the varied and continually changing demands of our subscribers. We may not be able to accurately predict technological trends or the success of new services in the market. In addition, there could be legal or regulatory restraints to our introduction of new services. If these services fail to gain acceptance in the marketplace, or if costs associated with implementation and completion of the introduction of these services materially increase, our ability to retain and attract subscribers could be adversely affected.

There are three existing digital technologies for wireless communications, none of which is compatible with the others. In the past, Telcel and certain of our international businesses used time division multiple access (TDMA) technology for their digital networks, while certain of our other international businesses used code division multiple access (CDMA) as their digital wireless technology. We have introduced global system for mobile communications (GSM) technology in all of our markets (excluding TracFone Wireless, Inc.). Also, Telcel and all of our international businesses (excluding TracFone Wireless, Inc.) launched new networks using the UMTS and HSDPA third generation technology between 2007 and 2009. We expect to complete the deployment of the third generation technology in the following years. If future wireless technologies that gain widespread acceptance are not compatible with the technologies we use, we may be required to make capital expenditures in excess of our current forecasts in order to upgrade and replace our technology and infrastructure.

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

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

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

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

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

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

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

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

We review on an annual basis, or more frequently where the circumstances require, the value of each of our assets and subsidiaries, to assess whether those carrying values can be supported by the future cash flows expected to be derived from such assets. Whenever we consider that due to changes in the economic, regulatory, business or political environment, our goodwill, intangible assets or fixed assets may be impaired, we consider the necessity of performing certain valuation tests, which may result in impairment charges. The recognition of impairments of tangible, intangible and financial assets results in a non-cash charge on the income statement, which could adversely affect our results of operations. For example, during 2007 and 2008, we recorded charges in respect of certain analog, TDMA and CDMA equipment in Argentina, Brazil, Colombia and Ecuador following our decision to discontinue using the equipment.

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

***Members of one family may be deemed to control us***

According to reports of beneficial ownership of our shares filed with the SEC, Carlos Slim Helú, together with his sons and daughters (together, the "Slim Family"), including his son and chairman of our board of directors, Patrick Slim Domit, may be deemed to control us. The Slim Family may be able to elect a majority of the members of our board of directors and to determine the outcome of other actions requiring a vote of our shareholders, except in very limited cases that require a vote of the holders of L Shares. We cannot assure you that the Slim Family will not take actions that are inconsistent with your interests.

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

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

We also make investments together with affiliated companies, sell our investments to related parties and buy investments from related parties. We may pursue joint investments in the telecommunications industry with Telmex and Telmex Internacional. For more information about our transactions with affiliates see "Related Party Transactions" under Item 7.

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

**Risks Relating to Developments in Mexico and Other Countries**

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

Our financial performance may be significantly affected by general economic, political and social conditions in the markets where we operate, particularly Mexico, Brazil and Central America. Many countries in Latin America and the Caribbean, including Mexico, Brazil and Argentina have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Many of these countries, including Ecuador, El Salvador and Panama, recently held elections and others including Honduras, Uruguay and Chile will hold presidential elections in 2009. We cannot predict whether changes in administrations will result in changes in governmental policy and whether such changes will affect our business. Instability in the region has been caused by many different factors, including:

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

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

Our business may be especially affected by conditions in Mexico and Brazil, our two principal markets. Mexico has experienced a prolonged period of slow growth since 2001, primarily as a result of the downturn in the U.S. economy. According to preliminary data, during 2008, Mexico's gross domestic product, or "GDP," decreased by 1.6% in real terms. In 2007, GDP grew by 4.7%. Mexico has also experienced high levels of inflation and high domestic interest rates. The annual rate of inflation, as measured by changes in the National Consumer Price Index as published by the Banco de México, was 6.5% for 2008.

Brazil has also experienced slow economic growth over the past several years. Brazil's GDP grew by an estimated 1.2% in real terms in 2008, compared to a growth rate of 5.4% in 2007. Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last years reaching as high as 2,489% in 1993 and 929% in 1994, as measured by the Brazilian National Consumer Price Index. More recently, Brazil's rates of inflation were 3.1% in 2006, 4.5% in 2007, and 6.4% in 2008. Inflation, governmental measures to combat inflation and public speculation about possible future actions have in the past had significant negative effects on the Brazilian economy.

Our business may be affected by political developments in Latin America and the Caribbean. We cannot predict whether these recent events will affect our business or our ability to renew our licenses and concessions, to maintain or increase our market share or profitability or will have an impact on future strategic acquisition efforts.

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

We are affected by fluctuations in the value of the currencies in which we conduct operations compared to the U.S. dollar, in which a substantial portion of our indebtedness is denominated. Changes in the value of the various currencies in which we conduct operations against the Mexican peso, which we use as our reporting currency in our financial statements, and against the U.S. dollar may result in exchange losses or gains on our net U.S. dollar-denominated indebtedness and accounts payable. In 2007 and 2006, changes in currency exchange rates led us to report foreign exchange gains of Ps. 2,463 million and Ps. 2,321 million, respectively. In 2008, we reported foreign exchange losses of Ps. 13,686 million. In addition, currency fluctuations between the Mexican peso and the currencies of our non-Mexican subsidiaries affect our results as reported in Mexican pesos. Currency fluctuations are expected to continue to affect our financial income and expense.

Major devaluation or depreciation of any such currencies may also result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal on our indebtedness. The Mexican government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico. The government could, however, institute restrictive exchange rate policies in the future. Also, the Brazilian government may impose temporary restrictions on the conversion of Brazilian reais into foreign currencies and on the remittance to foreign investors of proceeds from investments in Brazil. Brazilian law permits the government to impose these restrictions whenever there is a serious imbalance in Brazil's balance of payments or a reason to foresee a serious imbalance.