NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016 and 2015
(Amounts in thousands of Mexican pesos, unless otherwise indicated)

I. DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS

I. DESCRIPTION OF THE BUSINESS

Telesites, S.A.B. de C.V. and subsidiaries (the Company) was incorporated in Mexico City on 19 October 2015. The Company was created as a result of its spin-off from América Móvil, S.A.B. de C.V. (AMX) and it is primarily engaged in leasing passive mobile telecommunications infrastructure comprised of physical space on its towers for the installation of signal transmission and reception equipment and auxiliary equipment (including power generators, backup batteries, air conditioning systems, alarm systems and other equipment).

The Company's operating period and fiscal year is from 1 January through 31 December 2016.

The Company's head offices are located in Mexico City, at Lago Zurich No. 245, Edificio Presa Falcón, 14th floor, Ampliación Granada, Miguel Hidalgo, postal code 11529.

On 5 April 2017, the Company's Board of Directors authorized the issue of the accompanying consolidated financial statements.

II. RELEVANT EVENTS

A) SPIN-OFF

At an ordinary shareholders meeting held in April 2015, the shareholders of AMX agreed to spin off Telesites, S.A.B. de C.V. from AMX. As a result of the spin-off, certain assets and liabilities of AMX were transferred to the newly created company. An analysis of the consolidated effects of the spin-off are as follows:

		AS AT 5 JANUARY 2015
Assets		
Current assets:		
Cash and cash equivalents	Ps.	216,626
Recoverable taxes		4,422
Other current assets		37,952
Total current assets		259,000
Non-current assets:		
Property and equipment, net		6,239,999
Other non-current assets		77,653
Prepaid expenses		27,634
Total assets	Ps.	6,604,286
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	Ps.	191,067
Related parties		21,000,000
Total current liabilities		21,191,067
Non-current liabilities:		
Asset retirement obligation		1,480,919
Deferred tax		125,940
Total liabilities		22,797,926
Equity:		
Share capital		35,000
Accumulated deficit		(16,228,640)
Total equity		(16,193,640)
Total liabilities and equity	Ps.	6,604,286

B) NEW ENTITIES

Telesites, S.A.B. de C.V.

After receiving approval from the Federal Telecommunications Institute (IFT) and the Tax Administration Service (SAT) to be spun off from AMX, Telesites was incorporated on 19 October 2015 to be the group's controlling company.

Promotora de Sites, S.A. de C.V.

After receiving approval from the Federal Telecommunications Institute (IFT) and the Tax Administration Service (SAT) to be spun off from Sercotel, S.A. de C.V. (Sercotel), Promotora de Sites, S.A. de C.V. (Promotora) was incorporated on 19 October 2015 to be an intermediate holding company of the group.

Telesites Internacional, S.A. de C.V.

Telesites Internacional, S.A. de C.V. (Teleint) was incorporated on 5 November 2015 as an intermediate holding company of foreign related parties.

Operadora de Sites Mexicanos, S.A. de C.V.

Operadora de Sites Mexicanos, S.A. de C.V. (Opsimex) was incorporated on 5 January 2015 as a result of its spin-off from Radiomóvil Dipsa, S.A. de C.V. (Telcel) and it is primarily engaged in leasing towers and physical space for passive mobile telecommunications infrastructure to mobile carriers in Mexico.

Demonsa, S.A. de C.V.

Demonsa, S.A. de C.V. (Demonsa) was incorporated on 10 December 2014 and is primarily engaged in providing personnel services to Opsimex.

Telesites Costa Rica, S.A.

Telesites Costa Rica, S.A. (TLC) was incorporated on 14 December 2015 and this entity is primarily engaged in leasing cell towers and physical space for installations of passive mobile telecommunications infrastructure to mobile carriers in Costa Rica.

Telesites Colombia, S.A.S.

Telesites Colombia, S.A.S. (Teleco) was incorporated on 5 January 2016 and this entitiy is primarily engaged in leasing cell towers and physical space for installations of passive mobile telecommunications infrastructure to mobile carriers Colombia. Teleco had no operations during the year ended 31 December 2016.

C) MERGER

At an extraordinary shareholders' meeting held on 17 March 2016, the Company's shareholders agreed to merge Promotora into Opsimex. As a result of this merger, certain assets and liabilities of Promotora were transferred to Opsimex.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) BASIS OF PREPARATION

The accompanying financial statements have been prepared in accordance with the International Financing Reporting Standards (IFRS), effective as at 31 December 2016, as issued by the International Accounting Standards Board (IASB).

The preparation of the Company's consolidated financial statements in accordance with IFRS requires the use of critical estimates and assumptions that affect the reported amounts of certain assets and liabilities, and revenue and expenses. It also requires management to exercise judgment in how it applies the Company's accounting policies.

The Company's functional and reporting currency is the Mexican peso.

B) CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Telesites and those of the subsidiaries over which the Company exercises significant control. The financial statements of the subsidiaries have been prepared for the same reporting period and following the same accounting policies as those of the Company. Most of the companies operate in the telecommunications sector or provide services to companies related to these activities. All intercompany balances and transactions have been eliminated on consolidation.

The operating results of the subsidiaries were included in the Company's consolidated financial statements as of the month following their incorporation.

A description of the Company's main investments in its subsidiaries as at 31 December 2016 and 2015 is as follows:

	% EQUITY INTEREST AS AT 31 DECEMBER				
COMPANY NAME	2016	2015	COUNTRY	DATE OF FIRST CONSOLIDATION	TYPE OF OPERATIONS
Intermediate holding company					
Promotora de Sites, S.A. de C.V.	-	99.99%	Mexico	October 2015	Intermediate holding company
Telesites Internacional, S.A. de C.V.	100.00%	100.00%	Mexico	November 2015	Intermediate holding company
Infrastructure					
Operadora de Sites Mexicanos, S.A. de C.V.	100.00%	99.99%	Mexico	January 2015	Infrastructure
Telesites Costa Rica, S.A.	100.00%	-	Costa Rica	January 2016	Infrastructure
Services					
Demonsa, S.A. de C.V.	99.99%	99.99%	Mexico	January 2015	Services

C) REVENUE RECOGNITION

Rental income

The Company recognizes its revenue from passive infrastructure rentals as it accrues based on the terms of each lease agreement. Rent charged for infrastructure is reviewed and increased based on the National Consumer Price Index (NCPI) and the amount of rent is generally determined based on the specific characteristics of the location of the leased passive infrastructure.

D) USE OF ESTIMATES

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates. The Company based its assumptions and estimates on the best available information at the time the consolidated financial statements were prepared. However, the existing circumstances and assumptions about future events may change due to changes in the market or circumstances that are beyond the Company's control. Such changes are reflected in the estimates and their effects are shown in the financial statements as they occur.

These assumptions mostly refer to:

- Useful life estimates of items of property and equipment
- Allowance for doubtful accounts
- Impairment in the value of long-lived assets
- Fair value measurement of financial instruments
- Employee benefits

E) FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities that are within the scope of International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* generally include investments in financial instruments, debt and equity instruments, accounts receivable and other accounts receivable, loans and financing, accounts payable and accrued liabilities.

Financial assets and liabilities are initially measured at fair value, plus directly attributable transaction costs, except for those designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are subsequently measured based on their classification into one of the following categories: (i) at fair value through profit or loss; (ii) held-to-maturity or available-for-sale; or (iii) loans and receivables.

The Company's financial assets consist of cash and cash equivalents, accounts receivable and other assets.

The Company's financial liabilities are classified as either: i) financial liabilities measured at fair value through profit or loss, or ii) financial liabilities measured at amortized cost.

The Company's financial liabilities consist of short- and long-term debt, accounts payable and accrued liabilities, and related party payables. The Company's debt under its issuances of structured notes is recognized as a financial liability measured at amortized cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, (i) there is a currently enforceable legal right to offset the recognized amounts; and (ii) there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Assets and liabilities measured at fair value on a recurring basis

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's-length market transactions; reference to the current fair value of another financial instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The hierarchy used for determining fair values is as follows:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Variables other than the quoted prices included in level 1 that are observable for assets or liabilities, either directly (prices) or indirectly (price derivatives); and

Level 3. Variables used for assets or liabilities that are not based on observable market data (unobservable variables).

Note 10 provides an analysis of the fair values of the Company's financial instruments.

F) CASH AND CASH EQUIVALENTS

Cash in banks earns interest at floating rates on daily account balances. Cash equivalents are represented by short-term deposits made for terms ranging from one to three days, and which bear interest at rates common for each type of short-term investment. These investments are stated at cost plus uncollected accrued interest, which is similar to their market value.

G) PROPERTY AND EQUIPMENT, NET

The Company's property includes passive infrastructure, which includes non-electronic components used in telecommunications networks, including masts, towers and poles. These fixed assets are measured at fair value using the revaluation model specified in IAS 16 *Property, Plant and Equipment*. Company management periodically reviews the stated amounts of the Company's fixed assets whenever it believes that there is a significant difference between the carrying amount of an asset and its fair value. Depreciation is determined on fair values on a straight-line basis over the estimated useful lives of the assets starting at the time the assets are available for use.

The Company's equipment is carried at cost, net of accumulated depreciation, in accordance with IAS 16 *Property, Plant and Equipment*. Depreciation is determined on carrying amounts on a straight-line basis over the estimated useful lives of the assets starting in the first month after they are available for use.

The Company periodically reviews the residual values, useful lives and depreciation methods of its fixed assets and adjusts them prospectively where appropriate at the end of each reporting period, in accordance with IFRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income or other operating expenses when the asset is derecognized.

Depreciation rates are as follows:

Passive infrastructure	6.25% and 5%
Automotive equipment	25%
Other equipment	10%

The carrying amount of property and equipment is reviewed annually whenever there are indicators of impairment in the value of such assets. When the recoverable amount of an asset, which is the higher of the asset's expected net selling price and its value in use (the present value of future cash flows), is less than its net carrying amount, the difference is recognized as an impairment loss.

As at 31 December 2016 and 2015, there were no indicators of impairment in the values of the Company's fixed assets.

H) LICENSES AND SOFTWARE

The licenses and software acquired by the Company are classified as intangible assets with finite useful lives that are recognized at cost. Amortization of these intangible assets is calculated on the assets' carrying amounts on a straight-line basis based on the estimated useful lives of the assets.

The annual amortization rate for acquired licenses is 15%.

I) IMPAIRMENT IN THE VALUE OF LONG-LIVED ASSETS

The Company assesses at each reporting date whether there is an indication that its long-lived assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired, and its carrying amount is written down to its recoverable amount, and the loss is immediately recognized in profit or loss.

The depreciation and amortization expense for future periods is adjusted to the new carrying amount during the remaining useful life of the related assets. Recoverable amounts are determined for each individual asset, unless the asset generates cash inflows that are closely dependent on the cash flows generated by other assets or group of assets (cash generating units).

J) LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset or assets.

- Operating leases

Leases in which the Company does not transfer substantially all of the risks and rewards inherent to the ownership of the asset are classified as operating leases. Payments made under operating lease agreements are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

K) PROVISIONS, CONTINGENT LIABILITIES AND COMMITMENTS

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provision amounts are determined as the present value of the expected outflow of resources to settle the obligation. The provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Also, contingencies are recognized only when they generate a loss.

L) ASSET RETIREMENT OBLIGATION

The Company records a reserve for the decommissioning costs associated with the sites where its passive infrastructure is located. Decommissioning costs are measured at the estimated fair values of the asset costs expected to be incurred to settle the Company's obligation to decommission the assets. These fair values are determined on the basis of the estimated cash flows associated with the method of settlement. Asset retirement costs are capitalized as part of the carrying amounts of the related assets. For purposes of this calculation, cash flows are discounted at a pre-tax rate that reflects the risks associated with the asset retirement obligation. Reversals of previous discount rates are recognized in profit or loss as a financing cost as incurred. Estimated future decommissioning costs are reviewed annually and are revised where needed. Changes in future cost estimates or discount rates are recognized as an increase or a decrease in the carrying amount of the asset.

M) EMPLOYEE BENEFITS

The Company annually recognizes the liability for seniority premiums based on independent actuarial calculations applying the projected unit credit method, using financial assumptions net of inflation. The latest actuarial calculation was prepared on 31 December 2016.

The Company creates a provision for the cost of compensated absences, such as paid annual leave, which is recognized using the accrual method.

N) EMPLOYEE PROFIT SHARING

Current employee profit sharing is presented as part of operating expenses in the statement of comprehensive income.

O) INCOME TAX

Current income tax is recognized as a current liability, net of prepayments made during the year.

Deferred income tax is calculated using the asset and liability method established in IAS 12 *Income Taxes*.

Deferred income tax is calculated using the asset and liability method, based on the temporary differences between financial reporting and tax values of assets and liabilities at the reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

P) EARNINGS PER SHARE

Earnings per share are determined by dividing net income for the year by the weighted-average number of shares outstanding attributable to ordinary equity holders of the parent during the year.

Q) STATEMENT OF CASH FLOWS

The statement of cash flows reports the cash generated and used by the Company during the year. It first shows the Company's (loss)/income before income tax, followed by its cash flows resulting from operating activities, then its cash flows resulting from investing activities, and lastly its cash flows resulting from financing activities.

For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, the statement of cash flows was prepared using the indirect method.

R) CONCENTRATION OF RISK

The main financial instruments used to fund the Company's operations are comprised of bank loans, lines of credit, accounts payable and related party payables. The Company holds several financial assets, such as cash and cash equivalents, accounts receivable, related party receivables and other current assets that are directly related to its business.

The main risks associated with the Company's financial instruments are cash flow risk and market, credit and liquidity risks. The Company performs sensitivity analyses to measure potential losses in its operating results based on a theoretical increase of 100 basis points in interest rates. The Board of Directors approves the risk management policies that are proposed by the Company's management.

Credit risk is the risk that the counterparty will default on its payment of obligations with the Company. The Company is also exposed to market risks associated with fluctuations in interest rates.

Financial assets which potentially subject the Company to concentrations of credit risk are cash and cash equivalents, short-term deposits and debt instruments. The Company's policy is designed to not restrict its exposure to any one financial institution.

The Company continuously monitors its customer accounts and a portion of the Company's surplus cash is invested in time deposits in financial institutions with strong credit ratings.

S) STATEMENT OF COMPREHENSIVE INCOME PRESENTATION

Costs and expenses shown in the Company's statement of comprehensive income are presented based on a combination of their function and their nature, which provides a clearer picture of the components of the Company's operating income, since such classification allows for comparability of the Company's financial statements with those of other companies in its industry.

Operating income is recognized in the statement of comprehensive income, since it is an important indicator used for evaluating the Company's operating results. Operating income consists of ordinary revenues and operating costs and expenses.

An analysis of the Company's other income is as follows:

	2016		2015	
Reversal of provisions from prior years	Ps.	14,676	Ps.	-
Sale of automotive equipment		7,244		-
Sale of scrap		79		3,402
Changes in estimates underlying the asset retirement obligation		-		434,722
	Ps.	21,999	Ps.	438,124

3. NEW ACCOUNTING PRONOUNCEMENTS

The standards and interpretations that are issued, but not yet effective, up to the date of issue of the Company's financial statements are disclosed below.

IFRS 9 *FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT*

This standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2016.

IFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

IFRS 15 was issued in May 2015 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Company does not expect this standard to have significant effects, primarily due to the fact that revenue recognition of rent is restricted to monthly periods established in the contracts with customers.

IFRS 16 *LEASES*

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., lease agreements with terms of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right to use the asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company expects the adoption of this standard to have significant effect on its financial information due primarily to the high number of leases that the Company has and which it currently accounts for as operating leases, since the accounting treatment of these leases may need to be modified after the Company adopts IFRS 16.

AMENDMENTS TO IAS 16 AND IAS 38 *CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTIZATION*

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

ANNUAL IMPROVEMENTS 2012-2014 CYCLE
These improvements include:

IFRS 7 *FINANCIAL INSTRUMENTS: DISCLOSURES*
(i) Servicing contracts

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment will be applied retrospectively.

IAS 34 *INTERIM FINANCIAL REPORTING*
The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms and at the same time as the interim financial statements. The amendment must be applied retrospectively.

IFRS 5 *NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS*
Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

AMENDMENTS TO IAS 1 *DISCLOSURE INITIATIVE*
The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, the existing IAS 1 requirements.

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss
- Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments do not have any impact on the Company.

4. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents as at 31 December 2016 and 2015 is as follows:

	2016	2015
Cash	Ps. 52	Ps. 45
Banks	216,836	469,716
Readily marketable securities	14,645	518
	Ps. 231,533	Ps. 470,279

5. OTHER CURRENT AND NON-CURRENT ASSETS

An analysis of this caption as at 31 December 2016 and 2015 is as follows:

	2016	2015
Advances to supplier	Ps. 83,623	Ps. 132,808
Value added tax payable, net	59,012	68,185
Prepaid insurance	1,893	-
Total other current assets	Ps. 144,528	Ps. 200,993
Security deposits	Ps. 97,388	Ps. 85,758
Rent paid in advance	92,613	59,678
Total other non-current assets	Ps. 190,001	Ps. 145,436

6. RELATED PARTIES

a) An analysis of balances due from and to the Company's related parties as at 31 December 2016 and 2015 is provided below. The companies mentioned in this note are considered associates or affiliates of the Company, since the Company's principal shareholders hold direct or indirect stakes in these companies.

	2016	2015
Receivables:		
Radiomóvil Dipsa, S.A. de C.V. (i)	Ps. 104,969	Ps. 10,593
Payables:		
Operadora Cicsa, S.A. de C.V. (ii)	Ps. 185,847	Ps. 97,526
Radiomóvil Dipsa, S.A. de C.V. (iv)	-	106,167
PC Industrial, S.A. de C.V. (vi)	4,300	-
Other related parties	371	2,130
	Ps. 190,518	Ps. 205,823

b) During the years ended 31 December 2016 and 2015, the Company had the following transactions with its related parties:

		2016	2015
Revenue:			
Radiomóvil Dipsa, S.A. de C.V.	Leasing (i)	Ps. 5,013,831	Ps.4,229,915
	Alteration services (i)	214,778	66,464
Expenses:			
Operadora Cicsa, S.A. de C.V.	Construction (ii)	$ 160,213	$ 553,458
Seguros Inbursa, S.A., Grupo Financiero Inbursa	Insurance (iii)	30,410	15,902
Radiomóvil Dipsa, S.A. de C.V.	Leasing (iv)	271,392	124,389
PC Industrial, S.A. de C.V.	Maintenance (vi)	3,707	-
Carso Global Telecom, S.A. de C.V.	Interest (v)	-	4,923
Empresas y Controles en Comunicaciones, S.A de C.V.	Interest (v)	-	3,787

(i) On 23 March 2015, the Company entered into a five-year agreement with Telcel to lease its passive infrastructure and to provide alteration services to the related party. Leased passive infrastructure is comprised of non-electronic components used in telecommunications networks, including masts, towers, posts, sites, land and physical space. Alteration services refer to the modifications that the Company makes to passive infrastructure as requested by Telcel. For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, revenue earned from these passive infrastructure leasing and alteration services totaled Ps. 5,228,609 and Ps. 4,296,379, respectively. The account receivable due from Telcel as at 31 December 2016 and 2015 is Ps. 104,969 and Ps. 10,593, respectively.

(ii) During 2016 and the period from 5 January to 31 December 2015, the Company had transactions related to the construction of passive infrastructure with Operadora Cicsa, S.A. de C.V. (CICSA). Maintenance expense under operating leases was Ps. 160,213 and Ps. 553,458, respectively. The account payable due to CICSA as at 31 December 2016 and 2015 is Ps. 185,847 and Ps. 97,526, respectively.

(iii) During 2016 and the period from 5 January to 31 December 2015, the Company entered into insurance agreements, as required under its passive infrastructure lease agreements, with Seguros Inbursa, S.A., Grupo Financiero Inbursa (Inbursa). The Company's total insurance expense was Ps. 30,410 and Ps. 15,902, respectively. As at 31 December 2016 and 2015, the Company has no account payable to Inbursa.

(iv) For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, revenue earned from leases of locations and land for passive infrastructure with Telcel totaled Ps. 271,392 and Ps. 124,389, respectively. As at 31 December 2016, the Company has no account payable to Telcel. As at 31 December 2015, the account payable to Telcel is Ps. 106,167.

(v) During the period from 5 January to 31 December 2015, as a result of the spin-off, the Company had a loan of Ps. 10,000,000 that is received from Empresas y Controles en Comunicaciones, S.A. de C.V. (ECC), which bears annual interest of 7.322%, and two loans that it received from Carso Global Telecom, S.A. de C.V. (Telecom) of Ps. 8,000,000 and Ps. 3,000,000, which bear annual interest of 7.322% and 6.254%, respectively. For the period from 5 January to 31 December 2015, the Company's interest expense under these loans was Ps. 3,787 and Ps. 4,923, respectively. As at 31 December 2015, the loans payable to ECC and Telecom have been repaid in full.

(vi) The Company provided preventive maintenance to the passive infrastructure of PC Industrial, S.A. de C.V. (PCIS) in 2016 and the total maintenance expense for the year was Ps. 3,707. As at 31 December 2016, the Company's account payable to PCIS is Ps. 4,300.

7. PROPERTY AND EQUIPMENT, NET

The Company has two main types of towers: rooftop towers and greenfield towers, which are located in open areas. Most of the Company's greenfield towers can accommodate up to three customers, except for towers that are more than 45 meters high, which can accommodate up to five customers. Rooftop towers equipped with additional masts can accommodate more customers, provided that there is sufficient floor space available on-site to install the additional masts. As at 31 December 2016, the Company's passive infrastructure is comprised of 14,302 towers (12,346 towers as at 31 December 2015).

The Company's passive infrastructure is located in Mexico, distributed across nine cellular regions as defined by telecommunications sector rules and regulations. As at 31 December 2016, the Company has 166 towers in Costa Rica.

An analysis of property and equipment as at 31 December 2016 and 2015 is as follows:

ITEM	PASSIVE INFRASTRUCTURE	AUTOMOTIVE EQUIPMENT	OTHER EQUIPMENT	CONSTRUCTION IN PROCESS	LAND	TOTAL
Investment:						
As at 5 January 2015	Ps. 5,235,866	Ps. 4,403	Ps. 456	Ps. 348,395	Ps. -	Ps. 5,589,120
Revaluation gain (Note 2g)	32,994,758	-	-	-	-	32,994,758
Additions	1,048,265	573	6,333	994,494	711	2,050,376
Additions from revaluation surplus (Note 2g)	1,086,887	-	-	-	-	1,086,887
Disposals	-	-	-	(1,048,265)	-	(1,048,265)
As at 31 December 2015	Ps.40,365,776	Ps. 4,976	Ps. 6,789	Ps. 294,624	Ps. 711	Ps. 40,672,876
Additions	2,954,276	6,703	6,198	2,758,066	33,326	5,758,569
Additions from revaluation surplus (Note 2g)	4,142,701	-	-	-	-	4,142,701
Disposals	-	(4,848)	-	(2,954,276)	-	(2,959,124)
As at 31 December 2016	Ps.47,462,753	Ps. 6,831	Ps. 12,987	Ps. 98,414	Ps. 34,037	Ps. 47,615,022
Depreciation:						
As at 5 January 2015	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
Depreciation for the period	2,320,279	2,042	459	-	-	2,322,780
Disposals	-	-	-	-	-	-
As at 31 December 2015	Ps. 2,320,279	Ps. 2,042	Ps. 459	Ps. -	Ps. -	Ps. 2,322,780
Depreciation for the year	2,527,229	1,717	1,718	-	-	2,530,664
Disposals	-	(2,485)	-	-	-	(2,485)
As at 31 December 2016	Ps. 4,847,508	Ps. 1,274	Ps. 2,177	Ps. -	Ps. -	Ps. 4,850,959
Asset retirement obligation:						
As at 5 January 2015	Ps. 650,879	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 650,879
Cancellations	(341,567)	-	-	-	-	(341,567)
Increase for the year	28,360	-	-	-	-	28,360
As at 31 December 2015	Ps. 337,672	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 337,672
Cancellations	-	-	-	-	-	-
Amortization	(26,532)	-	-	-	-	(26,532)
Increase for the year	98,680	-	-	-	-	98,680
As at 31 December 2016	Ps. 409,820	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 409,820
Carrying amount:						
As at 31 December 2016	Ps.43,025,065	Ps. 5,557	Ps. 10,810	Ps. 98,414	Ps. 34,037	Ps.43,173,883
As at 31 December 2015	Ps. 38,383,169	Ps. 2,934	Ps. 6,330	Ps. 294,624	Ps. 711	Ps.38,687,768

Depreciation expense for the period ended 31 December 2016 and 2015 was Ps. 2,557,196 and Ps. 2,322,780, respectively.

8. ASSET RETIREMENT OBLIGATION

An analysis of the Company's asset retirement obligation as at 31 December 2016 and 2015 is as follows:

	2016	2015
Balance as at 5 January 2015	Ps. -	Ps. 1,480,919
Balance as at 1 January 2016	732,990	
Effects of changes to cash flow estimates and discount rates:		
Effect on property and equipment	-	(341,567)
Effect on net earnings for the year	-	(434,722)
	-	(776,289)
Increase for additions of passive infrastructure	98,680	28,360
Charges	-	-
Balance as at 31 December	Ps. 831,670	Ps. 732,990

As at 31 December 2016, the review of the cash flow estimates and discount rates gave rise to no changes in these variables compared to the prior year. The review of the cash flow estimates and discount rates for the period from 5 January 2015 to 31 December 2015 primarily resulted in a reduction in expected decommissioning costs on a per-asset basis, and an increase in both the discount rate and the expected long-term inflation rate.

9. SHORT- AND LONG-TERM DEBT

BREAKDOWN OF DEBT		2016	2015
Bank loans	Short-term	Ps. 345,486	Ps. 1,000,377
Issue of structured notes	Long- term	21,576,196	18,835,584
Amortized cost		(55,537)	(66,041)
		21,520,659	18,769,543
Interest payable on structured notes	Short-term	476,492	388,908
Total debt		Ps. 22,342,637	Ps. 20,158,828

A) ISSUE OF STRUCTURED NOTES

On 17 July 2015, as part of its structured note placement program through Inversora Bursátil, S.A. de C.V., Casa de Bolsa Grupo Financiero Inbursa (Inversora), Opsimex was authorized to issue five-year structured notes of up to Ps. 22,000,000 or its equivalent in UDIs (investment units). Opsimex issued the following structured notes under this program:

i) On 5 August 2015, Opsimex issued series 1 OSM-15 Mexican peso structured notes for a total issue of Ps. 3,500,000 and with a maturity date of 23 July 2025. These structured notes bear annual gross interest of 7.97%.

ii) On 23 September 2015, Opsimex reissued its series 1 OSM-15R Mexican peso structured notes for a total issue pf Ps. 3,710,000 and with a maturity date of 23 July 2025. These structured notes bear annual gross interest of 7.97%.

iii) On 5 August 2015, Opsimex issued series 2 OSM-152 Mexican peso structured notes for a total issue of Ps. 4,500,000 and with a maturity date of 29 July 2020. These structured notes bear annual gross interest of 0.5% plus the 28-day Mexican weighted interbank rate (TIIE).

iv) On 5 August 2015, Opsimex issued series 3 OSM-15U structured notes denominated in UDIs for a total issue of Ps. 7,000,000 (equal to 1,324,169 UDIs) and with a maturity date of 17 July 2030. These structured notes bear annual gross interest of 4.75%.

v) On 18 February 2016, Opsimex reissued its series 1 OSM-15 2R Mexican peso structured notes for a total issue of Ps. 2,500,000 and with a maturity date of 23 July 2025. These structured notes bear annual gross interest of 7.97%.

An analysis of the historical amounts and the outstanding accrued interest under the structured notes of Opsimex as at 31 December 2016 is as follows:

SERIES	MATURITY DATE	LONG-TERM DEBT	INTEREST PAYABLE
OSM-15 Mexican pesos series 1	23 July 2025	Ps. 3,500,000	Ps. 116,229
OSM-15R Mexican pesos series 1	23 July 2025	3,710,000	123,203
OSM-15 2R Mexican pesos series 1	23 July 2025	2,500,000	83,021
OSM-152 Mexican pesos series 2	29 July 2020	4,500,000	8,250
OSM-15U UDIs series 3	17 July 2030	7,366,196	145,789
		Ps. 21,576,196	Ps. 476,492

An analysis of the historical amounts and the outstanding accrued interest under the structured notes of Opsimex as at 31 December 2015 is as follows:

SERIES	MATURITY DATE	LONG-TERM DEBT	INTEREST PAYABLE
OSM-15 Mexican pesos series 1	23 July 2025	Ps. 3,500,000	Ps. 114,679
OSM-15R Mexican pesos series 1	23 July 2025	3,710,000	131,083
OSM-152 Mexican pesos series 2	29 July 2020	4,500,000	4,000
OSM-15U UDIs series 3	17 July 2030	7,125,584	139,146
		Ps. 18,835,584	Ps. 388,908

As at 31 December 2016 and 2015, the value of one UDI was $ 5.5628 pesos and $ 5.3812 pesos, respectively. As at 5 April 2017, the date of the audit report on these financial statements, the value of the UDI was $ 5.7294 pesos per UDI.

REDEMPTIONS

The Series 1 (OSM-15, OSM-15R, OSM- 15 2R), Series 2 (OSM-152) Mexican peso structured notes and Series 3 (OSM-15U) structured notes in UDIs of Opsimex do not stipulate early redemptions during their lifetimes, and principal is repayable to noteholders at maturity.

B) BANK LOANS

An analysis of the Company's short-term bank loans as at 31 December 2016 is as follows:

CURRENCY	LENDER	RATE	MATURITY DATE	SHORT-TERM DEBT	INTEREST
Mexican pesos:	Bank of America, N.A. (iv)	1.625%+Libor	28 February 2017	Ps. 290,734	Ps. 458
	Bank of America, N.A. (v)	1.625%+Libor	28 February 2017	27,424	60
	Bank of America, N.A. (vi)	1.625%+Libor	28 February 2017	26,805	5
	Total debt			Ps. 344,963	Ps. 523

An analysis of the Company's short-term bank loans as at 31 December 2015 is as follows:

CURRENCY	LENDER	RATE	MATURITY DATE	SHORT-TERM DEBT	INTEREST PAYABLE
Mexican pesos:	Banco Santander, S.A. (i)	0.45%+TIIE	25 January 2016	Ps. 400,000	Ps. 177
	BBVA Bancomer, S.A. (ii)	0.45%+TIIE	26 January 2016	400,000	133
	Banco Nacional de Mexico S.A. (iii)	0.45%+TIIE	27 April 2016	200,000	67
	Total debt			Ps. 1,000,000	Ps. 377

(i) On 27 October 2015, the Company obtained a loan of Ps. 400,000 from Banco Santander S.A. (Santander) which matures on 25 January 2016. The loan bears annual interest equal to 0.45 basis points plus the 28-day Mexican Weighted Interbank Rate (TIIE), which is payable monthly.

(ii) On 27 October 2015, the Company obtained a loan of Ps. 400,000 from BBVA Bancomer, S.A. (Bancomer) which matures on 26 January 2016. The loan bears annual interest equal to 0.45 basis points plus the 28-day TIIE, which is payable monthly.

(iii) On 27 October 2015, the Company obtained a loan of Ps. 200,000 from Banco Nacional de México, S.A. (Banamex), which matures on 27 April 2016. The loan bears annual interest equal to 0.45 basis points plus the 28-day TIIE, which is payable monthly.

In 2016, the Company repaid in full its loans received from Santander, Bancomer and Banamex of Ps. 400,000, Ps. 400,000 and Ps. 200,000, respectively.

(iv) On 9 December 2016, the Company obtained a line of credit of USD 14,100,000 Ps.(290,734) from Bank of América, N.A. (BOFA) which matures on 28 February 2017. The loan bears annual interest equal to 1.6250% basis points plus the London Interbank Offered Rate (LIBOR), which is payable monthly.

(v) On 30 November 2016, the Company obtained a line of credit of USD 1,330,000 Ps.(27,424) from BOFA which matures on 28 February 2017 The loan bears annual interest equal to 1.6250% basis points plus the LIBOR, which is payable monthly.

(vi) On 28 December 2016, the Company obtained a line of credit of USD 1,300,000 Ps.(26,805) from BOFA which matures on 28 February 2017 The loan bears annual interest equal to 1.6250% basis points plus the LIBOR, which is payable monthly.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

An analysis of the Company's financial assets and financial liabilities as at 31 December 2016 and 2015 is as follows:

	2016		2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Long-term debt	Ps. 21,520,659	Ps. 21,231,322	Ps. 18,769,543	Ps. 18,761,287

The fair values of financial assets and financial liabilities are equal to the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Cash and cash equivalents, trade receivables, trade payables and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

11. LEASES

The Company has entered into various operating lease agreements for the properties where its passive infrastructure is located. The agreements are for periods ranging from five to ten years, and the minimum annual lease payments are adjusted for inflation each year based on the NCPI. An analysis of the Company's future minimum lease payments for the next five years is as follows:

	2016
2017	Ps. 1,792,423
2018	1,852,654
2019	1,914,908
2020	1,979,254
2021	2,045,762
Total	Ps. 9,585,001

For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, rent under operating leases was Ps. 1,734,151 and Ps. 1,552,339, respectively.

12. RETIREMENT BENEFITS

An analysis of the net periodic benefit cost, the net defined benefit liability and plan assets associated with the Company's post-employment benefits (pension plan, seniority premiums and termination benefit plan) as at and for the years ended 31 December 2016 and 2015 is as follows:

a) Net periodic benefit cost

	2016					
	Retirement benefits		Termination benefits		Total	
Analysis of net periodic benefit cost:						
Current year service cost	Ps.	240	Ps.	132	Ps.	372
Net interest on net defined benefit liability		159		86		245
Net periodic benefit cost	Ps.	399	Ps.	218	Ps.	617

	2015					
	Retirement benefits		Termination benefits		Total	
Analysis of net periodic benefit cost						
Current year service cost	Ps.	80	Ps.	-	Ps.	80
Interest cost		50		-		50
Net periodic benefit cost	Ps.	130	Ps.	-	Ps.	130

b) An analysis of changes in the Company's net defined benefit liability is as follows:

	Retirement benefits		Termination benefits		Total	
Net defined benefit liability:						
Net defined benefit liability as at 5 January 2015	Ps.	988	Ps.	-	Ps.	988
Current year service cost		80		-		80
Interest cost		50		-		50
Actuarial loss on defined benefit obligation		81		-		81
Net defined benefit liability as at 31 December 2015		1,199		-		1,199
Remeasurements of net defined benefit liability		-		2,182		2,182
Current year service cost		132		240		372
Interest cost		86		159		245
Benefits paid		(108)		-		(108)
Actuarial (gain)/loss		8		(131)		(123)
Net defined benefit liability as at 31 December 2016	Ps.	1,317	Ps.	2,450	Ps.	3,767

c) An analysis of the net defined benefit liability is as follows:

	2016		
	RETIREMENT BENEFITS	TERMINATION BENEFITS	TOTAL
Provisions for:			
Vested benefit obligation	Ps. 1,317	Ps. 2,450	Ps. 3,767
Defined benefit liability	Ps. 1,317	Ps. 2,450	Ps. 3,767

	2015		
	RETIREMENT BENEFITS	TERMINATION BENEFITS	TOTAL
Provisions for:			
Vested benefit obligation	Ps. 1,199	Ps. -	Ps. 1,199
Defined benefit liability	Ps. 1,199	Ps. -	Ps. 1,199

d) The key assumptions used in the actuarial study, expressed in absolute terms, were as follows:

	2016	2015
Financial assumptions		
Discount rate	7.64%	7.31%
Expected salary increase rate	4.00%	4.00%
Inflation rate	3.50	3.50%
Biometric assumptions:		
Mortality rate	EMSSA 2009	EMSSA 2009
Disability	IMSS - 97	IMSS - 97

e) In 2015, the Company assumed the employer obligations of the technical personnel transferred to it from Telcel. These employees are distributed across the nine geographic regions where the Company's passive infrastructure is located.

As at 31 December 2016 and 2015, the Company does not have any material contingent liabilities for employee benefits.

13. EMPLOYEE BENEFITS

As at 31 December 2016 and 2015, the Company has recognized accrued liabilities for short-term employee benefits. An analysis is as follows:

	BALANCE AS AT 31 DECEMBER 2015	INCREASES FOR THE YEAR	CHARGES	BALANCE AS AT 31 DECEMBER 2016
Paid annual leave	Ps. 1,194	Ps. 207	Ps. 91	Ps. 1,310
Vacation premium	2,007	5,317	4,916	2,408
Employee profit sharing	-	3,787	-	3,787
	Ps. 3,201	Ps. 9,311	Ps. 5,007	Ps. 7,505

The Company has no employee profit sharing payable, since in accordance with Article 126 of the Mexican Labor Law, newly incorporated companies are exempt from paying employee profit sharing in their first year of operations. The Company determined the amount of its employee profit sharing payable for 2016.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

An analysis of the Company's accounts payable and accrued liabilities is as follows:

	2016	2015
Suppliers and accounts payable	Ps. 319,974	Ps. 122,646
Rent payable	92,684	122,763
Provisions and accrued liabilities	17,464	19,490
Total	Ps. 430,122	Ps. 264,899

The above-mentioned provisions represent expenses incurred in 2016 and 2015 or services contracted during these years that are to be paid in the following year. There is uncertainty as to both the final amounts payable and the timing of the Company's cash outlay and thus, the amounts shown above may vary.

15. EQUITY

a) An analysis of the Company's share capital as at 31 December 2016 and 2015 is as follows:

		2016	
SERIES	SHARE CAPITAL	SHARES	AMOUNT
B-1	Fixed minimum	4,774,486,209	Ps. 35,000

		2015	
SERIES	SHARE CAPITAL	SHARES	AMOUNT
A	Fixed minimum	31,593,716	Ps. 232
AA	Fixed minimum	1,169,231,633	8,571
L	Fixed minimum	3,573,660,860	26,197
		4,774,486,209	Ps. 35,000

b) The Company's share capital is variable, with an authorized fixed minimum of Ps. 35,000, represented by 4,774,486,209 common registered shares with no par value; all of the Company's shares are issued and outstanding.

c) As at 31 December 2016, the Company had treasury shares comprised of 1,474,486,209 Series B-1 shares for subsequent reissuance in terms of the Mexican Securities Trading Act.

d) At an extraordinary shareholders' meeting held on 28 April 2016, the shareholders approved the conversion of all of the Company's common registered Series "L" shares with limited voting rights and common registered Series "A" and "AA" shares, all with no par value, into common registered Series "B-1" shares with no par value. The shareholders received one Series "B-1" share for every Series "L", "A" or "AA" share that they redeemed.

e) In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. The legal reserve is recognized as part of retained earnings. As at 31 December 2016, the Company's legal reserve is Ps. 3,359 and as at 31 December 2015, the Company has not created such a reserve.

f) Earnings distributed in excess of the Net taxed profits account (CUFIN) balance will be subject to the payment of corporate income tax at the statutory rate at that time. The payment of this tax may be credited against the Company's current income tax.

g) As a result of the 2014 Mexican Tax Reform, dividends paid to foreign individuals and corporations from earnings generated as of 1 January 2014 shall be subject to an additional 10% withholding tax.

16. INCOME TAX

A) INCOME TAX

The Mexican Income Tax Law (MITL) establishes a corporate income tax rate for Mexico of 30% for 2016.

b) An analysis of income tax recognized in the statement of comprehensive income for the year ended 31 December 2016 and for the period from 5 January to 31 December 2015 is as follows:

	2016	2015
Current year income tax	Ps. 534,516	Ps. 577,336
Deferred income tax	(638,033)	(495,615)
Total income tax	Ps. (103,517)	Ps. 81,721

c) A reconciliation of the Company's net deferred income tax assets and liabilities is as follows:

	2016	2015
As at 5 January 2015	Ps. -	Ps. (125,940)
As at 1 January 2016	(9,854,818)	-
Current deferred income tax	638,033	495,615
Deferred income tax recognized in other comprehensive income	(606,624)	(9,619,769)
Deferred income tax reclassified to retained earnings	(636,149)	(604,724)
As at 31 December	Ps. (10,459,558)	Ps. (9,854,818)

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

	2016	2015
Statutory income tax rate	30%	30%
Effect of reconciled items:		
Taxable effects of inflation	(25)	(15)
Property and equipment, net	7	126
Non-deductible items	(1)	5
Non-taxable revenue	-	(88)
Other items	(1)	2
Effect of spun-off balances	-	(85)
Tax losses not expected to be carried forward	-	80
Effective income tax rate	10%	55%

e) An analysis of the effect of temporary differences giving rise to deferred tax assets and liabilities is as follows:

	2016	2015
Deferred tax assets:		
Provisions and accrued liabilities	Ps. 5,959	Ps. 6,020
Rent payable to individuals	16,716	23,931
Amortized cost	2,372	-
Employee benefits	2,252	960
Retirement benefits	1,130	360
Tax losses	63	-
Total deferred tax assets	28,492	31,271
Deferred tax liabilities:		
Property and equipment, net	Ps. 233,080	Ps. 247,813
Surplus from revaluation of assets	10,226,431	9,619,769
Rent paid in advance	27,451	17,904
Prepaid expenses	1,088	-
Amortized cost	-	603
Total deferred tax liabilities	10,488,050	9,886,089
Deferred tax liability, net	Ps. 10,459,558	Ps. 9,854,818

f) For the years ended 31 December 2016 and 2015, the Company reported taxable income of Ps. 1,781,720 and Ps. 1,924,452, respectively, on which income tax payable was Ps. 534,516 and Ps. 577,336, respectively.

g) As at 31 December 2016 and 2015, the Company had the following tax balances:

	2016	2015
Restated contributed capital account (CUCA)	Ps. 36,708	Ps. 35,514
Net taxed profits account (CUFIN)	10,329	4,294

17. CONTINGENCIES AND COMMITMENTS

Since 2013, the Mexican government has been formulating a new regulatory framework for the country's telecommunications and the broadcast sectors. This new regulatory framework is based on a set of constitutional reforms that were enacted in June 2013, which took effect in July 2014, and which led to the enactment of a new Federal Telecommunications and Broadcasting Law and Mexican Public Broadcasting System Law to replace the existing regulatory framework.

The Federal Telecommunications Institute (IFT) was created as an independent agency tasked with promoting and regulating access to Mexico's telecommunications and broadcast infrastructure (including passive infrastructure).

The IFT also has the power to oversee fair competition in the telecommunications and broadcast sectors by imposing asymmetric regulations on sector participants that it deems market dominant and it may also declare that a company is a so-called "preponderant economic agent" in either of these two sectors.

In March 2014, the IFT issued a ruling (the Ruling) through which it declared that America Movil and Telcel, together with others market participants, represented an "economic interest group" that is a so-called "preponderant economic agent" in the telecommunications sector. The IFT ordered America Movil and Telcel to take specific actions to force both companies to grant access to and to share their passive infrastructure with other carriers. Telcel's passive infrastructure includes new tower space, as well as space on towers where telecommunications equipment is already installed.

The Federal Telecommunications and Broadcasting Law that was published in July 2014 states that the IFT shall be tasked with promoting the execution of agreements between asset owners and customers in order for the former to provide access to this passive infrastructure to the latter. Whenever the negotiations surrounding these agreements prove unsuccessful, the IFT may intercede to determine the pricing and the terms of the commercial agreements. The IFT also has the power to regulate the terms of passive infrastructure agreements between assets owners and their customers, and it may assess the agreements in terms of fair competition and take actions to ensure that the terms and conditions for the use and sharing of the passive infrastructure are non-discriminatory.

REFERENCE OFFER

As per the Ruling and in terms of the new regulatory framework, Telcel was ordered to create a reference offer and submit it to the IFT for approval. Telcel submitted this reference to the IFT and the IFT approved its offer for shared access to its passive infrastructure, which was valid until 31 December 2015. As a result, Opsimex, as the transferee of Telcel and owner of the passive infrastructure, is subject to the terms of the Ruling.

As per the terms of the reference offer, carriers must sign both a general agreement and an individual agreement for each site they acquire access to. Although the terms and conditions of these agreements will vary, they must all be for a minimum term of ten years, except when the associated property lease agreement is for a longer term. The term of the Company's first reference offer expired on 31 December 2015, and a new reference offer was approved by the IFT on November 2015. The term of the new reference offer is from 1 January 2016 to 31 December 2017. In accordance with the new regulations, in July of each year the Company will be required to file a new reference offer for approval by the IFT. These new reference offers shall take effect on 1 January of the following year, although operators may agree on reference offers with longer terms than their current reference offers.

Customers who sign the general agreement may choose to use available spaces at the site or they may choose one of the options set forth in the reference offer.

TOWERS AND ANTENNAS

The Company is subject to regulatory requirements regarding the registration, zoning, construction, lighting, demarcation, maintenance and inspection of towers, as well as land-use restrictions for the land on which the Company's towers are located. Failure to comply with these regulations may lead to fines for the Company. The Company believes that it complies substantially with all applicable regulations.

18. SEGMENT INFORMATION

The Company has passive infrastructure installed throughout Mexico and in various points abroad. Its principal business segment is leasing this infrastructure. At the reporting date, the Company's business is geographically divided into the following nine regions:

REGION	MEXICAN STATES	2016 INFRASTRUCTURE RENTAL REVENUE	2016 LEASE EXPENSE	2015 INFRASTRUCTURE RENTALE REVENUE	2015 LEASE EXPENSE
1	Baja California Sur and Baja California	Ps. 248,470	Ps. 98,714	Ps. 210,285	Ps. 77,992
2	Sinaloa and Sonora	371,751	117,017	296,543	89,674
3	Chihuahua and Durango	237,772	67,073	197,337	54,447
4	Nuevo Leon, Tamaulipas and Coahuila	615,434	196,537	463,658	160,921
5	Jalisco, Michoacan, Colima and Nayarit	605,630	210,763	524,934	186,589
6	Queretaro, Guanajuato, San Luis Potosi, Aguascalientes and Zacatecas	625,165	233,409	516,889	201,963
7	Puebla, Veracruz, Oaxaca and Guerrero	800,772	272,573	665,997	229,571
8	Yucatan, Campeche, Tabasco, Chiapas and Quintana Roo	554,804	171,545	443,138	149,255
9	Hidalgo, Morelos and Mexico City	1,080,988	350,212	911,857	401,927
	Total	Ps. 5,140,786	Ps. 1,717,843	Ps. 4,230,638	Ps. 1,552,339

REGION	OTHER FOREIGN LOCATIONS	2016 INFRASTRUCTURE RENTAL REVENUE	2016 LEASE EXPENSE	2015 INFRASTRUCTURE RENTALE REVENUE	2015 LEASE EXPENSE
1	Costa Rica	Ps. 39,093	Ps. 16,308	Ps. -	Ps. -
	Total foreign locations	Ps. 39,093	Ps. 16,308	Ps. -	Ps. -
	Total	Ps. 5,179,879	Ps. 1,734,151	Ps. 4,230,638	Ps. 1,552,339

19. SUBSEQUENT EVENTS

A) SHORT AND LONG-TERM DEBT

I. On 31 January 2017, the Company issued short-term structured notes of Ps. 505,000 under ticker symbol OSM 00117. These instruments matured on 28 February 2017 and they were paid in full at maturity.

II. On 28 February 2017, the Company issued short-term structured notes of Ps. 350,000 under ticker symbol OSM 00217. These instruments matured on 28 March 2017 and they were paid in full at maturity.

III. In January, February and March 2017, the Company paid interest of Ps. 391,243, Ps. 71,050, and Ps. 178,748, respectively, on its Series 1 OSM-15 and Series 2 OSM-152 Mexican-peso structured notes and its Series 3 OSM-15U UDI-denominated structured notes, respectively.

IV. On 28 February 2017, the Company renewed its short-term debt for the full amount of the three bank loans obtained from BOFA of USD 16,730,000. The new maturity date of this debt is 26 May 2017.

b) On 8 March 2017, the Company entered into an amending agreement to the Framework Agreement for passive infrastructure leasing and adaptation services entered into with Telcel on 23 March 2015. The amending agreement establishes an extension to the term of the original Framework Agreement to 10 years with a maturity date of 4 January 2025.

c) On 17 February 2017, Altán Redes, S.A.P.I. de C.V. (Altán), the Company that won the bid to operate the 700 megahertz (MHz) shared network in Mexico, entered into a Framework Service Agreement with Opsimex for access and shared use of passive infrastructure. This agreement will expire on 31 December 2017.