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Report of **independent auditors**

to the Shareholders of
Telesites, S.A.B. de C.V. and subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Telesites, S.A.B. de C.V. and subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Telesites, S.A.B. de C.V. and subsidiaries as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are described in the *"Auditor's Responsibilities for the Audit of the consolidated financial statements section"* of our report. We are independent from the Company in accordance with the international Ethics Standards Board for Accountants" *Code of Ethics for Professional Accountants ("IESBA Code")* together with the ethical requirements that are relevant to air audit of the consolidated financial statements in Mexico according with the *"Codigo de Etica Profesional del Instituto Mexicano de Contadores Públicos ("IMCP Code")* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *"Auditor's responsibilities for the audit of the consolidated financial statements"* section of our report, in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Property and Equipment

Description of key audit matter

We considered the passive infrastructure under property and equipment as a key audit matter because the valuation of these assets requires the use of assumptions that involve calculations that are subjective and complex, since they require that we seek assistance from specialists of the Company's management and audit specialists to carry out our audit procedures.

How we addressed key audit matter

We evaluated the assumptions used to measure and recognize property and equipment on the basis of a fair value review that we performed in accordance with International Accounting Standard (IAS) 16 and IFRS 13. For this review, we considered and evaluated the reconciliation of the beginning and ending balances of property and equipment. Based on audit samples, we analyzed the increases reflected in property and equipment accounts by reviewing and comparing significant items to their respective support documentation. We tested asset depreciation by verifying the mathematical calculations underlying the depreciation and we carried out substantive analytical procedures as well. To determine the existence of potential indicators of impairment, we sought assistance from specialists and we assessed the Company's presentation and disclosure of passive infrastructure in accordance with IFRS.

Notes 2.g and 7 to the accompanying consolidated financial statements, include disclosures regarding the Company's construction and property and equipment.

2. Current and deferred income tax

Description of key audit matter

We considered current and deferred income tax a key audit matter due to the significant degree of subjectivity inherent in some of the tax criteria adopted by the Company and which given the diversity of interpretations of Mexican tax laws, the tax authorities may or may not agree with. We also focused on this area due to the fact that differences in interpretations of the tax laws could give rise to contingencies for the Company, which could ultimately affect the recoverability of its deferred tax assets. The Company's income tax matters should be handled by personal specialized technical skills in taxes.

How we addressed key audit matter

We compared the book amounts considered in the calculation of current and deferred taxes against the Company's audited amounts at the same date. We assessed the financial projections that support the Company's decisions regarding the recognition of deferred tax assets based on their recoverability. We sought assistance from in-house tax specialists to perform the required tax audit procedures. We analyzed the reconciliation of the Company's effective income tax rate and we test significant items. We also evaluated the Company's presentation and disclosure of current and deferred income tax in accordance with the applicable accounting requirements.

Note 2.o to the accompanying consolidated financial statements, includes disclosures regarding the Company's policies in respect of current and deferred income tax and respect of deferred tax assets.

3. Short-term and long-term debt

Description of key audit matter

We considered the Company's short-term and long-term debt (structured notes and bank loans) a key audit matter due to the high level of professional judgement required for the valuation of these financial liabilities, which are measured at amortized cost, and since they require that we seek assistance from specialists of the Company's management and audit specialists to carry out our audit procedures.

How we addressed key audit matter

We evaluated management's calculation of the Company's debt. We also applied analytical testing to interest accrued on the debt and we compared the results of this testing to the reconciliation of the Company's interest payable. We analyzed the determination of the market values of the debt and the calculation of accrued interest and we assessed these amounts for consistency with the terms and conditions of the respective loan agreements. We compared the book balances of the debt with the balances reported in the balance confirmations received from the financial institutions with which the Company contracted the debt. We evaluated the Company's risk from fluctuations in the interest rates of the debt. We received assistance from a valuation specialist to value the Company's debt recognized at amortized cost. We also evaluated the Company's presentation and disclosure of its structured notes in accordance with IFRS.

Note 2.e to the accompanying consolidated financial statements, includes disclosures related to this matter.

4. Asset retirement obligation

Description of key audit matter

We considered the Company's asset retirement obligation a key audit matter due to high professional judgement required to calculated this obligation and because it requires the use of assumptions that involve estimates that are subjective and complex, since they require that we seek assistance from specialists of the Company's management and audit specialists to carry out our audit procedures.

How we addressed key audit matter

We reviewed the Company's calculation of its asset retirement obligation and we verified the correct valuation of the principal components of the provision in accordance with IAS 37. Using audit samples, we reviewed the Company's lease agreements to verify the term of each asset retirement obligation. We also received assistance from a valuation specialist to verify the reasonableness of the provision and we assessed the correct presentation and disclosure of the Company's asset retirement obligation in accordance with IFRS.

Note 2.l to the accompanying consolidated financial statements, includes disclosures related to the Company's asset retirement obligation.

5. Revenue Recognition

Description of key audit matter

We considered revenue recognition a key audit matter due to the importance of this area for users of the Company's financial statements and due to the importance of having audit evidence regarding revenue recognition in accordance to IAS 18, as well as to fact that revenue recognition encompasses a number of audit considerations, including the measurement, recognition, disclosure of revenue and tax aspects relating to the taxability of the Company's revenue.

How we addressed key audit matter

As part of our audit we verified the Company's correct revenue recognition in accordance with IFRS on the basis of substantive tests, which included verifying the existence of support documentation for a sample of significant items selected in accordance with ISA, the execution of analytical procedures that included variance analyses, cut-off test to verify recognition of revenue in the correct period, a review of revenue calculations, and a review of the Company's current lease agreements.

Note 2.c to the accompanying consolidated financial statements, includes disclosures regarding the Company's revenue recognition policies.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report filed with the Comisión Nacional Bancaria y de Valores ("CNBV"), but does not include the consolidated financial statements and our auditor's report thereon. We expect to obtain the other information after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read and consider the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV, that contains a description of the matter.

Responsibilities of Management and of those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jose Andres Marin.

Our audit opinion and the accompanying financial statements and footnotes have been translated from the original Spanish version into English for convenience purposes only.

Mancera, S.C.
Integrante de
Ernst & Young Global Limited

Jose Andres Marin
Mexico City
11 April, 2018

Consolidated statements of **financial position**

(Amounts in thousands of Mexican pesos)

		As at 31 December		
		2017		2016
Assets				
Current assets:				
Cash and cash equivalents (Note 4)	Ps.	561,477	Ps.	231,533
Accounts receivable		43,591		3,779
Related parties (Note 6)		61,812		104,969
Recoverable taxes		29,823		165,715
Other current assets (Note 5)		120,067		144,528
Total current assets		816,770		650,524
Non-current assets:				
Licenses and software, net		16,295		8,755
Property and equipment, net (Note 7)		43,605,054		43,173,883
Deferred tax assets (Note 16)		35,698		28,492
Other non-current assets (Note 5)		160,192		190,001
Total assets	Ps.	44,634,009	Ps.	44,051,655
Liabilities and equity				
Current liabilities:				
Short-term debt and interest (Note 9)	Ps.	464,395	Ps.	345,486
Interest payable on long-term debt (Note 9)		492,321		476,492
Accounts payable and accrued liabilities (Note 14)		442,568		430,122
Taxes and contributions payable		290,429		77,363
Related parties (Note 6)		75,504		190,518
Employee benefits (Note 13)		5,738		7,505
Total current liabilities		1,770,955		1,527,486
Non-current liabilities:				
Long-term debt (Note 9)		22,018,851		21,520,659
Deferred tax liabilities (Note 16)		10,264,347		10,488,050
Retirement benefits (Note 12)		4,452		3,767
Asset retirement obligation (Note 8)		860,112		831,670
Total liabilities		34,918,717		34,371,632
Equity (Note 15):				
Share capital		35,000		35,000
Other components of equity		(16,228,640)		(16,228,640)
Surplus from revaluation of assets		23,434,710		23,861,672
Components of other comprehensive income		981		616
Retained earnings		3,160,733		2,962,554
Net loss for the year		(687,492)		(951,179)
		2,473,241		2,011,375
Total equity		9,715,292		9,680,023
Total liabilities and equity	Ps.	44,634,009	Ps.	44,051,655

The accompanying notes are an integral part of these financial statements.

Consolidated statements of **comprehensive income**

(Amounts in thousands of Mexican pesos)

		As of December 31		
		2017		2016
Operating revenue:				
Infrastructure rent	Ps.	5,665,715	Ps.	5,179,879
Revenue from alteration services		132,677		214,778
Other income (Note 2s)		56,905		21,999
		5,855,297		5,416,656
Operating costs and expenses:				
Depreciation and amortization (Note 7)		2,042,366		2,557,196
Leases (Note 11)		1,863,678		1,734,151
Alteration service costs		123,851		201,062
Operating expenses		362,356		396,896
Other expenses		20,093		35,530
		4,412,344		4,924,835
Operating income		1,442,953		491,821
Net financing cost:				
Accrued interest income		22,238		38,250
Accrued interest expense		(1,525,335)		(1,349,273)
Foreign exchange loss, net		(479,301)		(235,494)
		(1,982,398)		(1,546,517)
Loss before income tax		(539,445)		(1,054,696)
Income tax (Note 16)		(148,047)		103,517
Net loss for the year	Ps.	(687,492)	Ps.	(951,179)
Components of other comprehensive income:				
Revaluation surplus, net of taxes	Ps.	(426,962)	Ps.	1,415,543
Retirement benefits, net of taxes		206		(86)
Foreign currency translation effect		159		702
Total other comprehensive (loss)/income		(426,597)		1,416,159
Comprehensive (loss)/income for the year	Ps.	(1,114,089)	Ps.	464,980
Weighted average number of outstanding shares (thousands of shares)		3,300,000		3,300,000
Net loss per share attributable to equity holders of the parent	Ps.	(0.21)	Ps.	(0.28)

The accompanying notes are an integral part of these financial statements.

Consolidated statements of **changes in equity**

For the Years Ended 31 December 2017 and 2016 (Amounts in thousands of Mexican pesos) (Note 15)

			Retained earnings			Other comprehensive income				
	Share capital	Other components of equity	Legal reserve	Unapplied income	Total	Effect of labor obligations	Foreign currency translation reserve	Revaluation surplus	Comprehensivee (loss)/ income	Total equity
Balance as at 31 December 2015	Ps. 35,000	Ps. (16,228,640)	Ps. -	Ps. 1,478,207	Ps. 1,478,207	Ps. -	Ps. -	Ps. 22,446,129		Ps. 7,730,696
Creation of legal reserve	-	-	3,359	(3,359)	-	-	-	-	Ps. -	-
Foreign currency translation effect	-	-	-	-	-	-	702	-	702	702
Retirement benefits, net of taxes	-	-	-	-	-	(86)	-	-	(86)	(86)
Revaluation surplus, net of taxes	-	-	-	-	-	-	-	2,899,890	2,899,890	2,899,890
Allocation effect of surplus, net of taxes	-	-	-	1,484,347	1,484,347	-	-	(1,484,347)	(1,484,347)	-
Net loss of the year	-	-	-	(951,179)	(951,179)	-	-	-	(951,179)	(951,179)
Comprehensive income for the year	-	-	-	-	-	-	-	-	Ps. 464,980	
Balance as at 31 December 2016	35,000	(16,228,640)	3,359	2,008,016	2,011,375	(86)	702	23,861,672		9,680,023
Foreign currency translation effect	-	-	-	-	-	-	159	-	Ps. 159	159
Retirement benefits, net of taxes	-	-	-	-	-	206	-	-	206	206
Revaluation surplus, net of taxes	-	-	-	-	-	-	-	722,396	722,396	722,396
Allocation effect of surplus, net of taxes	-	-	-	1,149,358	1,149,358	-	-	(1,149,358)	(1,149,358)	-
Net loss of the year	-	-	-	(687,492)	(687,492)	-	-	-	(687,492)	(687,492)
Comprehensive loss for the year	-	-	-	-	-	-	-	-	Ps. (1,114,089)	
Balance as at 31 December 2017	Ps. 35,000	Ps. (16,228,640)	Ps. 3,359	Ps. 2,469,882	Ps. 2,473,241	Ps. 120	Ps. 861	Ps. 23,434,710		Ps. 9,715,292

The accompanying notes are an integral part of these financial statements.

Consolidated statements **of cash flows**

(Amounts in thousands of Mexican pesos)

		For the year ended 31 December		
		2017		2016
Operating activities				
Loss before income tax	Ps.	(539,445)	Ps.	(1,054,696)
Items not affecting cash flows:				
Depreciation and amortization		2,042,366		2,557,196
Interest income		(22,238)		(38,250)
Interest expense		1,525,335		1,349,273
Foreign exchange loss, net		479,301		235,494
Net periodic benefit cost		708		617
		3,486,027		3,049,634
Changes in operating assets and liabilities:				
Accounts receivable		(39,812)		(3,161)
Related parties		(71,857)		(109,681)
Other current and non-current assets		54,270		11,900
Accounts payable and accrued liabilities		23,871		178,948
Taxes and contributions payable		(339,596)		(1,186,101)
Net cash flows from operating activities		3,112,903		1,941,539
Investing activities				
Interest received		22,238		38,250
Licenses and software		(9,796)		(8,755)
Property and equipment		(1,410,845)		(2,801,931)
Net cash flows used in investing activities		(1,398,403)		(2,772,436)
Financing activities				
Payment of short-term debt		(1,555,000)		(1,000,000)
Short-term debt		1,672,772		344,963
Issuance of short-term debt		-		2,500,000
Structured note premium		-		3,156
Interest paid on short-term debt		(15,930)		(9,575)
Interest paid on short-term debt		(1,486,398)		(1,246,393)
Net cash flows (used in) from financing activities		(1,384,556)		592,151
Net increase/(decrease) in cash and cash equivalents		329,944		(238,746)
Cash and cash equivalents at beginning of period		231,533		470,279
Cash and cash equivalents at end of period	Ps.	561,477	Ps.	231,533

The accompanying notes are an integral part of these financial statements.

Notes to consolidated financial statements 31 December 2017 and 2016

(Amounts in thousands of Mexican pesos, unless otherwise indicated)

1. Description of the Business and Relevant Events

I. Description of the Business

Telesites, S.A.B. de C.V. and subsidiaries ("Telesites" or "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 2017.

The Company's head offices are located in Mexico City, at Paseo de las Palmas No. 781, 2nd floor, office No. 203, Colonia Lomas de Chapultepec III Sección, Miguel Hidalgo, postal code 11000.

On 11 April 2018, the Company's Board of Directors authorized the issue of the accompanying consolidated financial statements.

II. Relevant Events

a) 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.

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 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 towers and physical space for installations of passive mobile telecommunications infrastructure to mobile carriers in 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 IFRS, effective as at 31 December 2017, as issued by the 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. All 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 2017 and 2016 is as follows:

Company name	% equity interest as at 31 December		Country	Date of first consolidation	Type of operations
	2017	2016			
Intermediate holding company					
Telesites Internacional, S.A. de C.V.	100%	100.00%	Mexico	November 2015	Intermediate holding company
Infrastructure					
Operadora de Sites Mexicanos, S.A. de C.V.	100%	100.00%	Mexico	January 2015	Infrastructure
Telesites Costa Rica, S.A.	100%	100.00%	Costa Rica	January 2016	Infrastructure
Telesites Colombia, S.A.S.	100%	100%	Colombia	January 2017	Infrastructure
Services					
Demonsa, S.A. de C.V.	100%	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 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 recognition 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 for 2017 and 2016 are as follows:

	2017	2016
Passive infrastructure	3.33% to 6.67%	6.25% and 5%
Automotive equipment	25%	25%
Computer equipment	30%	30%
Other equipment	10%	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 2017 and 2016, 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 (EPS)

Current EPS 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 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 2017 and 31 December 2016, 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 consolidated 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 consolidated 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:

		2017		2016
Technical advice	Ps.	56,834	Ps.	-
Sale of scrap		71		79
Reversal of provisions from prior years		-		14,676
Sale of automotive equipment		-		7,244
	Ps.	56,905	Ps.	21,999

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 2016 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's Management analyzed the new five-step model for revenue recognition; derived from this analysis, and 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.

Below are the published rules and interpretations that come into force on 1 January 2017:

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 7 - *Statement of cash flows: Disclosure initiative*

The amendments require entities to disclose changes in liabilities produced by financing activities, including both those derived from cash flows and those that do not imply cash flows (such as gains or losses from exchange differences). These amendments do not have any impact on the financial statements.

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.

Amendments to IAS 12 - *Income taxes: Recognition of deferred tax assets for unrealized losses*

The amendments clarify that an entity needs to take into account whether tax legislation restricts the types of tax benefits that can be used to offset the reversal of the deductible temporary difference corresponding to unrealized losses. In addition, the amendments provide guidance on how an entity should determine future tax benefits and explain the circumstances under which the tax benefit may include the recovery of some assets for an amount greater than their carrying amount. These amendments do not have any impact on the financial statements.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents as at 31 December 2017 and 2016 is as follows:

		2017		2016
Cash	Ps.	48	Ps.	52
Banks		550,528		216,836
Readily marketable securities		10,901		14,645
	Ps.	561,477	Ps.	231,533

5. Other Current and Non-current Assets

An analysis of this caption as at 31 December 2017 and 2016 is as follows:

		2017		2016
Advances to supplier	Ps.	77,900	Ps.	83,623
Value Added Tax payable, net		36,247		59,012
Prepaid insurance		4,627		1,893
Fees and subscriptions		1,293		-
Total other current assets	Ps.	120,067	Ps.	144,528
Security deposits	Ps.	103,172	Ps.	97,388
Rent paid in advance		57,020		92,613
Total other non-current assets	Ps.	160,192	Ps.	190,001

6. Related Parties

a) An analysis of balances due from and to the Company's related parties as at 31 December 2017 and 2016 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.

		2017		2016
Receivables:				
Radiomóvil Dipsa, S.A. de C.V. (i)	Ps.	51,411	Ps.	104,969
Claro Costa Rica, S.A. (vii)		10,401		-
		61,812		104,969
Payables:				
Operadora Cicsa, S.A. de C.V. (ii)	Ps.	66,574	Ps.	185,847
PC Industrial, S.A. de C.V. (vi)		8,854		4,300
Other related parties		76		371
	Ps.	75,504	Ps.	190,518

b) During the years ended 31 December 2017 and 2016, the Company had the following transactions with its related parties:

			2017		2016
Revenue:					
Radiomóvil Dipsa, S.A. de C.V.	Leasing (i)	Ps.	5,475,896	Ps.	5,013,831
Alteration services (i)			129,225		214,778
Claro Costa Rica, S.A de C.V.	Leasing (vii)		78,625		39,093
Comunicación celular, S.A. Comcel SA.,	Advisory		56,834		-
Expenses:					
Operadora Cicsa, S.A. de C.V.	Construction (ii)	Ps.	345,124	Ps.	160,213
Radiomóvil Dipsa, S.A. de C.V.	Leasing (iii)		125,840		271,392
Seguros Inbursa, S.A., Grupo Financiero Inbursa	Insurance (iv)		38,669		30,410
PC Industrial, S.A. de C.V.	Maintenance (v)		28,920		3,707
Grupo Sanborns, S.A. de C.V.	Leasing (vi)		1,349		-

(i) On March 8, 2017, the Company entered into a contract amendment to the contract for the lease of its passive infrastructure and adaptation services with Telcel, celebrated on March 23, 2015, in which an extension to the original term was established of the Framework Agreement, to set up in 10 years, with date of termination on January 4, 2025. The lease of passive structure corresponds to non-electronic elements at the service of telecommunications networks that include, but not limited to, masts, towers, poles, sites, properties and physical spaces; the adaptation services correspond to all those modifications to the passive infrastructure requested by the client. As of December 31, 2017 and 2016, the amount charged to income for the lease of passive infrastructure and adjustment services amounted to Ps.5,605,121 and Ps.5,228,609, respectively, the amount of the account receivable from Telcel, as of December 31, 2017 and 2016, amounted to Ps.51,411 and Ps.104,969, respectively.

(ii) During 2017 and 2016, the Company had transactions related to the construction of passive infrastructure with Operadora Cicsa, S.A. de C.V. (CICSA), construction expense under operating leases was Ps.345,124 and Ps.160,213 respectively. The account payable due to CICSA as at 31 December 2017 and 2016 is Ps.66,574 and Ps.185,847, respectively.

(iii) During 2017 and 2016 the Company entered into leases of locations and land for passive infrastructure with Telcel for Ps.125,840 and Ps.271,392, respectively.

(iv) During 2017 and 2016, 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.38,669 and Ps.30,410, respectively.

(v) The Company provided preventive maintenance to the passive infrastructure of PC Industrial, S.A. de C.V. (PCIS) in 2017 and 2016 the total maintenance expense for the year was Ps.28,920 and Ps.3,707 respectively. As at 31 December 2017 and 2016, the Company's account payable to PCIS is Ps.8,854 and Ps.4,300, respectively.

(vi) During fiscal year 2017, the Company entered into operations for the lease of premises for the passive infrastructure with Grupo Sanborns, S.A. of C.V. (Sanborns), the amount charged to results for this concept, amounted to Ps.1,349.

(vii) During the fiscal years of 2017 and 2016, the Company carried out operations for leasing services with Claro Costa Rica, S.A. (Claro), the amount charged to results for this concept, amounted to Ps.78,625 and Ps.39,093, respectively. As of December 31, 2017, the amount of the account receivable from Claro amounted to Ps.10,401.

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 2017, the Company's passive infrastructure is comprised of 14,976 towers (14,302 towers as at 31 December 2016).

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 2017, the Company has 267 towers in Costa Rica (166 towers as at 31 December 2016).

An analysis of property and equipment as at 31 December 2017 and 2016 is as follows:

Item	Passive infrastructure	Automotive equipment	Other equipment	Construction in process	Land	Total
Investment:						
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	47,462,753	6,831	12,987	98,414	34,037	47,615,022
Additions	1,306,123	2,631	13,758	1,408,071	23,916	2,754,499
Additions from revaluation surplus (Note 2g)	1,013,915	-	-	-	-	1,013,915
Disposals	(18,079)	(1,373)	-	(1,306,123)	-	(1,325,575)
As at 31 December **2017**	Ps. 49,764,712	Ps. 8,089	Ps. 26,745	Ps. 200,362	Ps. 57,953	Ps. 50,057,861
Depreciation:						
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	4,847,508	1,274	2,177	-	-	4,850,959
Depreciation for the year	2,006,348	1,888	3,323	-	-	2,011,559
Disposals	-		-	-	-	-
As at 31 December **2017**	Ps. 6,853,856	Ps. 3,162	Ps. 5,500	Ps. -	Ps. -	Ps. 6,862,518
Asset retirement obligation:						
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	409,820	-	-	-	-	409,820
Cancellations	-	-	-	-	-	-
Amortization	(28,551)	-	-	-	-	(28,551)
Increase for the year	28,442	-	-	-	-	28,442
As at 31 December **2017**	Ps. 409,711	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 409,711
Carrying amount:						
As at 31 December **2017**	Ps. 43,320,567	Ps. 4,927	Ps. 21,245	Ps. 200,362	Ps. 57,953	Ps.43,605,054
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

Depreciation and amortization expense for the period ended 31 December 2017 and 2016 was Ps.2,042,366 and Ps.2,557,196, respectively.

8. Asset Retirement Obligation

An analysis of the Company's asset retirement obligation as at 31 December 2017 and 2016 is as follows:

		2017		2016
Balance as at 1 January of	Ps.	831,670	Ps.	732,990
Increase for additions of passive infrastructure		28,442		98,680
Charges		-		-
Balance as at 31 December	Ps.	860,112	Ps.	831,670

As at 31 December 2017, the review of the cash flow estimates and discount rates gave rise to no changes in these variables compared to the prior year.

9. Short- and Long-term Debt

Breakdown of debt			**2017**		2016
Bank loans	Short-term	Ps.	464,395	Ps.	345,486
Issue of structured notes	Long- term		22,068,347		21,576,196
Amortized cost			(49,496)		(55,537)
			22,018,851		21,520,659
Interest payable on structured notes	Short-term		492,321		476,492
Total debt		Ps.	22,975,567	Ps.	22,342,637

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%.

vi) On 28 February 2017, Opsimex issued CB's series OSM-00217 and OSM-00117 in pesos, with a value of Ps.350,000 and Ps.505,000, respectively, maturing in 28 days at a gross annual interest rate of 7.06% per year. As of December 31, 2017, CB´s were settled in full.

vii) On 4 April 2017, Opsimex issued CB's serie OSM-00317 in pesos with a value of Ps.300,000, with a maturity of 15 days, and an annual interest rate of 7.22% per year. As of December 31, 2017, CB´s were settled in full.

An analysis of the historical amounts and the outstanding accrued interest under the structured notes as at 31 December 2017 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. 117,118
OSM-15R Mexican pesos series 1	23 July 2025	3,710,000	124,145
OSM-15 2R Mexican pesos series 1	23 July 2025	2,500,000	83,656
OSM-152 Mexican pesos series 2	29 July 2020	4,500,000	10,835
OSM-15U UDIs series 3	17 July 2030	7,858,347	156,567
		Ps. 22,068,347	Ps. 492,321

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

As at 31 December 2017 and 2016, the value of one UDI was Ps.5.9345 and Ps.5.5628, respectively. As at 11 April 2018, the date of the audit report on these financial statements, the value of the UDI was Ps.6.0325 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 2017 is as follows:

Currency	Lender	Rate	Maturity date	Short-term debt		Interest	
Mexican pesos:	Bank of America, N.A. (iv)	1.625%+Libor	12 January 2018	Ps.	440,646	Ps.	1,129
Bank of America, N.A. (v)	1.625%+Libor	12 January 2018			22,612		8
Total debt				Ps.	463,258	Ps.	1,137

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

(i) 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.

(ii) 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.

(iii) 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.

(iv) On 30 November 2017, the Company obtained a line of credit of USD 22,410 (Ps.440,646), from BOFA which matures on 12 January 2018. The loan bears annual interest equal to 1.6250% basis point to the LIBOR, which is payable monthly.

(v) On 27 December 2017, the Company obtained a line of credit of USD 1,150 (Ps.22,612) from BOFA which matures on 12 January 2018. The loan bears annual interest equal to 1.6250% basis points plus the LIBOR, which is payable monthly.

On 1 August 2017, the Company obtained a loan from Banco Santander S.A. (Santander), of Ps.400,000, which matures on 14 September 2017. The loan bears annual gross interest of 0.53% plus the 28-day Mexican weighted interbank rate (TIIE).

During fiscal year 2017, the Company settled all of its bank debt contracted with Santander for Ps.400,000.

10. Financial Assets and Financial Liabilities

An analysis of the Company's financial assets and financial liabilities as at 31 December 2017 and 2016 is as follows:

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	Ps. 22,018,851	Ps. 21,394,032	Ps. 21,520,659	Ps. 21,231,322

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:

	2017
2018	Ps. 2,048,959
2019	2,252,660
2020	2,476,612
2021	2,722,829
2022	2,993,524
Total	$ 12,494,584

For the year ended 31 December 2017 and 31 December 2016, rent under operating leases was Ps.1,863,678 and Ps.1,734,151, 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 2017 and 2016 is as follows:

a) Net periodic benefit cost

	2017					
	Retirement benefits		Termination benefits		Total	
Analysis of net periodic benefit cost:						
Current year service cost	Ps.	264	Ps.	159	Ps.	423
Net interest on net defined benefit liability		187		98		285
Net periodic benefit cost	Ps.	451	Ps.	257	Ps.	708

	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

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 31 December 2015	Ps.	1,199	Ps.	-	Ps.	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		1,317		2,450		3,767
Remeasurements of net defined benefit liability						
Current year service cost		264		159		423
Interest cost		187		98		285
Benefits paid		(194)		-		(194)
Actuarial (gain)/loss		227		(56)		171
Net defined benefit liability as at 31 December 2017	Ps.	1,801	Ps.	2,651	Ps.	4,452

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

	2017					
	Retirement benefits		Termination benefits		Total	
Provisions for:						
Vested benefit obligation	Ps.	1,801	Ps.	2,651	Ps.	4,452
Defined benefit liability	Ps.	1,801	Ps.	2,651	Ps.	4,452

	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

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

	2017	2016
Financial assumptions:		
Discount rate	7.75%	7.64%
Expected salary increase rate	4.00%	4.00%
Inflation rate	3.50	3.50
Biometric assumptions:		
Mortality rate	EMSSA 2019	EMSSA 2009
Disability	IMSS 97	IMSS 97

As at 31 December 2017 and 2016, the Company does not have any material contingent liabilities for employee benefits.

13. Employee Benefits

As at 31 December 2017 and 2016, the Company has recognized accrued liabilities for

short-term employee benefits. An analysis is as follows:

		Balance as at 31 December 2016		Increases for the year		Charges		Balance as at 31 December **2017**
Paid annual leave	Ps.	1,310	Ps.	2,548	Ps.	2,298	Ps.	1,560
Vacation premium		2,408		4,334		4,454		2,288
Gratification		-		1,482		-		1,482
Employee profit sharing payable		3,787		279		3,658		408
	Ps.	7,505	Ps.	8,643	Ps.	10,410	Ps.	5,738

14. Accounts Payable and Accrued Liabilities

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

		2017		2016
Suppliers and accounts payable	Ps.	306,926	Ps.	319,974
Rent payable		79,023		92,684
Provisions and accrued liabilities		56,619		17,464
Total	Ps.	442,568	Ps.	430,122

The above-mentioned provisions represent expenses incurred in 2017 and 2016 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 2017 and 2016 is as follows:

Share capital	Shares		Amount
Fixed minimum	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 2017, 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 2017 and 2016, the Company's legal reserve is Ps.3,359.

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 2017.

b) An analysis of income tax recognized in the statement of comprehensive income for the year ended 31 December 2016 2017 is as follows:

		2017		2016
Current year income tax	Ps.	688,644	Ps.	534,516
Deferred income tax		(540,597)		(638,033)
Total income tax	Ps.	148,047	Ps.	(103,517)

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

	2017	2016
As at 1 January	Ps. (10,459,558)	(9,854,818)
Deferred income tax recognized in the income Statements	540,597	638,033
Deferred income tax recognized in other comprehensive Income	182,894	(606,624)
Deferred income tax reclassified to retained earnings	(492,582)	(636,149)
As at 31 December	Ps. (10,228,649)	Ps.(10,459,558)

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:

	2017	2016
Statutory income tax rate	30%	30%
Effect of reconciled items:		
Taxable effects of inflation	(82)	(25)
Property and equipment, net	25	7
Non-deductible items	(1)	(1)
Other items	1	(1)
Effective income tax rate	(27)%	10%

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

	2017	2016
Deferred tax assets:		
Provisions and accrued liabilities	Ps. 17,811	Ps. 5,959
Rent payable to individuals	11,385	16,716
Amortized cost	1,640	2,372
Employee benefits	1,721	2,252
Retirement benefits	1,336	1,130
Tax losses	1,805	63
Total deferred tax assets	35,698	28,492
Deferred tax liabilities:		
Property and equipment, net	204,217	233,080
Surplus from revaluation of assets	10,043,447	10,226,431
Rent paid in advance	16,168	27,451
Prepaid expenses	515	1,088
Total deferred tax liabilities	10,264,347	10,488,050
Deferred tax liability, net	Ps. 10,228,649	Ps. 10,459,558

f) For the years ended 31 December 2017 and 2016, the Company reported taxable income of Ps.2,295,480 and Ps.1,781,720, respectively, on which income tax payable was Ps.688,644 and Ps.534,516, respectively.

g) Consolidated tax losses pending amortization

Consolidated tax losses may be amortized against future profits, within a period of ten years. For these purposes, they are updated according to the LISR. As of 31 December 2017, the consolidated fiscal losses of the Company are as follows:

Year of tax loss	Amount of the losses updated	Expiration Date
2016	Ps. 6,005	2026
2017	12	2027
	Ps. 6,017	

e) As at 31 December 2017 and 2016, the Company had the following tax balances:

	2017	2016
Restated contributed capital account (CUCA)	Ps. 39,194	Ps. 36,708
Net taxed profits account (CUFIN)	11,029	10,329

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 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.

In February 2017, the IFT published a "Biennial Resolution" through which measures were modified, deleted and added" to the Resolution ("the Biennial Resolution"), modifications that in the case of passive infrastructure, can be considered as minor or of little relevance.

Reference Offer

In the terms of the Resolution and the new legal framework, two Reference Offers ("Offer") were prepared; a first effective as of 31 December 31 2015 and the second with a validity as of 31 December 31 2017, for the former Opsimex as the successor of Telcel and owner of the passive infrastructure is required to comply with the Resolution.

In terms of the Biennial Resolution, a new Offer is currently in force, which was duly approved by the IFT in December 2017, which will be in force during the period from 1 January to 31 December 2018¸ under the terms of the current Offer, interested operators must sign a Framework Agreement, as well as individual agreements per site, the duration of which will be for a mandatory minimum term of 10 years. It is worth mentioning that, in accordance with the Biennial Resolution, the Company will present in the month of July of each year, for IFT approval, a new offer proposal, which will take effect on January 1 of the year following its presentation, with In addition to the foregoing, the operators may agree to sign the Offer with a duration longer than the validity of the respective 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	2017 Infrastructure rental revenue	2017 Lease expense	2016 Infrastructure rental revenue	2016 Lease expense
1	Baja California Sur and Baja California	Ps. 279,847	Ps. 102,777	Ps. 248,470	Ps. 98,714
2	Sinaloa and Sonora	402,059	110,083	371,751	117,017
3	Chihuahua and Durango	270,786	82,380	237,772	67,073
4	Nuevo Leon, Tamaulipas and Coahuila	689,065	189,609	615,434	196,537
5	Jalisco, Michoacan, Colima and Nayarit	662,764	213,085	605,630	210,763
6	Queretaro, Guanajuato, San Luis Potosi, Aguascalientes and Zacatecas	671,966	233,071	625,165	233,409
7	Puebla, Veracruz, Oaxaca and Guerrero	860,934	273,719	800,772	272,573
8	Yucatan, Campeche, Tabasco, Chiapas and Quintana Roo	603,134	176,216	554,804	171,545
9	Hidalgo, Morelos and Mexico City	1,146,535	449,017	1,080,988	350,212
	Total	Ps. 5,587,090	Ps. 1,829,957	Ps. 5,140,786	Ps. 1,717,843

Region	Other foreign locations	2017 Infrastructure rental revenue	2017 Lease expense	2016 Infrastructure rental revenue	2016 Lease expense
1	Costa Rica	Ps. 78,625	Ps. 33,721	Ps. 39,093	Ps. 16,308
	Total foreign locations	Ps. 78,625	Ps. 33,721	Ps. 39,093	Ps. 16,308
	Total	Ps. 5,665,715	Ps. 1,863,678	Ps. 5,179,879	Ps. 1,734,151

19. Subsequent Events

During the months of January and February 2018, the Company paid interest corresponding to series 1 OSM-15 in pesos, series 2 OSM-152 in pesos and series 3 OSM-15U Udis for an amount of Ps.391,243, Ps.56,805 and Ps.189,913, respectively.

On 23 February 2018, the Company renewed the short-term debt for the totality of the two bank loans it had contracted with BOFA, for an amount of USD 24,000, with a new maturity of 23 February 2023, at an annual interest rate equivalent to 4.52%.

Investor **information**

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