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 2018, 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 2018 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.h 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 the preparation of tax calculation by the Company. We moreover considered current and deferred income tax due to the diversity of interpretations of Mexican tax laws and 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 our 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.p 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. Long-term debt

Description of key audit matter

We considered the Company's long-term debt as 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 our 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 our risk 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.m 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 IFRS 15, 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 15 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 José Andrés Marín Valverde.
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.
A Member Practice of Ernst & Young Global Limited

José Andrés Marín Valverde

Mexico City
3 april, 2019

CONSOLIDATED STATEMENTS OF **FINANCIAL POSITION**

(Amounts in thousands of Mexican pesos)

	As at 31 December			
		2018		2017
Assets				
Current assets:				
Cash and cash equivalents (Note 4)	**Ps.**	**966,953**	Ps.	561,477
Accounts receivable		**92,424**		43,591
Related parties (Note 6)		**22,567**		61,812
Recoverable taxes		**58,780**		29,823
Other current assets (Note 5)		**79,273**		120,067
Total current assets		**1,219,997**		816,770
Non-current assets:				
Licenses and software, net		**17,374**		16,295
Property and equipment, net (Note 7)		**43,990,029**		43,605,054
Deferred tax assets (Note 16)		**35,326**		35,698
Other non-current assets (Note 5)		**177,664**		160,192
Total assets	**Ps.**	**45,440,390**	Ps.	44,634,009
Liabilities and equity				
Current liabilities:				
Short-term debt and interest (Note 9)	**Ps.**	**-**	Ps.	463,258
Interest payable on short-term debt (Note 9)		**-**		1,137
Interest payable on long-term debt (Note 9)		**507,430**		492,321
Accounts payable and accrued liabilities (Note 14)		**327,504**		442,568
Taxes and contributions payable		**150,193**		290,429
Related parties (Note 6)		**66,594**		75,504
Employee benefits (Note 13)		**8,449**		5,738
Total current liabilities		**1,060,170**		1,770,955
Non-current liabilities:				
Long-term debt (Note 9)		**22,931,755**		22,018,851
Deferred tax liabilities (Note 16)		**10,122,488**		10,264,347
Retirement benefits (Note 12)		**5,648**		4,452
Asset retirement obligation (Note 8)		**894,094**		860,112
Total liabilities		**35,014,155**		34,918,717
Equity (Note 15):				
Share capital		**35,000**		35,000
Other components of equity		**(16,228,640)**		(16,228,640)
Surplus from revaluation of assets		**23,059,404**		23,434,710
Components of other comprehensive income		**864**		981
Retained earnings		**3,656,818**		3,160,733
Net loss for the year		**(97,211)**		(687,492)
		3,559,607		2,473,241
Total equity		**10,426,235**		9,715,292
Total liabilities and equity	**Ps.**	**45,440,390**	Ps.	44,634,009

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	
	2018	2017
Operating revenue:		
Infrastructure rent	**Ps. 6,603,822**	Ps. 5,665,715
Revenue from alteration services	**114,542**	132,677
Other income (Note 2t)	**41,823**	56,905
	6,760,187	5,855,297
Operating costs and expenses:		
Depreciation and amortization (Note 7)	**2,124,184**	2,042,366
Leases (Note 11)	**2,019,925**	1,863,678
Alteration service costs	**108,814**	123,851
Operating expenses	**401,642**	362,356
Other expenses	**2,796**	20,093
	4,657,361	4,412,344
Operating income	**2,102,826**	1,442,953
Net financing cost:		
Accrued interest income	**47,391**	22,238
Accrued interest expense	**(1,591,543)**	(1,525,335)
Foreign exchange loss, net	**(394,980)**	(479,301)
	(1,939,132)	(1,982,398)
Income (loss) before income tax	**163,694**	(539,445)
Income tax (Note 16)	**(260,905)**	(148,047)
Net loss for the year	**Ps. (97,211)**	Ps. (687,492)
Components of other comprehensive loss:		
Revaluation surplus, net of taxes	**Ps. (375,306)**	Ps. (426,962)
Retirement benefits, net of taxes	**(254)**	206
Foreign currency translation effect	**137**	159
Total other comprehensive loss	**(375,423)**	(426,597)
Comprehensive loss for the year	**Ps. (472,634)**	Ps. (1,114,089)
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. (0.03)**	Ps. (0.21)

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

CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY**

For the Years Ended 31 December 2018 and 2017

(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	Comprehensive (loss)/income	Total equity
Balance as at 31 December 2016	Ps. 35,000	Ps. (16,228,640)	Ps. 3,359	Ps. 2,008,016	Ps. 2,011,375	Ps. (86)	Ps. 702	Ps. 23,861,672	Ps. -	Ps. 9,680,023
Creation of legal reserve	-	-	-	-	-	-	-	-	-	-
Foreign currency translation effect	-	-	-	-	-	-	159	-	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 income for the year	-	-	-	-	-	-	-	-	Ps. (1,114,089)	-
Balance as at 31 December 2017	35,000	(16,228,640)	3,359	2,469,882	2,473,241	120	861	23,434,710	-	9,715,292
Foreign currency translation effect 7	-	-	-	-	-	-	137	-	137	137
Retirement benefits, net of taxes	-	-	-	-	-	(254)	-	-	(254)	(254)
Revaluation surplus, net of taxes	-	-	-	-	-	-	-	808,271	808,271	808,271
Allocation effect of surplus, net of taxes	-	-	-	1,183,577	1,183,577	-	-	(1,183,577)	(1,183,577)	-
Net loss of the year	-	-	-	(97,211)	(97,211)	-	-	-	(97,211)	(97,211)
Comprehensive loss for the year	-	-	-	-	-	-	-	-	Ps. (472,634)	-
Balance as at 31 December 2018	**Ps. 35,000**	**Ps. (16,228,640)**	**Ps. 3,359**	**Ps. 3,556,248**	**Ps. 3,559,607**	**Ps. (134)**	**Ps. 998**	**Ps. 23,059,404**		**Ps.10,426,235**

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	
	2018	2017
Operating activities		
Income (loss) before income tax	**Ps. 163,694**	Ps. (539,445)
Items not affecting cash flows:		
Depreciation and amortization	**2,124,184**	2,042,366
Interest income	**(47,391)**	(22,238)
Interest expense	**1,591,543**	1,525,335
Foreign exchange loss, net	**394,980**	479,301
Net periodic benefit cost	**1,133**	708
	4,228,143	3,486,027
Changes in operating assets and liabilities:		
Accounts receivable	**(48,833)**	(39,812)
Related parties	**30,335**	(71,857)
Other current and non-current assets	**23,322**	54,270
Accounts payable and accrued liabilities	**(121,305)**	23,871
Taxes and contributions payable	**(917,878)**	(339,596)
Net cash flows from operating activities	**3,193,784**	3,112,903
Investing activities		
Interest received	**47,391**	22,238
Licenses and software	**(4,469)**	(9,796)
Property and equipment	**(1,317,087)**	(1,410,845)
Net cash flows used in investing activities	**(1,274,165)**	(1,398,403)
Financing activities		
Payment of short-term debt	**58,349**	-
Short-term debt	**-**	1,672,772
Issuance of short-term debt	**-**	(1,555,000)
Structured note premium	**-**	(15,930)
Interest paid on short-term debt	(1,572,492)	(1,486,398)
Net cash flows used in financing activities	**(1,514,143)**	(1,384,556)
Net increase in cash and cash equivalents	**405,476**	329,944
Cash and cash equivalents at beginning of the year	**561,477**	231,533
Cash and cash equivalents at end of the year	**Ps. 966,953**	Ps. 561,477

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

NOTES TO **CONSOLIDATED FINANCIAL STATEMENTS**

31 December 2018 and 2017

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

1. 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 2016. 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 2018.

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 3 april 2019, the Company's Board of Directors authorized the issue of the accompanying consolidated financial statements.

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 2018, 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 2018 and 2017 is as follows:

Company name	% equity interest as at 31 December 2018	2017	Country	Date of first consolidation	Type of operations
Intermediate holding company					
Telesites Internacional, S.A. de C.V. (Teleint)	100%	100%	Mexico	November 2015	Intermediate holding company
Infrastructure					
Operadora de Sites Mexicanos, S.A. de C.V. (Opsimex)	100%	100%	Mexico	January 2015	Infrastructure
Telesites Costa Rica, S.A. (TLC)	100%	100%	Costa Rica	January 2016	Infrastructure
Telesites Colombia, S.A.S. (TCO)	100%	100%	Colombia	January 2018	Infrastructure
Services					
Demonsa, S.A. de C.V. (Demonsa)	100%	100%	Mexico	January 2015	Services

On consolidation, the assets and liabilities of foreign operations are translated into Mexican pesos at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive losses ("OCI").

c) Revenue recognition

Rental income

The main activity of the Company is the rental of passive infrastructure and adaptation services for telephone operators.

Revenues derived from contracts with customers are recognized when the control of the goods or services are transferred to the customer for an amount that reflects the consideration to which the Company expects to have rights in exchange for those goods and services. The Company has concluded that it acts as principal in its income contracts in accordance with IFRS 15. Revenues are reviewed and increased in accordance with the behavior of the National Consumer Price Index (NCPI) and are established in the function of the characteristics of the leased spaces where the passive infrastructure is located.

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 instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company´s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Note 2.c) "Revenue recognition".

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original, carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets IFRS

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, long-term debt.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Compensation of financial instruments

The compensation of a financial asset and a financial liability for its presentation in the statement of financial position comes only when:

(i) the Company has a right and a legal obligation to collect or pay a compensated amount, so that the entity has, in fact, a compensated financial asset or a compensated financial liability; and

(ii) the amount resulting from offsetting the financial asset with the financial liability reflects the expected cash flows of the Company, when liquidating two or more financial instruments.

iv. Fair value measurement

The Company measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Note 10 presents an analysis of the fair values of 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) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

h) 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*.

The amount of the surplus from revaluation of assets recycled to the retained earnings in the same proportion of the depreciation during the life of the asset, in the case that the revalued asset is written off, the amount of the surplus is transferred to the retained earnings, without affecting the results of the period.

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 2018 and 2017 are as follows:

Passive infrastructure	3.33% to 6.67%
Automotive equipment	30%
Computer 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 2018 and 2017, there were no indicators of impairment in the values of the Company's fixed assets.

i) 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%.

j) 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).

k) 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.

l) 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.

m) 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.

n) 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.

o) Employee profit sharing (EPS)

Current EPS is presented as part of operating expenses in the statement of comprehensive income.

p) 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.

q) 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.

r) 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 Income (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 2018 and 31 December 2017, the statement of cash flows was prepared using the indirect method.

s) 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.

t) 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:

		2018		2017
Technical advice	**Ps.**	**37,081**	Ps.	56,834
Ingresos por rentas anticipadas		**4,720**		71
Others		**22**		-
	Ps.	**41,823**	Ps.	56,905

3. New accounting pronouncements

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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 (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise 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 recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company plans to adopt IFRS 16 using the modified retrospective method. Also, as of the date of transition to IFRS 16 (January 1, 2019), the Company has opted to apply the practical file and continue considering the contracts that qualified as lease under the previous accounting standards IAS 17 and the IFRIC.

On the other hand, the Company will use the exemptions included in the IFRS 16 with respect to lease agreements with terms of less than 12 months from the date of initial application of the standard, as well as those lease contracts whose underlying assets are considered low. value in accordance with the policies of the Company. Derived from the foregoing, payments for these types of leases will be recognized as a linear expense during the lease period.

The Company will discount the present value of future cash flows for those leases that are within the scope of the standard, using an incremental discount rate, which is an estimate of the rate that the Company would obtain for a loan, for a period similar to current lease obligations and with a similar guarantee, to obtain an asset similar to the leased asset.

At year ended December 31, 2018, the Company made a preliminary assessment of the initial adoption effect in its consolidated financial statements as of January 1, 2019, which are summarized as follows:

	Importe
Right-of-use assets	Ps. 10,410,627
Lease liabilities	(10,311,068)
Initial effect of adoption on retaining earnings	Ps. -

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments will not have impact on the consolidated financial statements of Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.

These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

The published standards and interpretations are detailed below are effective as of January 1, 2018:

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.

The adoption of these improvements had no effect on the consolidated financial statements of the Company.

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.

This new revenue standard repeals all previous standard for revenue recognition. The application of this standard is required full retroactively or partial retroactive, for the periods beginning as of January 1, 2018 allowing its early application.

The Company's management analyzed the new five-step model for revenue recognition included in this standard; Derived from this analysis, no impacts on the adoption were identified.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

Amendments to IAS 16 and IAS 38: Clarification of acceptable amortization methods

The amendments clarify the principle of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that the income reflects a pattern of obtaining economic benefits arising from the operation of a business (of which the asset is part), plus that the economic benefits that are consumed by the use of the asset. Therefore, the Property, Plant and Equipment can not be amortized using a depreciation method based on income and can only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and have not had an impact on the Company, since a depreciation method based on income has not been used.

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 involve cash flows (such as gains or losses from exchange differences). The Company has had no effect on the consolidated financial statements derived from the application of these amendments.

Amendments to IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements.

Interpretation of IFRIC 22 Transactions in foreign currency and prepaid consideration.

This interpretation clarifies that, in order to determine the exchange rate that must be used in the initial recognition of the asset, expense or income (or part of them), which arises when a non-monetary asset or a non-monetary liability registered for a consideration is canceled In advance, the date of the transaction in which the non-monetary asset or non-monetary liability derived from the advance consideration was initially recognized will have to be used. If there are multiple payments or advances, the entity must determine the date of the transactions for each payment or collection of the anticipated consideration. This interpretation has not had any effect on the consolidated financial effects of the company.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents as at 31 December 2018 and 2017 is as follows:

		2018		2017
Cash	**Ps.**	**23**	Ps.	48
Banks		**911,739**		550,528
Readily marketable securities		**55,191**		10,901
	Ps.	**966,953**	Ps.	561,477

5. Other Current and Non-current Assets

An analysis of this caption as at 31 December 2018 and 2017 is as follows:

		2018		2017
Advances to supplier	**Ps.**	**27,963**	Ps.	77,900
Value Added Tax payable, net		**31,122**		36,247
Prepaid insurance		**16,548**		4,627
Fees and subscriptions		**3,640**		1,293
Total other current assets	**Ps.**	**79,273**	Ps.	120,067
Security deposits	**Ps.**	**112,586**	Ps.	103,172
Rent paid in advance		**65,078**		57,020
Total other non-current assets	**Ps.**	**177,664**	Ps.	160,192

6. Related Parties

a) An analysis of balances due from and to the Company's related parties as at 31 December 2018 and 2017 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.

		2018		2017
Receivables:				
Radiomóvil Dipsa, S.A. de C.V. (i)	**Ps.**	**8,139**	Ps.	51,411
Claro Costa Rica, S.A. (vii)		**14,428**		10,401
	Ps.	**22,567**	Ps.	61,812
Payables:				
Operadora Cicsa, S.A. de C.V. (ii)	**Ps.**	**66,518**	Ps.	66,574
PC Industrial, S.A. de C.V. (vi)		**-**		8,854
Other related parties		**76**		76
	Ps.	**66,594**	Ps.	75,504

b) During the years ended 31 December 2018 and 2017, the Company had the following transactions with its related parties:

		2018	2017
Revenue:			
Radiomóvil Dipsa, S.A. de C.V.	Leasing [(i)]	**Ps. 6,075,253**	Ps. 5,475,896
	Alteration services [(i)]	**100,727**	129,225
Claro Costa Rica, S.A de C.V.	Leasing [(vii)]	**98,164**	78,625
Comunicación celular, S.A. Comcel SA.,	Advisory	**37,289**	56,834
Teléfonos de México, S.A.B. de C.V.	Leasing [(viii)]	**2,605**	-
Teléfonos del Noreste, S.A. de C.V.	Leasing [(ix)]	**859**	-
Expenses:			
Operadora Cicsa, S.A. de C.V.	Construction [(ii)]	**300,364**	345,124
Radiomóvil Dipsa, S.A. de C.V.	Leasing [(iii)]	**121,842**	125,840
Seguros Inbursa, S.A., Grupo Financiero Inbursa	Insurance [(iv)]	**37,582**	38,669
PC Industrial, S.A. de C.V.	Maintenance [(v)]	**21,052**	28,920
Consorcio Red Uno, S.A. de C.V.	Leasing [(x)]	**158**	-
Grupo Sanborns, S.A. de C.V.	Leasing [(vi)]	**-**	1,349

[(i)] The Company celebrates lease agreements with Telcel on a monthly basis under the current Offer for each year, for the use of its passive infrastructure, and also include adaptation services, each lease agreement is valid for 10 years, for the first lease agreement was made some modifications to extend the validity of each particular site, therefore, the dates of termination of leases cover until 2029 with the option of renewal for equal periods. The lease of passive structure corresponds to non-electronic elements at the service of telecommunications networks that include, but are 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, 2018 and 2017, the amount charged to income for the lease of passive infrastructure and adaptation services was Ps.6,175,980 and Ps.5,605,121, respectively, the amount of the account receivable from Telcel, as of December 31, 2018 and 2017, is Ps.8,139 and Ps.51,411, respectively.

[(i)] During 2018 and 2017, 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.300,364 and Ps.345,124 respectively. The account payable due to CICSA as at 31 December 2018 and 2017 is Ps.66,518 and Ps.66,574, respectively.

[(ii)] During 2018 and 2017 the Company entered into leases of locations and land for passive infrastructure with Telcel for Ps.121,842 and Ps.125,840, respectively.

[(iii)] During 2018 and 2017, 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.37,582 and Ps.38,669, respectively.

[(iv)] The Company provided preventive maintenance to the passive infrastructure of PC Industrial, S.A. de C.V. (PCIS) in 2018 and 2017 the total maintenance expense for the year was Ps.21,052 and Ps.28,920, respectively. As at 31 December 2017, the Company's account payable to PCIS is Ps.8,854.

[(v)] 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.

[(vi)] During the fiscal years of 2018 and 2017, 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.98,164 and Ps.78,625, respectively. As of December 31, 2018 and 2017, the amount of the account receivable from Claro amounted to Ps.14,428 and Ps.10,401, respectively.

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 2018, the Company's passive infrastructure is comprised of 15,717 towers (14,976 towers as at 31 December 2017).

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 2018, the Company has 278 towers in Costa Rica (267 towers as at 31 December 2017).

An analysis of property and equipment as at 31 December 2018 and 2017 is as follows:

Item	Passive infrastructure	Automotive equipment	Other equipment	Construction in process	Land	Total
Investment:						
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
Additions	1,306,123	2,631	13,758	1,408,071	23,916	2,754,499
Additions from revaluation surplus (Note 2h)	1,013,915	-	-	-	-	1,013,915
Disposals	(18,079)	(1,373)	-	(1,306,123)	-	(1,325,575)
As at 31 December 2017	49,764,712	8,089	26,745	200,362	57,953	50,057,861
Additions	1,320,863	1,368	25,477	1,284,727	5,515	2,637,950
Additions from revaluation surplus (Note 2h)	1,154,673	-	-	-	-	1,154,673
Disposals	-	-	-	(1,320,863)	-	(1,320,863)
As at 31 December 2018	**Ps. 52,240,248**	**Ps. 9,457**	**Ps. 52,222**	**Ps. 164,226**	**Ps. 63,468**	**Ps.52,529,621**
Depreciation:						
As at 31 December 2016	Ps. 4,847,508	Ps. 1,274	Ps. 2,177	Ps. -	Ps. -	Ps. 4,850,959
Depreciation for the year	2,006,348	1,888	3,323	-	-	2,011,559
Disposals	-	-	-	-	-	-
As at 31 December 2017	6,853,856	3,162	5,500	-	-	6,862,518
Depreciation for the year	2,085,231	2,045	5,229	-	-	2,092,505
Disposals	-	-	-	-	-	-
As at 31 December 2018	**Ps. 8,939,087**	**Ps. 5,207**	**Ps. 10,729**	**Ps. -**	**Ps. -**	**Ps. 8,955,023**
Asset retirement obligation:						
As at 31 December 2016	Ps. 409,820	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 409,820
Cancellations	-	-	-	-	-	-
Amortization	(28,551)	-	-	-	-	(28,551)
Increase for the year	28,442	-	-	-	-	28,442
As at 31 December 2017	409,711	-	-	-	-	409,711
Cancellations	-	-	-	-	-	-
Amortization	**(28,262)**	**-**	**-**	**-**	**-**	**(28,262)**
Increase for the year	**33,982**	**-**	**-**	**-**	**-**	**33,982**
As at 31 December 2018	**Ps. 415,431**	**Ps. -**	**Ps. -**	**Ps. -**	**Ps. -**	**Ps. 415,431**
Carrying amount:						
As at 31 December 2018	**Ps. 43,716,592**	**Ps. 4,250**	**Ps. 41,493**	**Ps. 164,226**	**Ps. 63,468**	**Ps.43,990,029**
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

Depreciation and amortization expense for the period ended 31 December 2018 and 2017 was Ps.2,124,184 and Ps.2,042,366, respectively.

8. Asset Retirement Obligation

An analysis of the Company's asset retirement obligation as at 31 December 2018 and 2017 is as follows:

		2018		2017
Balance as at 1 January of	**Ps.**	**860,112**	Ps.	831,670
Increase for additions of passive infrastructure		**33,982**		28,442
Charges		**-**		-
Balance as at 31 December	**Ps.**	**894,094**	Ps.	860,112

As at 31 December 2018, 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

Integration of debt			2018		2017
Bank loans	Non-current	**Ps.**	**-**	Ps.	463,258
Bank loans	Short-term		**520,757**		-
Amortized costs			**(983)**		-
			519,774		-
Issue of structured notes	Non-current		**22,455,110**		22,068,347
Amortized costs			**(43,129)**		(49,496)
			22,411,981		22,018,851
Interest payable on structured notes	Short-term		**505,403**		492,321
Interest payable on bank loans	Short-term		**2,027**		1,137
Total de deuda		**Ps.**	**23,439,185**	Ps.	22,975,567

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 2018 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. 117,779
OSM-15R Mexican pesos series 1	23 July 2025	**3,710,000**	124,846
OSM-15 2R Mexican pesos series 1	23 July 2025	**2,500,000**	84,128
OSM-152 Mexican pesos series 2	29 July 2020	**4,500,000**	13,290
OSM-15U UDIs series 3	17 July 2030	**8,245,110**	165,360
		Ps. 22,455,110	Ps. 505,403

An analysis of the historical amounts and the outstanding accrued interest under the structured notes of Opsimex 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

As at 31 December 2018 and 2017, the value of one UDI was Ps.6.1701 and Ps.5.9345, respectively. As at 3 april 2019, the date of the audit report on these financial statements, the value of the UDI was Ps.6.2636 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 2018 is as follows:

Currency	Lender	Rate	Maturity date	Short-term debt	Interest
Mexican pesos:	Bank of America, N.A. (i)	4.52%	23 de febrero de 2023	**Ps. 471,629**	**Ps. 1,836**
	Bank of America, N.A. (ii)	4.52%	23 de febrero de 2023	**49,128**	**191**
Total debt				**Ps. 520,757**	**Ps. 2,027**

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 de enero de 2018	Ps. 440,646	Ps. 1,129
	Bank of America, N.A. (v)	1.625%+Libor	12 de enero de 2018	22,612	8
Total debt				Ps. 463,258	Ps. 1,137

(i) On February 23, 2018, the Company renewed its loan with BOFA, up to the amount of 24,000 USD (Ps.471,629), due on February 23, 2023. The loan generates current interest on the principal balance owed to a rate equivalent to 4.52%.

(ii) On May 24, 2018, the Company renewed its loan with BOFA, up to the amount of 2,500 USD (Ps.49,128), due on February 23, 2023. The loan generates current interest on the principal balance owed to a rate equivalent to 4.52%.

(iii) On November 30, 2017, the Company obtained a loan with BOFA, in the amount of USD 22,410(Ps.440,646), due on January 12, 2018. The loan generates ordinary interest payable monthly on the loan amount, by applying the ordinary rate that results from adding 1.6250% to the Libor rate.

(iv) On December 27, 2017, the Company obtained a loan with BOFA, in the amount of Ps.1,150 USD (Ps.22,612), due on January 12, 2018. The loan generates ordinary interest payable monthly on the loan amount, by applying the ordinary rate that results from adding 1.6250% to the Libor rate.

(v) On August 1, 2017, the Company obtained a loan with Banco Santander S.A. (Santander), in the amount of Ps.400,000, maturing on September 14, 2017. The loan generated ordinary interest payable monthly on the loan amount, at the rate of applying the ordinary rate resulting from adding 0.53 base points to the TIIE to 28 days.

(vi) During fiscal year 2017, the Company settled all of its bank loan 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 2018 and 2017 is as follows:

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair Value
Long-term debt	**Ps. 22,931,755**	**Ps. 21,659,920**	Ps. 22,018,851	Ps. 21,394,032

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:

		2018
2019	**Ps.**	**2,117,487**
2020		**2,219,761**
2021		**2,326,976**
2022		**2,439,369**
2023		**2,557,190**
Total	**Ps.**	**11,660,783**

For the year ended 31 December 2018 and 31 December 2017, rent under operating leases was Ps.2,019,925 and Ps.1,863,678, 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 2018 and 2017 is as follows:

a) Net periodic benefit cost

	2018					
		Retirement benefits		Termination benefits		Total
Analysis of net periodic benefit cost:						
Current year service cost	**Ps.**	**517**	**Ps.**	**273**	**Ps.**	**790**
Net interest on net defined benefit liability		**221**		**122**		**343**
Net periodic benefit cost	**Ps.**	**738**	**Ps.**	**395**	**Ps.**	**1,133**

	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

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 2016	Ps.	2,450	Ps.	1,317	Ps.	3,767
Current year service cost		264		159		423
Interest cost		187		98		285
Benefits paid		-		(194)		(194)
Actuarial (gain)/loss		(56)		227		171
Net defined benefit liability as at 31 December 2017		2,845		1,607		4,452
Remeasurements of net defined benefit liability						
Current year service cost		**517**		**273**		**790**
Interest cost		**221**		**122**		**343**
Benefits paid		**-**		**-**		**-**
Actuarial (gain)/loss		**410**		**(347)**		**63**
Net defined benefit liability as at 31 December **2018**	**Ps.**	**3,993**	**Ps.**	**1,655**	**Ps.**	**5,648**

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

	2018					
		Retirement benefits		Termination benefits		Total
Provisions for:						
Vested benefit obligation	**Ps.**	**3,993**	**Ps.**	**1,655**	**Ps.**	**5,648**
Defined benefit liability	**Ps.**	**3,993**	**Ps.**	**1,655**	**Ps.**	**5,648**

	2017					
		Retirement benefits		Termination benefits		Total
Provisions for:						
Vested benefit obligation	Ps.	2,845	Ps.	1,607	Ps.	4,452
Defined benefit liability	Ps.	2,845	Ps.	1,607	Ps.	4,452

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

	2018	2017
Financial assumptions:		
Discount rate	**9.96%**	7.75%
Expected salary increase rate	**4.15%**	4.00%
Inflation rate	**3.65%**	3.50%
Biometric assumptions:		
Mortality rate	**EMSSA 2019**	EMSSA 2009
Disability	**IMSS 97**	IMSS 97

As at 31 December 2018 and 2017, the Company does not have any material contingent liabilities for employee benefits.

13. Employee Benefits

As at 31 December 2018 and 2017, the Company has recognized accrued liabilities for

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

	Balance as at 31 December 2017	Increases for the year	Charges	Balance as at 31 December 2018
Paid annual leave	Ps. 1,560	**Ps. 2,813**	**Ps. 2,829**	**Ps. 1,544**
Vacation premium	2,288	**4,530**	**4,040**	**2,778**
Gratification	1,482	**3,732**	**2,760**	**2,454**
Employee profit sharing payable	408	**1,668**	**403**	**1,673**
	Ps. 5,738	**Ps. 12,743**	**Ps. 10,032**	**Ps. 8,449**

14. Accounts Payable and Accrued Liabilities

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

	2018	2017
Suppliers and accounts payable	**Ps. 253,765**	Ps. 306,926
Rent payable	**18,493**	79,023
Provisions and accrued liabilities	**55,246**	56,619
Total	**Ps. 327,504**	Ps. 442,568

The above-mentioned provisions represent expenses incurred in 2018 and 2017 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 2018 and 2017 is as follows:

Serie	Share capital	Shares	Amount
B-1	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 2018, 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) 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 2018 and 2017, the Company's legal reserve is Ps.3,359.

e) 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.

f) 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 2018.

b) An analysis of income tax recognized in the statement of comprehensive income for the year ended 31 December 2018 and 2017 is as follows:

	2018	2017
Current year income tax	**Ps. 748,687**	Ps. 688,644
Deferred income tax	**(487,782)**	(540,597)
Total income tax	**Ps. 260,905**	Ps. 148,047

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

	2018	2017
As at 1 January	**Ps. (10,228,649)**	Ps.(10,459,558)
Deferred income tax recognized in the income Statements	**487,782**	540,597
Deferred income tax recognized in other comprehensive Income	**160,952**	182,894
Deferred income tax reclassified to retained earnings	**(507,247)**	(492,582)
As at 31 December	**Ps. (10,087,162)**	Ps.(10,228,649)

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:

	2018	2017
Statutory income tax rate	**30%**	30%
Effect of reconciled items:		
Taxable effects of inflation	**195**	(82)
Property and equipment, net	**(69)**	25
Non-deductible items	**3**	(1)
Other items	**-**	1
Effective income tax rate	**159%**	(27)%

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

	2018	2017
Deferred tax assets:		
Provisions and accrued liabilities	**Ps. 18,971**	Ps. 17,811
Rent payable to individuals	**9,700**	11,385
Amortized cost	**1,006**	1,640
Employee benefits	**502**	1,721
Retirement benefits	**1,694**	1,336
Tax losses	**3,453**	1,805
Total deferred tax assets	**35,326**	35,698
Deferred tax liabilities:		
Property and equipment, net	**560,301**	204,217
Surplus from revaluation of assets	**9,536,201**	10,043,447
Rent paid in advance	**19,043**	16,168
Prepaid expenses	**6,943**	515
Total deferred tax liabilities	**10,122,488**	10,264,347
Deferred tax liability, net	**Ps. 10,087,162**	Ps. 10,228,649

f) For the years ended 31 December 2018 and 2017, the Company reported taxable income of Ps.2,495,623 and Ps.2,295,480, respectively, on which income tax payable was Ps.748,687 and Ps.688,644, 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 MITL. As of 31 December 2018, the consolidated fiscal losses of the Company are as follows:

Year of tax loss	Amount of the losses updated	Expiration Date
2016	**Ps. 232**	2026
2017	**5,862**	2027
2018	**5,415**	2028
	Ps. 11,509	

e) As at 31 December 2018 and 2017, the Company had the following tax balances:

		2018		2017
Restated contributed capital account (CUCA)	**Ps.**	**41,087**	Ps.	39,194
Net taxed profits account (CUFIN)		**11,562**		11,029

17. Contingencies and Commitments

Since 2013, Mexico has developed a new regulatory framework for the regulation of telecommunications and broadcasting. This new regulatory framework is based on a constitutional package of reforms approved in June 2013 and implemented 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 2018, 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 terms of the current regulatory framework and the Resolution, which was modified by the Biennial Resolution, the Reference Offer (the "Offer") has been prepared and/or updated, and this Offer will be valid until December 31 of each year. and for each year, due to the above, the Company as Telcel's successor and owner of the passive infrastructure has complied with the Resolution.

In terms of the Biennial Resolution, a new Offer is currently in force, which was duly approved by the IFT in October 2018, which will be in force during the period from January 1 to December 31, 2019 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 minimum mandatory 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 come into force on January 1 of the year following its presentation, with independence 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, and land use restrictions where the towers are located. Failure to comply with these regulations may result in preventions or sanctions. The Company considers that it is in substantial compliance 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	2018 Infrastructure rental revenue	2018 Lease expense	2017 Infrastructure rental revenue	2017 Lease expense
1	Baja California Sur and Baja California	**Ps. 351,619**	**Ps. 77,325**	Ps. 279,847	Ps. 102,777
2	Sinaloa and Sonora	**445,739**	**129,659**	402,059	110,083
3	Chihuahua and Durango	**303,893**	**71,337**	270,786	82,380
4	Nuevo Leon, Tamaulipas and Coahuila	**786,069**	**209,917**	689,065	189,609
5	Jalisco, Michoacan, Colima and Nayarit	**777,309**	**229,594**	662,764	213,085
6	Queretaro, Guanajuato, San Luis Potosi, Aguascalientes and Zacatecas	**826,466**	**261,853**	671,966	233,071
7	Puebla, Veracruz, Oaxaca and Guerrero	**987,686**	**297,534**	860,934	273,719
8	Yucatan, Campeche, Tabasco, Chiapas and Quintana Roo	**689,745**	**204,255**	603,134	176,216
9	Hidalgo, Morelos and Mexico City	**1,337,132**	**504,969**	1,146,535	449,017
	Total	**Ps. 6,505,658**	**Ps. 1,986,443**	Ps. 5,587,090	Ps. 1,829,957

Region	Other foreign locations	2018 Infrastructure rental revenue	2018 Lease expense	2017 Infrastructure rental revenue	2017 Lease expense
1	Costa Rica	**Ps. 98,164**	**Ps. 33,482**	Ps. 78,625	Ps. 33,721
	Total foreign locations	**98,164**	**33,482**	78,625	33,721
	Total	**Ps. 6,603,822**	**Ps. 2,019,925**	Ps. 5,665,715	Ps. 1,863,678

19. Subsequent Events

During the months of January and February 2019, 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.62,825 and Ps.198,650, respectively.