Independent **Auditor's Report**

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 its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at December 31st 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Telesites, S.A.B. de C.V. and its subsidiaries as at December 31st, 2019 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 11 to the accompanying consolidated financial statements, which indicates that the Company changed its accounting policy for lease recognition applying the modified retrospective method in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Note 11 also describes the effects of the adoption of IFRS 16 Leases, effective for annual periods beginning on or after January 1st, 2019.

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 of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico in accordance with the *Código de Ética 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, including 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 this 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 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 2h) and 7 to the accompanying consolidated financial statements include disclosures regarding the Company's construction and property and equipment.

2. Current and deferred income tax

Description of key audit matter

We considered current and deferred income tax a key audit matter due to the significant degree of subjectivity inherent in some tax calculations. We also focused on this area because differences in the interpretation of tax laws could give rise to future tax contingencies for the Company, which could also have a bearing the Company's ability to realize its deferred tax assets. Income tax matters require the application of specialized technical skills in the area of taxes.

How we addressed this key audit matter

We compared the book amounts used by the Company to calculate its current and deferred income tax against the Company's audited tax balances at the same date. We assessed the Company's financial projections that support the recognition of its deferred tax assets based on their likelihood of recoverability. We sought assistance from our tax specialists to apply the tax audit procedures. We analyzed the Company's effective income tax rate reconciliation and we tested significant tax items. We also assessed the presentation and disclosure of current and deferred income tax in the Company's financial statements considering the relevant accounting requirements.

Note 2p) to the accompanying consolidated financial statements contains the disclosures about the Company's policies related to current and deferred taxes and deferred tax assets.

3. Long-term debt

Description of key audit matter

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

Note 2e) to the accompanying consolidated financial statements contains 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 the high degree of professional judgment required to calculate 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 this 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 2m) 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 with IFRS 15, as well as to the fact that revenue recognition encompasses a number of audit considerations, including the calculation, recognition, disclosure of revenue and tax aspects relating to the taxability of the Company's revenue.

How we addressed this key audit matter

As part of our audit we verified the Company's correct revenue recognition in accordance with IFRS on the basis of substantive tests, which included verifying the existence of support documentation for a sample of significant items selected in accordance with International Standards on Auditing, the execution of analytical procedures that included variance analyses, cut-off of forms 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 2c) to the accompanying consolidated financial statements contains disclosures related to revenue recognition.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report filed with the National Banking and Securities Commission ("the CNBV", by its acronym in Spanish), 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 filed with the CNBV, 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 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

Our objectives 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 Company'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 partner in charge of the audit resulting in this independent auditor's report is the undersigned.

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

C.P.C. José Andrés Marín Valverde
Mexico City
April 14, 2020

Consolidated Statements of **Financial Position**

(Amounts in thousands of Mexican pesos)

	As at December 31			
		2019		2018
Assets				
Current assets:				
Cash and cash equivalents (Note 4)	Ps.	1,233,951	Ps.	966,953
Accounts receivable		39,425		92,424
Related parties (Note 6)		15,410		22,567
Recoverable taxes		69,299		58,780
Other current assets (Note 5)		98,040		79,273
Total current assets		1,456,125		1,219,997
Non-current assets:				
Licenses and software, net		13,109		17,374
Property and equipment, net (Note 7)		45,994,776		43,990,029
Right-of-use assets (Note 11)		9,795,562		-
Deferred tax asset (Note 16)		23,202		35,326
Other non-current assets (Note 5)		89,428		177,664
Total assets	Ps.	57,372,202	Ps.	45,440,390
Liabilities and equity				
Current liabilities:				
Short-term debt (Note 9)	Ps.	4,497,775	Ps.	-
Interest payable on debt (Note 9)		515,469		507,430
Accounts payable and accrued liabilities (Note 14)		327,105		327,504
Taxes and contributions payable		148,993		150,193
Related parties (Note 6)		47,471		66,594
Employee benefits (Note 13)		19,914		8,449
Total current liabilities		5,556,727		1,060,170
Non-current liabilities:				
Long-term debt (Note 9)		18,603,259		22,931,755
Deferred tax liability (Note 16)		10,271,702		10,122,488
Lease liabilities (Note 11)		10,298,615		-
Retirement benefits (Note 12)		9,201		5,648
Asset retirement obligation (Note 8)		948,496		894,094
Total liabilities		45,688,000		35,014,155
Equity (Note 15):				
Share capital		35,000		35,000
Other components of equity		(16,228,640)		(16,228,640)
Surplus from revaluation of assets		23,340,609		23,059,404
Components of other comprehensive (loss)/income		(2,062)		864
Retained earnings		4,758,135		3,656,818
Net loss for the year		(218,840)		(97,211)
		4,539,295		3,559,607
Total equity		11,684,202		10,426,235
Total liabilities and equity	Ps.	57,372,202	Ps.	45,440,390

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

Consolidated Statements of **Comprehensive Income**

(Amounts in thousands of Mexican pesos)	For the year ended December 31			
		2019		2018
Operating revenue:				
Infrastructure rent	Ps.	7,296,727	Ps.	6,603,822
Revenue from alteration services		100,342		114,542
Other income (Note 2t)		4,715		41,823
		7,401,784		6,760,187
Operating costs and expenses:				
Depreciation and amortization (Note 7)		2,221,552		2,124,184
Depreciation of right-of-use assets (Note 11)		1,802,191		-
Leases		-		2,019,925
Alteration service costs		95,325		108,814
Operating expenses		385,756		401,642
Other expenses		4,040		2,796
		4,508,864		4,657,361
Operating profit		2,892,920		2,102,826
Net financing cost:				
Accrued interest income		86,365		47,391
Accrued interest expense		(2,684,005)		(1,591,543)
Foreign exchange loss, net		(228,182)		(394,980)
		(2,825,822)		(1,939,132)
Profit before income tax		67,098		163,694
Income tax (Note 16)		(285,938)		(260,905)
Net loss for the year	Ps.	(218,840)	Ps.	(97,211)
Components of other comprehensive income/(loss):				
Revaluation surplus, net of taxes	Ps.	281,205	Ps.	(375,306)
Labor obligations, net of taxes		(1,778)		(254)
Foreign currency translation reserve		(1,148)		137
Total components of other comprehensive income/(loss)		278,279		(375,423)
Comprehensive income/(loss)	Ps.	59,439	Ps.	(472,634)
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.	(0.07)	Ps.	(0.03)

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

Consolidated Statements of **Changes in Equity**

For the Years Ended December 31st, 2019 and 2018
(Amounts in thousands of Mexican pesos)
(Note 15)

			Retained earnings			Other comprehensive income/(loss)				
	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 December 31, 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	-	-	-	-	-	-	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 for the year	-	-	-	(97,211)	(97,211)	-	-	-	(97,211)	(97,211)
Comprehensive loss for the year	-	-	-	-	-	-	-	-	$ (472,634)	-
Balance as at December 31, 2018	35,000	(16,228,640)	3,359	3,556,248	3,559,607	(134)	998	23,059,404	-	10,426,235
Foreign currency translation effect	-	-	-	-	-	-	(1,148)	-	(1,148)	(1,148)
Retirement benefits, net of taxes	-	-	-	-	-	(1,778)	-	-	(1,778)	(1,778)
Revaluation surplus, net of taxes	-	-	-	-	-	-	-	1,479,733	1,479,733	1,479,733
Allocation effect of surplus, net of taxes	-	-	-	1,198,528	1,198,528	-	-	(1,198,528)	(1,198,528)	-
Net loss for the year	-	-	-	(218,840)	(218,840)	-	-	-	(218,840)	(218,840)
Comprehensive income for the year	-	-	-	-	-	-	-	-	$ 59,439	-
Balance as at December 31, 2019	$ 35,000	$ (16,228,640)	$ 3,359	$ 4,535,936	$ 4,539,295	$ (1,912)	$ (150)	$ 23,340,609		$ 11,684,202

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 December 31			
		2019		2018
Operating activities				
Profit before income tax	Ps.	67,098	Ps.	163,694
Items not affecting cash flows:				
Depreciation and amortization		4,023,743		2,124,184
Accrued interest income		(86,365)		(47,391)
Accrued interest expense		2,684,005		1,591,543
Foreign exchange loss, net		228,182		394,980
Net periodic benefit expense		1,084		1,133
		6,917,747		4,228,143
Changes in operating assets and liabilities:				
Accounts receivable		52,999		(48,833)
Related parties		(11,966)		30,335
Other current and non-current assets		4,391		23,322
Accounts payable and accrued liabilities		(87,954)		(121,305)
Taxes and contributions payable		(769,799)		(917,878)
Net cash flows from operating activities		6,105,418		3,193,784
‘				
Investing activities				
Interest received		86,365		47,391
Licenses and software		(75)		(4,469)
Property and equipment		(2,053,653)		(1,317,087)
Net cash flows used in investing activities		(1,967,363)		(1,274,165)
‘				
Financing activities				
Long-term bank debt		-		58,349
Interest paid on long-term debt		(1,609,894)		(1,572,492)
Lease payments		(2,261,163)		-
Net cash flows used in financing activities		(3,871,057)		(1,514,143)
Net increase in cash and cash equivalents		266,998		405,476
Cash and cash equivalents at beginning of year		966,953		561,477
Cash and cash equivalents at end of year	Ps.	1,233,951	Ps.	966,953

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

Notes to Consolidated Financial Statements

For the years ended December 31st, 2019 and 2018
(Amounts in thousands of Mexican pesos, unless otherwise indicated)

1. Corporate Information

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

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

The Company's head offices are in Mexico City at Avenida Paseo de las Palmas 781, 7th. floor, offices 703 and 704, Colonia Lomas de Chapultepec III Sección, Miguel Hidalgo, 11000.

On April 1st, 2020, 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 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) effective as at December 31st, 2019, as issued by the International Accounting Standards Board (IASB).

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

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

b) Consolidation

The consolidated financial statements comprise the financial statements 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. The companies operate in the telecommunications sector or provide services to companies related to these activities.

All intercompany balances and transactions have been eliminated on consolidation.

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

An analysis of the Company's equity investment in its subsidiaries as at December 31st, 2019 and 2018 is as follows:

Company name	% equity interest as at December 31st 2019	2018	Country	Date of first consolidation	Type of transaction
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 exchange rates prevailing at the reporting date. Profit or loss is translated using the exchange rate ruling on the dates of the transactions.

Exchange differences arising from translation for consolidation are recognized in OCI.

c) Revenue recognition

Rental income

The Company is primarily engaged in leasing passive infrastructure and providing alteration services to telephone carriers.

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements under IFRS 15. Rents are reviewed and increased based on the National Consumer Price Index (NCPI) and the amount of rent is generally determined based on the specific characteristics of the sites of the leased passive infrastructure.

d) Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates. The Company based its estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the estimates and their effects are shown in the financial statements when 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 of financial instruments
- Employee benefits

e) Financial assets and financial liabilities

i. Financial assets

Initial recognition and measurement

Financial assets are classified as subsequently measured at amortized cost, financial assets at fair value through 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, 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 are measured at the transaction price determined under IFRS 15 *Revenue Recognition* (see accounting policy in Note 2.c).

In order for a financial asset to be classified and measured at amortized 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 for the activities of the business and not a particular intention of holding an instrument. 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 marketplace (regular way trades) are recognized 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:

a) Financial assets at amortized cost (debt instruments)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses
d) Financial assets at fair value through profit or loss

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes 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

The Company recognizes 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 recognized 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, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes 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.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, long-term debt, accounts payable and accrued liabilities.

All financial liabilities are recognized initially at fair value and, in the case of long-term debt, including directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt and loans to related parties.

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 at fair value through profit or loss.

• Long-term debt

After initial recognition, interest-bearing long-term debt is subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as accrued interest expense in the statement of comprehensive income.

• **Derecognition**

A financial liability is derecognized 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, and the difference in the respective carrying amounts is recognized in profit or loss.

iii. Offsetting of financial instruments

The Company may offset a financial asset and a financial liability and present the net amount in its statement of financial position only when:

(i) it has the right and an obligation to receive or pay a single net amount and intends to do so, and it has, in effect, only a single financial asset offset or financial liability offset; and

(ii) the net amount resulting from offsetting the financial asset and the financial liability reflects the Company's expected cash flows from settling two or more separate financial instruments.

iv. Fair value of financial instruments

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

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

The hierarchy used for determining fair values is as follows:

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

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

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

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

f) Cash and cash equivalents

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

g) Current versus non-current classification

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

- Expected to be realized 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 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.

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 posts. 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 the assets' carrying amounts on a straight-line basis over the estimated useful lives of the assets, starting the month after the assets 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 revaluation surplus is recycled to retained earnings in the same proportion as the accounting depreciation over the useful live of the asset and, if the revalued asset is derecognized, the revaluation surplus is transferred to retained earnings without affecting the profit or loss for 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income or other operating expenses when the asset is derecognized.

Depreciation rates are as follows:

Passive infrastructure	3.33% to 6.67%
Computer equipment	30%
Automotive equipment	25%
Other equipment	10%

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

As at December 31st, 2019 and 2018, there were no indicators of impairment in the value 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 at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets, even if that asset is not explicitly specified in an arrangement.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. All other contracts are considered service contracts.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (based on their relative materiality). The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation or amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred by the lessee, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated or amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Buildings	5 to 10 years
Motor vehicles and offices	1 to 4 years

The right-of-use assets are also subject to impairment. Refer to the accounting policy on impairment in the value of non-financial assets in Note 2j).

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The Company discounts the present value of the future cash flows for its leases that are within the scope of IFRS 16 using an incremental borrowing rate, which is the rate of interest that the Company would have to pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the leased asset. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company presents its lease liabilities separately from other liabilities in the statement of financial position.

l) Provisions, contingencies 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 an interest expense.

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 present value of the costs expected to be incurred to settle the Company's obligation to decommission the assets. These costs are determined on the basis of the estimated cash flows and the 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 in December 2019.

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

o) Employee profit sharing

Current employee profit sharing is presented as part of operating expenses in the consolidated 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 utilized. Unrecognized deferred tax assets are reassessed 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.

q) Earnings per share

Earnings per share are determined by dividing net profit for the year by the weighted-average number of shares outstanding attributable to 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 profit 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 years ended December 31st, 2019 and 2018, the statement of cash flows was prepared using the indirect method.

s) Concentration of risk

The Company's principal financial instruments used to fund the Company's operations comprise bank loans, lines of credit, accounts payable and related party payables. The Company's principal financial assets include cash and cash equivalents, accounts receivable, related party receivables and other assets that derive directly from its operations.

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 Company management.

Credit risk is the risk that a 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 avoid limiting 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 profit, since such classification allows for comparability of the Company's financial statements with those of other companies in its industry.

Although not required to do so under IFRS, the Company includes operating profit in the statement of comprehensive income, since this item is an important indicator for evaluating the Company's operating results. Operating profit consists of ordinary revenues and operating costs and expenses.

An analysis of the Company's other income for the years ended December 31st, 2019 and 2018 is as follows:

		2019		2018
Revenue from rent paid in advance	Ps.	3,478		4,720
Other		1,237		22
Technical consulting		-		37,081
	Ps.	4,715	Ps.	41,823

3. New Accounting Pronouncements

The Company applied IFRIC 23 *Uncertainty over Income Tax Treatments* and IFRS 16 *Leases* for the first time. The nature and the effects of the changes that resulted from the adoption of these new accounting standards are disclosed below.

Other amendments and interpretations were applied for the first time in 2019, but do not have any impact on the Company's consolidated financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet 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.

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. Therefore, the adoption of IFRS 16 had no effect on the leases in which the Company is a lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption. As of the date of initial application of IFRS 16 (January 1st, 2019), the Company has elected to apply the practical expedient provided in IFRS 16 of applying the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Company elected to use the recognition exemptions for lease contracts that, at the date of initial application, have a lease term of 12 months or less and lease contracts for which the underlying asset is of low value in accordance with the Company's policies. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

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 recognize 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 recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31st, 2018 as follows:

		Amount
Operating lease commitments as at December 31st, 2018	Ps.	(11,660,786)
Less:		
Estimated inflation		1,561,161
Rent paid in advance		65,078
Plus:		
Other operating lease commitments not included as at December 31st, 2018		(276,521)
Lease liabilities as at January 1st, 2019	Ps.	(10,311,068)

IFRIC 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: a) whether an entity considers uncertain tax treatments separately, b) the assumptions an entity makes about the examination of tax treatments by taxation authorities, c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and d) how an entity considers changes in facts and circumstances.

An entity must 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 January 1st, 2019, but certain transition reliefs are available. The Company applied the interpretation from its effective date.

The Company applies significant judgment in identifying uncertainties over income tax treatments.

The Company determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized 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.

These amendments had no impact on the consolidated financial statements of the 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.

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 recognized 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 recognized 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 January 1st, 2019, with early application permitted.

The amendments had no impact on the consolidated financial statements of the Company as it did not have any plan amendments, curtailments, or settlements during the period.

New standards and interpretations effective for periods beginning on or after January 1st, 2019:

IFRS 9 Financial Instruments Classification and measurement

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. This standard is effective for annual periods beginning on or after January 1st, 2019, with early application permitted. Retrospective application is required but providing comparative information is not compulsory. The application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1st, 2016.

The adoption of these improvements had no effect on the Company’s consolidated financial statements,

IFRS 15 Revenue from Contracts with Customers

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

The new revenue standard supersedes all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1st, 2019, with early adoption permitted.

Company management has analyzed the five-step revenue recognition model established under IFRS 15 and determined that the impact of the application of the new standard is immaterial.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents as at December 31st, 2019 and 2018 is as follows:

		2019		2018
Cash	Ps.	5	Ps.	23
Banks		1,196,211		911,739
Readily marketable securities		37,735		55,191
	Ps.	1,233,951	Ps.	966,953

5. Other Current and Non-current Assets

An analysis of other current and non-current assets as at December 31st, 2019 and 2018 is as follows:

		2019		2018
Advances to suppliers	Ps.	21,619	Ps.	27,963
Value added tax payable, net		51,780		31,122
Prepaid insurance		18,140		16,548
Fees and subscriptions		6,501		3,640
Total other current assets	Ps.	98,040	Ps.	79,273
Security deposits	Ps.	89,428	Ps.	112,586
Rent paid in advance		-		65,078
Total other non-current assets	Ps.	89,428	Ps.	177,664

6. Related Parties

a) An analysis of balances due from and to related parties as at December 31st, 2019 and 2018 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.

		2019		2018
Receivables:				
Radiomóvil Dipsa, S.A. de C.V. (i)	Ps.	10,896	Ps.	8,139
Claro Costa Rica, S.A. (vii)		4,514		14,428
	Ps.	15,410	Ps.	22,567
Payables:				
Operadora Cicsa, S.A. de C.V. (ii)	Ps.	47,242	Ps.	66,518
PC Industrial, S.A. de C.V. (v)		95		-
Administradora Carso Palmas, A.C. (xi)		47		-
Grupo Sanborns, S.A.B. de C.V. (vi)		63		-
Other related parties		24		76
	Ps.	47,471	Ps.	66,594

b) During the years ended December 31st, 2019 and 2018, the Company had the following transactions with its related parties:

			2019		2018
Revenue:					
Radiomóvil Dipsa, S.A. de C.V.	Leasing (i)	Ps.	6,671,119	Ps.	6,075,253
	Alteration services (i)		100,342		100,727
Claro Costa Rica, S.A de C.V.	Leasing (vii)		106,369		98,164
Comunicación Celular, S.A. Comcel, S.A.	Advisory		-		37,289
Teléfonos de México, S.A.B. de C.V.	Leasing (viii)		5,735		2,605
Teléfonos del Noreste, S.A. de C.V.	Leasing (ix)		1,596		859
Expenses:					
Operadora Cicsa, S.A. de C.V.	Construction (ii)		206,823		300,364
Radiomóvil Dipsa, S.A. de C.V.	Leasing (iii)		95,325		121,842
Seguros Inbursa, S.A., Grupo Financiero Inbursa	Insurance (iv)		27,410		37,582
PC Industrial, S.A. de C.V.	Maintenance (v)		23,860		21,052
Consorcio Red Uno, S.A. de C.V.	Leasing (x)		165		158
Grupo Sanborns, S.A. de C.V.	Leasing (vi)		913		-
Fianzas Guardiana Inbursa, S.A.	Insurance (xiv)		92		-
Arcomex, S.A. de C.V.	Leasing (xiii)		248		-
Acolman, S.A.	Leasing (xii)		4,121		-
Administradora Carso Palmas, A.C.	Leasing (xi)		182		-

(i) In accordance with the current reference offer for each year, each month the Company enters into several lease agreements with Telcel for the use of the Company's passive infrastructure and the provision of alteration services. All leases are for terms of 10 years, but at inception, the agreements are amended to extend the lease term depending on the circumstances of each particular site. As a result, the leases have maturities all the way through 2030 and include an option to renew for similar terms. Leased passive infrastructure is comprised of non-electronic components used in telecommunications networks, including but not limited to masts, towers, posts, sites, land and physical space. Alteration services refer to the modifications that the Company makes to passive infrastructure at the request of Telcel. For the years ended December 31st, 2019 and 2018, revenue earned from these passive infrastructure leasing and alteration services totaled Ps. 6,771,461 and Ps. 6,175,980, respectively. The account receivable due from Telcel as at December 31, 2019 and 2018 is Ps. 10,896 and Ps. 8,139, respectively.

(ii) During 2019 and 2018, the Company had transactions related to the construction of passive infrastructure with Operadora Cicsa, S.A. de C.V. (CICSA). Maintenance expense under operating leases was Ps. 206,823 and Ps. 300,364, respectively. As at December 31st, 2019 and 2018, the account payable due to CICSA was Ps. 47,242 and Ps. 66,518, respectively.

(iii) During 2019 and 2018, the Company had transactions related to leases of sites and land for passive infrastructure with Telcel. For the years ended December 31st, 2019 and 2018, the Company's total rental expense was Ps. 95,325 and Ps. 121,842, respectively.

(iv) During 2019 and 2018, the Company entered into insurance agreements, as required under its passive infrastructure lease agreements, with Seguros Inbursa, S.A., Grupo Financiero Inbursa (Inbursa). For the years ended December 31st, 2019 and 2018, the Company's total charge for insurance costs was Ps. 27,410 and Ps. 37,582, respectively.

(v) During 2019 and 2018, the Company had transactions related to the provision of preventive maintenance for passive infrastructure with PC Industrial, S.A. de C.V. (PCIS). Maintenance expense under these transactions was Ps. 23,860 and Ps. 21,052, respectively. As at December 31st, 2019, the account payable due to PCIS was Ps. 95.

(vi) In 2019, the Company had transactions related to leases of sites for passive infrastructure with Grupo Sanborns, S.A. de C.V. (Sanborns). For the year ended December 31st, 2019, the Company's total rental expense under these agreements was Ps. 913. As at December 31st, 2019, the account payable due to Sanborns was Ps. 63.

(vii) During 2019 and 2018, the Company had transactions related to leases with Claro Costa Rica, S.A. (Claro). For the years ended 1 December 31st, 2019 and 2018, the Company's total rental expense under these leases was Ps. 106,369 and Ps. 98,164, respectively. As at December 31st, 2019 and 2018, the account receivable due from Claro was Ps. 4,514 and Ps. 14,428, respectively.

(viii) During 2019 and 2018, the Company had transactions related to leases with Teléfonos de México, S.A.B. de C.V. (Telmex). For the years ended December 31st, 2019 and 2018, the Company's total rental expense under these leases was Ps. 5,735 and Ps. 2,605, respectively.

(ix) During 2019 and 2018, the Company had transactions related to leases with Teléfonos del Noreste, S.A. de C.V. (Telnor). For the years ended December 31st, 2019 and 2018, the Company's total rental expense under these leases was Ps. 1,596 and Ps. 859, respectively.

(x) During 2019 and 2018, the Company had transactions related to leases with Consorcio Red Uno, S.A. de C.V. (RedUno). For the years ended December 31st, 2019 and 2018, the Company's total rental expense under these leases was Ps. 165 and Ps. 158, respectively.

(xi) In 2019, the Company had transactions related to leases with Administradora Carso Palmas, A.C. (Administradora), For the year ended December 31st, 2019, the Company's total rental expense under these leases was Ps. 182. As at December 31st, 2019, the account payable due to Administradora was Ps. 47.

(xii) In 2019, the Company had transactions related to leases with Acolman, S.A. (Acolman). For the year ended December 31st, 2019, the Company's total rental expense under these leases was Ps. 4,121.

(xiii) In 2019, the Company had transactions related to leases with Arcomex, S.A. de C.V. (Arcomex). For the year ended December 31st, 2019, the Company's total rental expense under these leases was Ps. 248.

(xiv) In 2019, the Company had transactions related to leases with Fianzas Guardiana Inbursa, S.A. (Guardiana). For the year ended December 31st, 2019, the Company's total rental expense under these leases was Ps. 92.

7. Property and Equipment, net

The Company has two 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, if there is enough floor space available on-site to install the additional masts. As at December 31st, 2019, the Company's passive infrastructure is comprised of 16,935 towers (15,717 towers as at December 31st, 2018).

The Company's passive infrastructure is mostly located in Mexico, distributed across nine cellular regions as defined by telecommunications sector rules and regulations. As at December 31st, 2019, the Company has 287 towers (278 towers as at December 31st, 2018) in Costa Rica.

An analysis of property and equipment as at December 31st, 2019 and 2018 is as follows:

Item	Passive infrastructure	Automotive equipment	Other equipment	Construction in process	Land	Total
Investment:						
As at December 31, 2017	Ps. 49,764,712	Ps. 8,089	Ps. 26,745	Ps. 200,362	Ps. 57,953	Ps. 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 December 31,2018	52,240,248	9,457	52,222	164,226	63,468	52,529,621
Additions	1,898,260	1,661	11,655	2,042,602	3,665	3,957,843
Additions from revaluation surplus (Note 2h)	2,131,176	-	-	-	-	2,131,176
Disposals from revaluation surplus (Note 2h)	(17,812)					(17,812)
Disposals	(1,918)	(23)	(3,989)	(1,898,260)	-	(1,904,190)
As at December 31, **2019**	Ps. 56,249,954	Ps. 11,095	Ps. 59,888	Ps. 308,568	Ps. 67,133	Ps. 56,696,638
Depreciation:						
As at December 31, 2018	Ps. 6,853,856	Ps. 3,162	Ps. 5,500	Ps. -	Ps. -	Ps. 6,862,518
Depreciation expense	2,085,231	2,045	5,229	-	-	2,092,505
Disposals	-	-	-	-	-	-
As at December 31, **2019**	8,939,087	5,207	10,729	-	-	8,955,023
Depreciation expense	2,180,253	2,340	6,357	-	-	2,188,950
Disposals	-	-	-	-	-	-
As at December 31, **2019**	Ps. 11,119,340	Ps. 7,547	Ps. 17,086	Ps. -	Ps. -	Ps. 11,143,973
Asset retirement obligation:						
As at December 31, 2017	Ps. 409,711	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 409,711
Cancellations	-	-	-	-	-	-
Amortization	(28,262)	-	-	-	-	(28,262)
Increase for the year	33,982	-	-	-	-	33,982
As at December 31, 2018	415,431	-	-	-	-	415,431
Cancellations	-	-	-	-	-	-
Amortization	(28,182)	-	-	-	-	(28,182)
Increase for the year	54,862	-	-	-	-	54,862
As at December 31, **2019**	Ps. 442,111	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 442,111
Net book value:						
As at December 31, **2019**	Ps. 45,572,725	Ps. 3,548	Ps. 42,802	Ps. 308,568	Ps. 67,133	Ps. 45,994,776
As at December 311, 2018	Ps. 43,716,592	Ps. 4,250	Ps. 41,493	Ps. 164,226	Ps. 63,468	Ps. 43,990,029

Depreciation and amortization expense for the years ended December 31st, 2019 and 2018 was Ps.2,221,552 and Ps. 2,124,184, respectively.

8. Asset Retirement Obligation

An analysis of the Company's asset retirement obligation as at December 31st, 2019 and 2018 is as follows:

		2019		2018
Balance as at January 1st,	Ps.	894,094	Ps.	860,112
Increase for additions of passive infrastructure		54,402		33,982
Utilized		-		-
Balance as at December 31st,	Ps.	948,496	Ps.	894,094

As at December 31st, 2019, the review of the cash flow estimates and discount rates determined no changes in these variables compared to the prior year.

9. Short-term and Long-term Debt

a) Long-term debt:

Breakdown of debt			2019		2018
Bank loans	Long term	Ps.	500,876	Ps.	520,757
Amortized cost			(718)		(983)
			500,158		519,774
Issue of structured notes	Long term		18,137,294		22,455,110
Amortized cost			(34,193)		(43,129)
			18,103,101		22,411,981
Total long-term debt		Ps.	18,603,259	Ps.	22,931,755

b) Short-term debt and interest:

Breakdown of debt			2019		2018
Issue of structured notes ("*certificados bursátiles*")	Short term	Ps.	4,500,000	Ps.	-
Amortized cost			(2,225)		-
			4,497,775		-
Interest payable on structured notes ("*certificados bursátiles*")	Short term		513,336		505,403
Interest payable on bank loans	Short term		2,133		2,027
Total short-term debt and interest		Ps.	5,013,244	Ps.	507,430

c) Issue of structured notes

On July 17th, 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 ("*certificados bursátiles*") 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 August 5th, 2015, Opsimex issued series 1 OSM-15 Mexican peso structured notes ("*certificados bursátiles*") for a total issue of Ps. 3,500,000 and with a maturity date of July 23 rd, 2025. These structured notes bear annual gross interest of 7.97%.

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

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

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

v) On February 18th, 2016, Opsimex reissued its series 1 OSM-15 2R Mexican peso structured notes("*certificados bursátiles*") 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 February 28th, 2018, Opsimex issued series OSM-00217 and OSM-00117 Mexican peso structured notes ("*certificados bursátiles*") for a total issue of Ps. 350,000 and Ps. 505,000, respectively, with terms of 28 days. These structured notes bear annual gross interest of 7.06%. As at 31st, December 2018, Opsimex has repaid these structured notes in full.

vii) On April 4th, 2018, Opsimex issued series OSM-00317 Mexican peso structured notes ("*certificados bursátiles*") for a total issue of Ps. 300,000, with terms of 15 days. These structured notes bear annual gross interest of 7.22%. As at 31st, December 2018, Opsimex has repaid these structured notes in full.

An analysis of the historical amounts and the outstanding accrued interest under the long-term structured notes of Opsimex as at December 31st, 2019 is as follows:

Series	Maturity date		Long-term debt		Interest payable
OSM-15 Mexican pesos series 1	July 23rd, 2025	Ps.	3,489,861	Ps.	118,212
4OSM-15R Mexican pesos series 1	July 23rd, 2025		3,710,000		125,669
OSM-15 2R Mexican pesos series 1	July 23rd, 2025		2,500,000		85,024
OSM-15U UDIs series 3	July 17th, 2030		8,437,433		171,057
		Ps.	18,137,294	Ps.	499,962

An analysis of the historical amounts and the outstanding accrued interest under the short-term structured notes of Opsimex as at December 31st, 2019 is as follows:

Series	Maturity date		Short-term debt		Interest payable
OSM-152 Mexican pesos series 2	July 29th, 2020	Ps.	4,500,000	Ps.	13,374
		Ps.	4,500,000	Ps.	13,374

An analysis of the historical amounts and the outstanding accrued interest under the long-term structured notes of Opsimex as at December 31st, 2018 is as follows:

Series	Maturity date		Long-term debt		Interest payable
OSM-15 Mexican pesos series 1	July 23rd, 2025	Ps.	3,500,000	Ps.	117,779
OSM-15R Mexican pesos series 1	July 23rd, 2025		3,710,000		124,846
OSM-15 2R Mexican pesos series 1	July 23rd, 2025		2,500,000		84,128
OSM-152 Mexican pesos series 2	July 29th, 2020		4,500,000		13,290
OSM-15U UDIs series 3	July 17th, 2030		8,245,110		165,360
		Ps.	22,455,110	Ps.	505,403

As at December 31st, 2019 and 2018, the value of one UDI was Ps. 6.3990 pesos and Ps. 6.1701 pesos, respectively. As at April 14th, 2020, the date of issue of these financial statements, the value of the UDI was Ps. 6.4698 pesos per UDI.

Redemptions

The Series 1 (OSM-15, OSM-15R, OSM-15 2R) and 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.

d) Bank loans

An analysis of the Company's long-term bank loans as at December 31st, 2019 is as follows:

Currency	Lender	Rate	Maturity date		Long-term debt		Interest payable
Mexican pesos:	Bank of America, N.A. [(i)]	4.52%	February 23rd, 2023	Ps.	452,905	Ps.	1,937
	Bank of America, N.A. [(ii)]	4.52%	February 23rd, 2023		47,253		196
	Total debt			Ps.	500,158	Ps.	2,133

An analysis of the Company's short-term bank loans as at 31 December 2018 is as follows:

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

[(i)] On February 23rd, 2018, the Company renewed its line of credit of USD 24,000 with Bank of America, N.A. This loan matures on February 23rd, 2023 and bears interest on outstanding balances at a rate of 4.52%. As at December 31st, 2019 and 2018, the outstanding balance of principal is Ps. 452,905 and Ps. 471,619, respectively, and interest payable is Ps. 1,937 and Ps.1,836, respectively.

[(ii)] On May 24th, 2019, the Company renewed its line of credit of USD 2,500 with Bank of America, N.A. This loan matures on February 23rd, 2023 and bears interest on outstanding balances at a rate of 4.52%. As at December 31st, 2019 and 2018, the outstanding balance of principal is Ps. 47,253 and Ps. 49,128, respectively, and interest payable is Ps. 196 and Ps.191, respectively.

10. Financial Assets and Financial Liabilities

An analysis of the Company's financial assets and financial liabilities as at December 31st, 2019 and 2018 is as follows:

	2019				2018			
		Carrying amount		Fair value		Carrying amount		Fair value
Long-term debt	Ps.	18,602,815	Ps.	18,770,860	Ps.	22,931,755	Ps.	21,659,920

The fair value of the Company's financial assets and liabilities is determined based on the price at which a financial instrument can be traded in an orderly transaction between market participants, without being a forced sale or liquidation.

Management assessed that the fair values of 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 lease contracts for various items of property, motor vehicles and offices used in its operations. Leases of properties generally have lease terms between 5 and 10 years, while motor vehicles and offices generally have lease terms between 1 and 4 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

		Properties		Other leases		Total
As at January 1st, **2019**	Ps.	10,403,847	Ps.	6,780	Ps.	10,410,627
Additions and reclassifications		1,185,058		2,068		1,187,126
Depreciation		(1,797,273)		(4,918)		(1,802,191)
As at December 31st, **2019**	Ps.	9,791,632	Ps.	3,930	Ps.	9,795,562

Set out below are the carrying amounts of lease liabilities recognized and the movements during the period:

		Lease liabilities
As at January 1st, 2018	Ps.	10,311,068
Additions		1,187,126
Accretion of interest		1,061,584
Lease payments		(2,261,163)
As at December 31st, **2019**	Ps.	10,298,615

The following are the amounts recognized in profit or loss:

		2019
Depreciation of right-of-use assets	Ps.	1,802,191
Lease interest		1,061,584
Total amount recognized in the statement of comprehensive income	Ps.	2,863,775

12. Retirement Benefits

An analysis of the net periodic benefit expense and the defined benefit obligation associated with the Company's post-employment benefits (seniority premiums and termination benefit plan) as at and for the years ended December 31st, 2019 and 2018 is as follows:

a) Net periodic benefit expense

	2019					
		Retirement benefits		Termination benefits		Total
Analysis of net periodic benefit expense for **2019**:						
Current-year service cost	Ps.	382	Ps.	196	Ps.	578
Interest cost		360		146		506
Net periodic benefit expense	Ps.	742	Ps.	342	Ps.	1,084

	2018					
		Retirement benefits		Termination benefits		Total
Analysis of net periodic benefit expense for 2018:						
Current-year service cost	Ps.	517	Ps.	273	Ps.	790
Interest cost		221		122		343
Net periodic benefit expense	Ps.	738	Ps.	395	Ps.	1,133

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

		Retirement benefits		Termination benefits		Total
Net defined benefit obligation:						
Net defined benefit obligation as at December 31st, 2017	Ps.	2,845	Ps.	1,607	Ps.	4,452
Remeasurements for the year						
Current-year service cost		517		273		790
Interest cost		221		122		343
Actuarial gain/(loss)		410		(347)		63
Net defined benefit obligation as at December 31st, 2018		3,993		1,655		5,648
Remeasurements for the year						
Current-year service cost		382		196		578
Interest cost		360		146		506
Charges to the reserve				(70)		(70)
Actuarial gain		1,782		757		2,539
Net defined benefit obligation as at December 31st, **2019**	Ps.	6,517	Ps.	2,684	Ps.	9,201

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

	2019					
	Retirement benefits		Termination benefits		Total	
Provisions for:						
Vested benefit obligation	Ps.	6,517	Ps.	2,684	Ps.	9,201
Net defined benefit obligation	Ps.	6,517	Ps.	2,684	Ps.	9,201

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

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

	2019	2018
Financial assumptions		
Discount rate	7.29%	9.96%
Expected salary increase rate	7.00%	4.15%
Inflation rate	3.50%	3.65%
Biometric assumptions		
Mortality rate	EMSSA 2019	EMSSA 2019
Disability rate	IMSS 97	IMSS 97

As at December 31st, 2019 and 2018, the Company does not have any material contingent liabilities for employee benefits.

13. Employee Benefits

As at December 31st, 2019 and 2018, the Company has recognized accrued liabilities for short-term employee benefits. An analysis is as follows:

	As at December 31st, 2018		Arising during the year		Utilized		As at December 31st, 2019	
Paid annual leave	Ps.	1,544	Ps.	3,036	Ps.	2,842	Ps.	1,738
Vacation premium		2,778		4,890		4,428		3,240
Bonuses		2,454		14,305		4,508		12,251
Employee profit sharing		1,673		2,658		1,646		2,685
	Ps.	8,449	Ps.	24,889	Ps.	13,424	Ps.	19,914

14. Accounts Payable and Accrued Liabilities

An analysis of accounts payable and accrued liabilities is as follows:

	2019		2018	
Suppliers and accounts payable	Ps.	263,236	Ps.	253,765
Provisions and accrued liabilities		63,869		55,246
Rent payable		-		18,493
Total	Ps.	327,105	Ps.	327,504

The above-mentioned provisions represent expenses incurred in 2019 and 2018 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 December 31st, 2019 and 2018 is as follows:

Series	Share capital	No. of shares	Amount	
B-1	Minimum, fixed	4,774,486,209	Ps.	35,000

b) As at December 31st, 2019 and 2018, 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, issued and outstanding, with no par value.

c) As at December 31st, 2019, the Company had treasury shares comprised of 1,474,486,209 Series B-1 shares for subsequent reissuance as set forth in 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 profit 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 included as part of Retained earnings. As at December 31st, 2019 and 2018, the legal reserve is Ps.3,359.

e) Earnings distributed in excess of the Net taxed profits account (CUFIN by its acronym in Spanish) 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 individuals and foreign corporations from earnings generated as of January 1st, 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 of 30% for fiscal year 2019.

b) An analysis of income tax recognized in profit or loss for the years ended December 31st, 2019 and 2018 is as follows:

		2019		2018
Current income tax	Ps.	758,008	Ps.	748,687
Deferred income tax		(472,070)		(487,782)
Total income tax	Ps.	285,938	Ps.	260,905

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

		2019		2018
As at January 1st	Ps.	(10,087,162)	Ps.	(10,228,649)
Deferred income tax recognized in profit or loss		472,070		487,782
Deferred income tax in other comprehensive income		(119,753)		160,952
Deferred income tax reclassified to retained earnings		(513,655)		(507,247)
As at December 31st	Ps.	(10,248,500)	Ps.	(10,087,162)

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

	2019	2018
Statutory income tax rate	30%	30%
Effect of reconciling items:		
Taxable effects of inflation	261	195
Property and equipment, net	(112)	(69)
Non-deductible items	9	3
Leases	237	-
Other items	1	-
Effective income tax rate	426%	159%

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

		2019		2018
Deferred tax assets:				
Provisions and accrued liabilities	Ps.	9,558	Ps.	18,971
Rent payable to individuals		4,015		9,700
Amortized cost		476		1,006
Employee benefits		797		502
Retirement benefits		2,760		1,694
Tax losses		5,596		3,453
Total deferred tax assets		23,202		35,326
Deferred tax liabilities:				
Property and equipment, net		898,202		560,301
Revaluation surplus		9,368,948		9,536,201
Rent paid in advance		-		19,043
Prepaid expenses		4,552		6,943
Total deferred tax liabilities		10,271,702		10,122,488
Deferred tax liability, net	Ps.	10,248,500	Ps.	10,087,162

f) For the years ended December 31st, 2019 and 2018, the Company reported taxable profit of Ps.2,526,693 and Ps.2,495,623, respectively, on which income tax payable was Ps.758,008 and Ps.748,687, respectively.

g) Available tax loss carryforward

Tax losses may be carried forward against taxable profit generated in the next ten years. Tax losses may be restated for inflation following certain procedures established in the law. An analysis of the Company's tax losses as at December 31st, 2019 is as follows:

Year of tax loss		Tax loss restated for inflation	Expiration date
2016	Ps.	242	2026
2017		6,093	2027
2018		5,430	2028
2019		6,889	2029
	Ps.	18,654	

h) As at December 31st, 2019 and 2018, the Company had the following tax balances:

		2019		2018
Restated contributed capital account (CUCA)	Ps.	42,250	Ps.	41,087
Net taxed profits account (CUFIN)		11,887		11,562

17. Contingencies and Commitments

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

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

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

In March 2014, the IFT issued a ruling (the Ruling) through which it declared that America Móvil 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 Móvil 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 issued a Biennial Ruling that amended, eliminated and supplemented the provisions stipulated in the original Ruling. The amendments applicable to passive infrastructure have been deemed immaterial.

Reference offer

In accordance with the Ruling as amended by the Biennial Ruling and in terms of the new regulatory framework, Telcel has drafted and/or updated its reference offer, which will be valid until 31 December of each year. As a result, Opsimex, as the transferee of Telcel and owner of the passive infrastructure, has complied with the terms of the Ruling.

In the terms of the Biennial Ruling, there is an offer currently in effect, which was duly approved by the IFT in October 2019 and will be valid from January 1 st to December 31 st, 2019. As per the terms of the reference offer, carriers must sign both a general agreement and an individual agreement for each site they acquire access to for a minimum of ten years. According to the Biennial Ruling, in July of each year the Company will be required to file a new reference offer for approval by the IFT. These new reference offers shall take effect on January 1st of the following year, although operators may agree on reference offers with longer terms than their current reference offers.

Towers and Antennas

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

18. Segment Information

The Company has passive infrastructure installed throughout Mexico and in various sites abroad. Its principal business segment is leasing this infrastructure. At the date of issue of these consolidated financial statements, the Company's business is geographically divided into the following nine regions:

		2019			2018	
Region	Mexican states	Infrastructure rental income	Depreciation of right-of-use assets	Depreciation of passive infrastructure	Infrastructure rental income	Lease expenses
1	Baja California Sur and Baja California	Ps. 351,831	Ps. 94,100	Ps. 99,069	Ps. 351,619	Ps. 77,325
2	Sinaloa and Sonora	493,016	110,968	156,773	445,739	129,659
3	Chihuahua and Durango	337,992	66,720	122,100	303,893	71,337
4	Nuevo Leon, Tamaulipas and Coahuila	875,583	177,174	254,148	786,069	209,917
5	Jalisco, Michoacán, Colima and Nayarit	873,098	203,566	264,520	777,309	229,594
6	Querétaro, Guanajuato, San Luis Potosí, Aguascalientes and Zacatecas	852,087	210,301	249,098	826,466	261,853
7	Puebla, Veracruz, Oaxaca and Guerrero	1,113,061	263,306	328,025	987,686	297,534
8	Yucatán, Campeche, Tabasco, Chiapas and Quintana Roo	784,870	184,647	248,944	689,745	204,255
9	Hidalgo, Morelos and Mexico City	1,508,820	459,229	336,949	1,337,132	504,969
	Total	Ps. 7,190,358	Ps. 1,770,011	Ps. 2,059,626	Ps. 6,505,658	Ps. 1,986,443
	Other foreign sites					
1	Costa Rica	Ps. 106,369	Ps. 27,262	Ps. 25,605	Ps. 98,164	Ps. 33,482
	Total foreign sites	106,369	27,262	25,605	98,164	33,482
	Total	Ps. 7,296,727	Ps. 1,797,273	Ps. 2,085,231	Ps. 6,603,822	Ps. 2,019,925

19. Subsequent Events

i) In January and February 2020, the Company paid interest of Ps.391,243, Ps.56,980 and Ps.204,721, respectively, on its Series 1 OSM-15 and Series 2 OSM-152 Mexican-peso structured notes ("*certificados bursátiles*") and its Series 3 OSM-15U UDI-denominated structured notes, respectively.

ii) The Company's consolidated financial results may be affected by the Covid-19 (coronavirus) outbreak that began in January 2020 in China and has spread worldwide; however, the Company does not have enough information to estimate the impact of this event.