telesites

Solid, resilient infrastructure for challenging times

2020 ANNUAL REPORT

The public health crisis that struck Mexico and the rest of the world in 2020 affected our company's operating logistics, but it did not significantly limit our ability to incorporate 927 sites to our portfolio and add another 609 rents from colocations. The expansion of new towers was due both to improvements in the coverage of our clients' telecommunications network and the increase in the capacity of some towers, in both urban and rural zones.

Contents

About the company

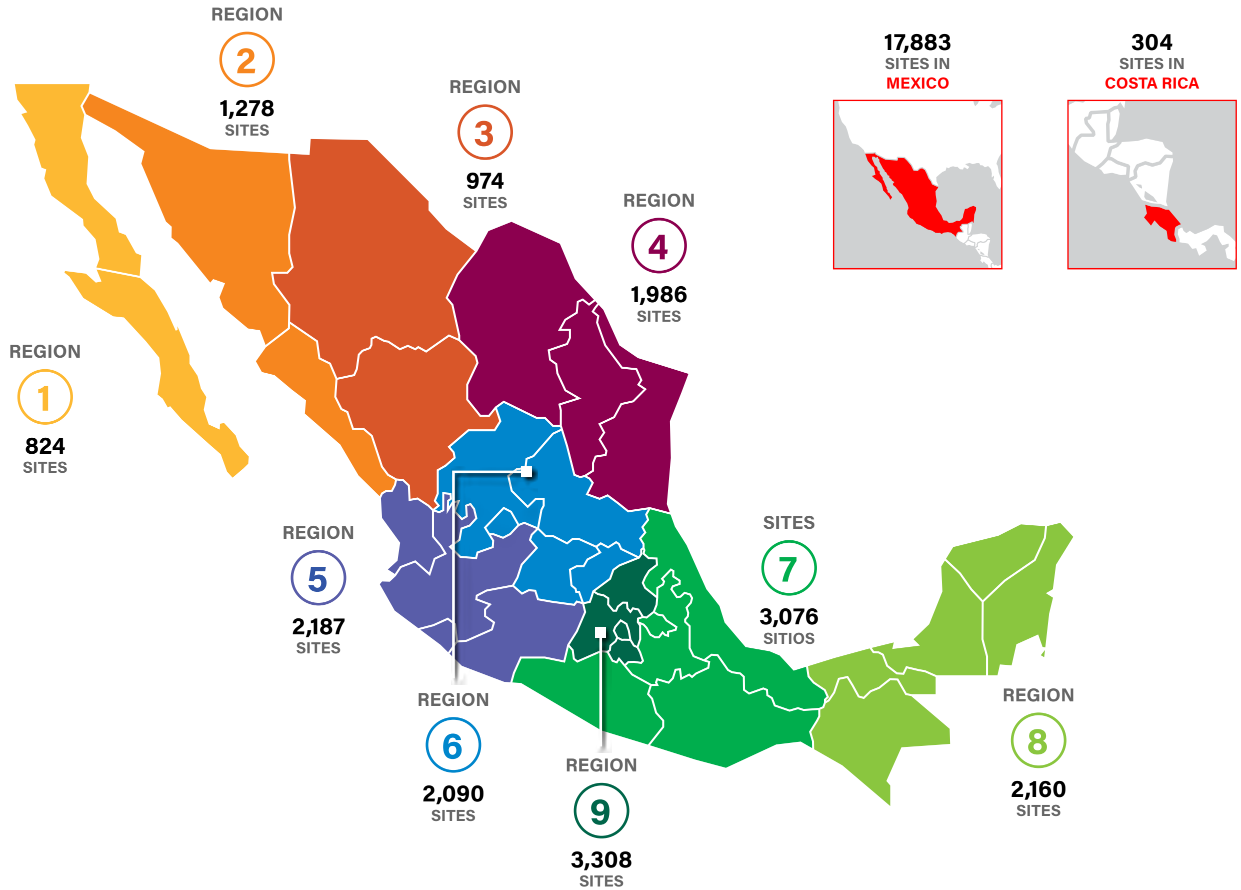
Telesites is a Mexican company that builds, installs, maintains, operates and sells various types of passive telecommunications infrastructure—towers and support structures, physical spaces and other non-electronic elements. With more than 18,000 towers spread across the nine regions of Mexico as well as Costa Rica, Telesites is the largest tower operator in Mexico, and the second largest in Latin America.

Faced with a steadily growing demand for data services, rapidly evolving telecommunications technology and the need for information transfer, cellular telephony carriers, cable television companies and geolocation services require a larger infrastructure for providing their services. This is a source of strong growth potential for Telesites going forward.

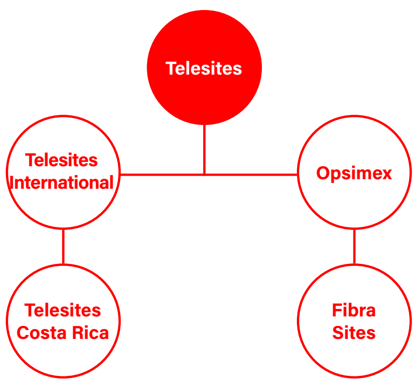
Telesites
at a glance

18,187
Total sites

OSM: **11.292**
FIBRA: **6,591**

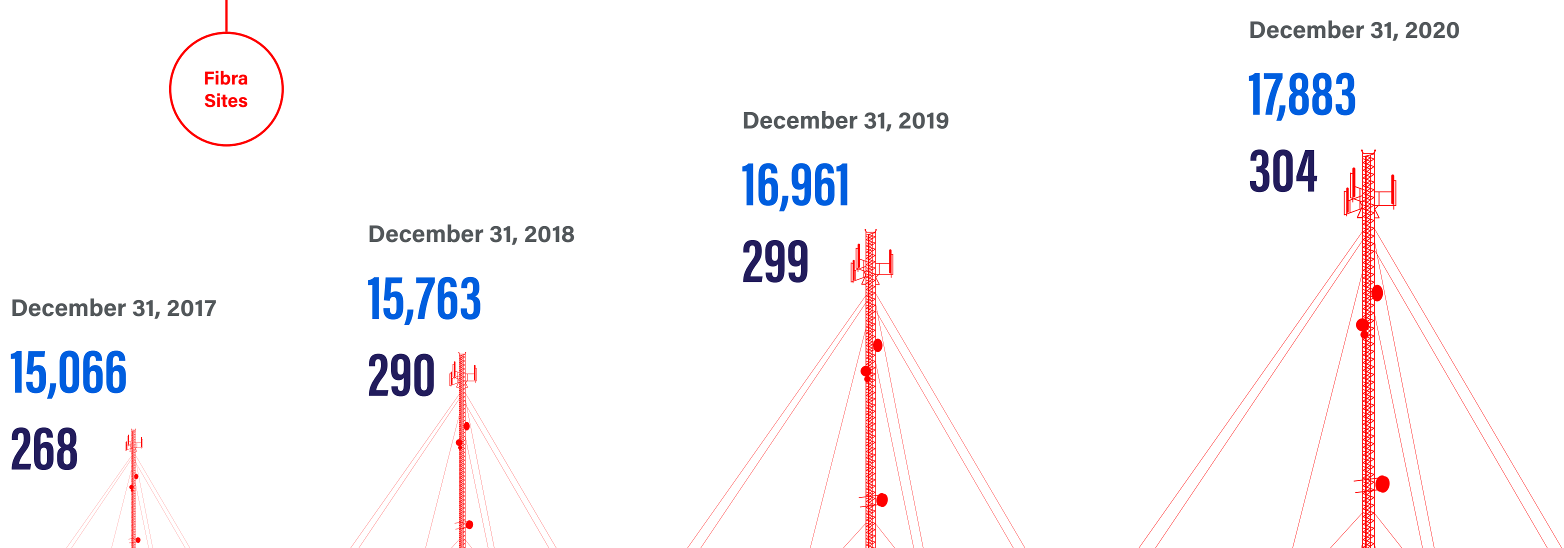


Corporate Structure



▶ **Towers in Mexico** included in revenues

▶ **Towers in Costa Rica** included in revenues



To our **Investors**

Mexico City, April 29, 2021
To the General Shareholders' Meeting and Board of Directors
Telesites, S.A.B. de C.V.

In accordance with article 44 section XI of the Mexican Securities Market Act, in correlation with article 172 of the General Business Corporations Law, and in my capacity as Chief Executive Officer of Telesites, S.A.B. de C.V. (the "Company" or "Telesites"), I am pleased to present this report on the Company's operations during the fiscal year ended December 31, 2020.

Economic Overview

2020 was marked by a global crisis brought on by the COVID-19 pandemic, with more than 100 million cases confirmed and millions dead. Mobility restrictions to stem the virus's propagation and the lack of a definitive cure prompted temporary shutdowns of large portions of most of the world's economies, especially in the first half of the year. This led to a decline of -8.93% in global GDP in the second quarter and -3.50% in 2020 as a whole, despite unprecedented fiscal stimulus measures.

The U.S. economy shrank by 3.50%, affected mainly by a 7.31% drop in aggregate demand in the services sector, as well as a 5.27% reduction in gross fixed investment. In this context, the US Federal Reserve dropped its benchmark interest rate twice to close the year at between 0.00% and 0.25%. Furthermore, budget stimulus payments totaling around 3.5 billion dollars were made in 2020, expanding the public debt from 108.68% to 131.18% of GDP.

In Mexico, GDP was down by 84.6% in the year, with secondary activities the hardest hit (-10.20%), heavily affected by construction (-17.42%) and manufacturing (-10.34%). Tertiary activities, which account for 64.05% of economic activity in this country, lost 7.85%, mostly because of retailing, which was off by 9.67%, and tourism.

The Mexican peso closed the year at 19.91 per dollar, a 5.22% devaluation, and was highly volatile as the pandemic began, topping out at 25.36 pesos per dollar and then recovering toward the end of the year because of a current account surplus of 26.57 billion dollars, 2.41% of GDP, and the interest rate spread between Mexico and the United States. Banco de Mexico dropped its reference rate seven times in 2020, ending the year at 4.25%, compared to 7.25% at the close of the preceding year.

Inflation in Mexico ended at 3.15%, and core inflation at 3.80%, offset by a more modest 1.18% increase in non-core components, benefitting from the decline in oil prices, particularly gasoline, which fell 8.90% in 2020.

The trade balance was a record surplus of USD 34.48 billion, compared to USD5.41 billion the year before. The oil balance was a deficit of USD 13.99 billion, USD 7.37 billion less than in 2019, and the non-oil surplus grew USD 21.70

billion to USD 48.47 billion in the year. Among Mexico's exports, manufacturing, the largest component, declined by 8.92% but imports fell more sharply in all categories, led by consumer goods with -26.20% and capital goods by -16.87%, the latter because of a drop in investment in Mexico.

The federal budget balance was a deficit of -674.16 billion pesos (2.90% of GPD) compared to last year's deficit of -393.61 billion pesos (1.60% of GDP). The rise in the deficit was due to lower revenues (-4.10% in real terms), affected primarily by the 38.70% reduction in oil revenues, which was offset only slightly by the 4.90% real reduction in expenditures.

Report on the Company's operating and financial results

The following are some remarks on the key figures reported in our financial statements for the close of 2020, which are attached to this report, including the opinion of the Independent Auditor.

In 2020, Telesites created a Real-Estate Investment Trust (the equivalent of a US REIT, known in Mexico as a FIBRA), called Fideicomiso Opsimex 4594 (FSITES). Initially, our subsidiary Operadora de Sites Mexicanos, S.A. de C.V. (Opsimex) contributed 6,500 towers to the FIBRA in July, in exchange for trust securities certificates representing approximately 72.5% of FSITES' capital.

The remaining 27.5% of the FIBRA's capital was placed with the investing public, raising 12.04 billion pesos in capital that will be used primarily to finance the construction of new towers in Mexico in coming years. As of the date it was created, FSITES is the entity that will build new towers for Telesites in Mexico.

Subsequently, on December 29, 2020, FSITES carried out a capital increase in which Opsimex contributed an additional 480 sites, while the other Trust owners contributed 691.9 million pesos. These sites began generating revenues for FSITES in January 2021.

Telesites started out 2020 with a portfolio of 17,260 revenue-generating sites. During the year it added 922 new sites in Mexico and 5 new sites in Costa Rica, ending the year with 18,187 sites in total, a portfolio growth of 5.37% compared to the previous year. During the year, 603 new client co-locations were added to revenues, resulting in a consolidated tenancy ratio of 1,185 operators per tower at the close of 2020.

The company reported total revenues of 82 billion pesos, an 11.1% year-to-year growth, due mainly to an increase in the number of sites and new colocations during the year. EBITDA totaled 7.7 billion pesos, an 11.5% growth over the previous year, while our EBITDA margin was 95% at the close of 2020.

Excluding the towers that were contributed to FSITES, capital expenditures by Telesites in 2020 totaled 1.1 billion pesos.

Our company's strategy continues to be focusing on the growth of its business, sustained by our clients' demand for new sites, and the increased potential for co-locations with the addition of each site to our portfolio. Although 2020 presented a particularly difficult climate, we achieved significant goals: the creation of FSITES and the investment of more than 12.7 billion pesos from the investing public in this vehicle. These funds will enable us to establish a pace of organic growth consistent with market demand put us on strong footing to take advantage of any potential investment opportunity that might arise in the Mexican telecommunications tower market.

Finally, Telesites reiterates its commitment to ensuring optimum use of our resources at all times. To this end we work tirelessly to strengthen relations with clients, suppliers and employees, all of which are pillars for our solid growth.

Fellow shareholders:

I am grateful for the trust you have placed in us, and I reiterate the commitment of the entire team that makes up Telesites to continue improving the performance of this company's activities.

Gerardo Kuri Kaufmann
Chief Executive Officer
Telesites, S.A.B. de C.V.

The results of Telesites' Build to Suit (BTS) program remain positive: in 2020 it integrated 927 new sites into its revenues, despite the public health crisis that affected economies around the world.

The company's central focus is being able to offer an infrastructure network robust enough to meet its clients' expansion needs, while remaining at the top of its field in service and quality levels in both delivery and access.

It is a well-known fact that Mexico lags far behind its Latin American peers in terms of number of subscribers proportional to the number of towers. Chile for example, has half as many subscribers per tower as Mexico's, and some developed countries ratios are closer to one-sixth of that. Telesites has focused its efforts on narrowing the gap, by building to suit and at large scale throughout Mexican territory, which is how it has become one of the fastest-growing companies in the region.

In 2020 the company structured and issued certificates in a Real Estate Investment Trust (equivalent to the US REIT but known as a FIBRA in Mexico), with an initial contribution of 6,500 towers, which was listed on the stock exchange under the ticker symbol FSITES.

On July 22, 2020, Telesites, through its subsidiary Operadora de Sites Mexicanos, received all the necessary authorizations to contribute 6,500 towers from its portfolio, spread across 32 states of Mexico, to a new real-estate investment trust, or FIBRA, that is listed on the Mexican stock exchange under the ticker symbol FSITES. In exchange, it received trust securities certificates representing approximately 72.5% of FSITES' capital, while the remaining 27.5% of the FIBRA's capital was placed with the investing public, raising 12.04 billion pesos in capital.

With this, FSITES assumed the corresponding investment to build new towers in Mexico, which will be the main use of those proceeds.

On December 29, 2020, Operadora de Sites Mexicanos contributed an additional 480 towers to the trust, while the other investors contributed 691.86 million pesos. These sites began generating revenues for FSITES in January 2021.

Design innovation

The telecommunications industry is highly competitive, and clients demand constant improvements. Telesites remains at the forefront of this industry with a multi-disciplinary team that is constantly seeking ways to innovate its site designs, lowering investment and maintenance costs for Telesites and providing more efficient structures for our clients. It also continually seeks out ways to improve methods in the steel immersion, assembly and groundwork processes, which means corrective maintenance is required much less frequently.

» **96% mobile penetration in Mexico vs. ~111% in Latin America.***

» **EBITDA grew 10.93% in the year, with a margin of 94.7%**

» **Growth of 5.37% in the portfolio of new towers integrated into revenues (922 new towers in Mexico and 5 in Costa Rica)**

» **Tenancy ratio of 1.185**

* Source: IFT, September 2020

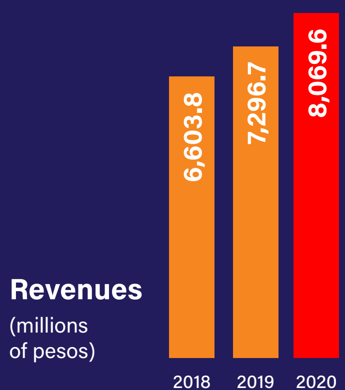
Operating Summary

RESULTS

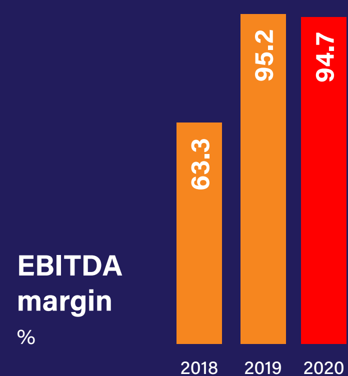
Total revenues in 2020 came to 8.07 billion pesos, 10.6% more than in 2019. Tower rental accounted for 5.60 billion pesos of the total. Floor space rental was transferred completely to the client and represented neither a use nor a source of revenue; this totaled 2.47 billion pesos.

EBITDA during the year was 7.67 billion pesos, for a margin of 94.7%. At the close of the year, the company reported debt of 33.92 billion pesos and cash of 9.29 billion pesos, which meant a net debt position of 24.63 billion pesos. The net debt/EBITDA leverage ratio was 3.26x.

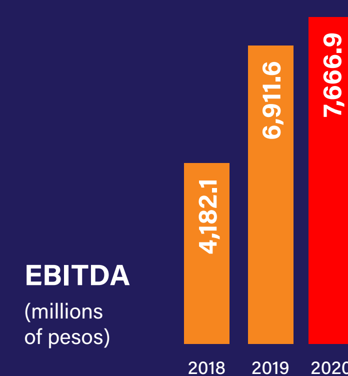
8,069.6
Revenues
(millions of pesos)



95%
EBITDA margin



7,666.9
EBITDA
(millions of pesos)



Corporate Governance

Board of Directors

The administration of the Company is the responsibility of a Board of Directors, which is currently made up of six (6) regular directors and no designated alternates. Telesites' bylaws stipulate that the Board of Directors must have between five and twenty-one directors and up to an equal number of alternate directors. Directors need not be shareholders, but a majority of the directors and their alternates must be Mexican citizens and elected by Mexican shareholders.

Directors and their alternates are elected or reelected at each annual general shareholders' meeting. In accordance with the Mexican Securities Market Act (LMV), qualifying the independence of Telesites' directors is the responsibility of Telesites' shareholders, though the Mexican Banking and Securities Commission (CNBV) may challenge this qualification. Pursuant to our bylaws and the Mexican Securities Market Act, at least 25% of Telesites' directors must be independent. Currently close to 70% of our directors are independent, a proportion significantly higher than that required by law. Meetings of the Board of Directors may be legally called to order when a majority of its members are present.

Our bylaws also state that the members of the Board of Directors are elected for a term of one year. Pursuant to the General Commercial Corporations Law (LGSM), however, members of the Board remain in their positions after the expiration of their terms for up to an additional thirty (30) -day period if new members are not elected and substitutes have either not been designated for the departing member, or have not yet assumed their duties. Furthermore, under certain circumstances provided for under the LMV, the Board of Directors may elect temporary directors who then may be ratified or replaced at the shareholders' meetings.

The following is a list of the current members of the Board of Directors of Telesites, their position on the Board, their business experience and other board experience, appointed to serve for the period from April 2021 to April 2022. Shareholders ratified these board members' positions in the General Ordinary Annual Shareholders' Meeting of April 29, 2021.

Name	Title	Type	Years as board member	Gender	Gender balance
Juan Rodríguez Torres	Chairman	Independent	5	Male	For the moment, 100% of our Board Members are male.
Gerardo Kuri Kaufmann	Regular Member	Non independent	5	Male	
Daniel Goñi Díaz	Regular Member	Independent	5	Male	
Daniel Díaz Díaz	Regular Member	Independent	5	Male	
Víctor Adrián Pandal González	Regular Member	Non independent	5	Male	
Luis Ramos Lignan	Regular Member	Independent	5	Male	

Verónica Ramírez Villela and Eriván Urióstegui Hernández serve as secretary and secretary pro tem, respectively, of the Board of Directors of Telesites, but are not members of that board. We believe that the participation of a woman in these activities from the time of our founding promotes a philosophy of inclusiveness without distinction to gender in the formation of our governance bodies.

There is no relationship, by blood or by marriage, between members of the Company's Board of Directors and its senior executives.

The Company does not maintain pension, retirement or other such plans for members of the Board of Directors, senior executives or other parties that may be considered related to the Company.

Juan Rodríguez Torres.- Mr. Rodríguez received a bachelor's degree in Civil Engineering and has a master's degree in Operations Research and Industrial Engineering from the Universidad Nacional Autónoma de México. He is 81 years old. He is a board member of Procorp, S.A. de C.V., a capital investment company, Grupo Sanborns, S.A.B. de C.V. and Elementia, S.A. de C.V. (for which he also serves as chairman of the audit committee), Minera Frisco (also chairman of its audit committee), and a consulting board member of Grupo Financiero Banamex. Board member of Spanish corporations Fomento de Construcciones y Contratas, S.A. and Cementos Portland Valderribas, S.A. and their respective committees. Non-executive president of the real estate group REALIA Business, S.A. He is chairman of board of directors of the Red Nacional Última Milla, S.A.P.I. de C.V. and Red Última Milla del Noroeste, S.A.P.I. de C.V. Mr. Rodríguez is the founder of various companies in the real estate and footwear industries.

Daniel Díaz Díaz.- Bachelor's degree in Civil Engineering from the Universidad Nacional Autónoma de México. He is 87 years old. He served in the public sector as under secretary for Infrastructure and Secretary of Communications and Transportation. From 1990 to 1997 he served as a member of the board of the Universidad Nacional Autónoma de México. He was general director of the Instituto Mexicano del Transporte and, from 2000 to 2001, general director of Caminos y Puentes Federales de Ingresos y Servicios Conexos. From 2003 to 2005 he was an infrastructure project advisor to the Fundación del Centro Histórico de la Ciudad de México, A.C., and currently serves on the boards of Carso Infraestructura y Construcción, S.A. de C.V., Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V., Red Nacional Última Milla, S.A.P.I. de C.V. and Red Última Milla del Noroeste, S.A.P.I. de C.V

Luis Ramos Lignan.- Undergraduate degree in Civil Engineering and a master's degree in Hydraulics from the Universidad Nacional Autónoma de México. He is 81 years old. He has served as chairman of the Colegio de Ingenieros Civiles de México, the Cámara Nacional de Empresas de Consultoría, A.C., the Asociación de Ingenieros y Arquitectos de México, A.C., the Instituto Mexicano de Auditoría Técnica, A.C., and the Technical Committee of the Fideicomiso Fondo para el Financiamiento de Estudios para Proyectos de Infraestructura. Currently chairman and CEO of Ingeniería y Procesamiento Electrónico, S.A. de C.V.

Daniel Goñi Díaz.- Undergraduate degree in Law from the Universidad Nacional Autónoma de México. He is 69 years old. He is notary public number 80 in the State of Mexico and has served as secretary, vice president and president of the Mexican Red Cross on several occasions. He has also been citizen board member of the State of Mexico Electoral Commission. Mr. Goñi Díaz sits on the board of directors of Red Nacional Última Milla, S.A.P.I. de C.V. and Red Última Milla del Noroeste, S.A.P.I. de C.V.

Víctor Adrián Pandal González.- Undergraduate degree in Business Administration from the Universidad Iberoamericana. He is 47 years old. He also holds a master's degree in Business Administration from Boston University. From April 2002 to December 2018, he was general director of the Fundación del Centro Histórico de la Ciudad de México, A.C. Currently an independent consultant and founding member of HAN Capital, a real-estate investment fund.

Gerardo Kuri Kaufmann.- Holds a bachelor's degree in Industrial Engineering from the Universidad Anáhuac. He is 37 years old. From 2008 to 2010, he served as purchasing director of Carso Infraestructura y Construcción, S.A. de C.V. Since the founding of Inmuebles Carso, S.A.B. de C.V., and until April 2016, he was CEO of that company, and today is a member of its board, as well as of the board of all its subsidiaries. He is also a member of the board of directors of Elementia, S.A. de C.V.; Fomento de Construcciones y Contratas, S.A., Realia Business, S.A., Cementos Portland Valderrivas, S.A., and Carso Infraestructura y Construcción, S.A. de C.V. He was recently appointed CEO of Minera Frisco, S.A.B. de C.V. and is a member of that company's Board of Directors.

Audit and Corporate Practices Committee

The LMV obligates every publicly-traded company to have an audit committee made up of at least three independent members appointed by the Board of Directors (except for companies controlled by a single person or business group owning 50% or more of its capital stock, in which case a majority of the members of the Corporate Practices Committee must be independent). The Audit Committee (together with the Board of Directors, which has additional obligations) replaces the statutory auditor, a position formerly required under the terms of the General Commercial Corporations Law.

The Audit and Corporate Practices Committee is made up of the following individuals (all of them independent board members according to the LMV definition).

Name	Position	Type
Luis Ramos Lignan	Chairman	Independent
Juan Rodríguez Torres	Member	Independent
Daniel Goñi Díaz	Member	Independent

All members of the Audit and Corporate Practices Committee have extensive experience and an established professional career either as entrepreneurs, public officials or in the private sector, and most of them are or have been board members of various companies in the financial or securities industry, and have served in federal public administration and de-centralized government agencies.

Report of the **Audit and Corporate Practices Committee**

Mexico City, April 7, 2021
To the Board of Directors of Telesites, S.A.B. de C.V.

In accordance with article 43, sections I and II of the Mexican Securities Market Act (LMV, by its initials in Spanish), and pursuant to the recommendations contained in the Code of Best Corporate Practices published by the Mexican Business Coordinating Council on behalf of the Audit and Corporate Practices Committee of Telesites, S.A.B. DE C.V. (the "Company" or "Telesites"), we hereby present to you our report on the activities carried out by this corporate committee in fulfillment of its duties during the fiscal year ended December 31, 2020.

One of the basic responsibilities of Company management is to issue financial statements that have been prepared on the basis of applicable financial reporting standards. These financial statements should reflect in a clear, sufficient and when necessary, up-to-date manner, the operations of the Company and the corporations it controls. Furthermore, Company management is charged with introducing appropriate internal control and internal audit systems, and appropriately and promptly disclosing any material information for the investing public as provided for by law.

For its part, as an auxiliary body of the Board of Directors, the Audit and Corporate Practices Committee is responsible for overseeing the management, direction and execution of the Company's businesses and those of the corporations it controls, and for verifying the Company's compliance with various operating and internal control procedures. Accordingly, the Company's Audit and Corporate Practices Committee has reviewed the consolidated financial statements with figures as of December 31, 2020, and the opinion of the Company's Independent External Auditor regarding that information.

In fulfillment of its primary audit responsibilities, the Committee carried out the following activities:

a. In regular meetings of this corporate body, we were informed of transactions carried out by the Company and the companies it controls in the pursuit of their respective corporate purposes, and the expected results of those projects. The information presented during fiscal year 2020 included the creation of an irrevocable trust identified with number 4594 (the "Trust") on June 1, 2020, fully restated on July 17, 2020 and modified for the last time on September 29, 2020, with Banco Actinver, S.A., Institución de Banca Múltiple, Grupo Financiero Actinver acting as Trustee, Operadora de Sites Mexicanos, S.A. de C.V. ("OPSIMEX") acting as Grantor and Administrator) and CIBanco, S.A., Institución de Banca Múltiple acting as Common Representative. The purpose of this Trust is to issue real-estate securities certificates as it acquires eligible assets (telecommunications towers) from OPSIMEX, verifying that those transactions are conducted on the terms approved by the shareholders of the company and of OPSIMEX, respectively, and in accordance with applicable legal provisions.

b. We evaluated the performance of Despacho Mancera, S.C., a member of Ernst & Young Global Limited ("Mancera"), and found it to be acceptable; accordingly, we recommended that the Board of Directors ratify its appointment as Independent External Auditor, to review the financial statements and prepare the corresponding auditors' opinion of the Company and the corporations it controls for fiscal year 2020. To do so, we verified the appropriate preparation and presentation of the interim financial information for the Company, corroborating that it was clear, precise and in compliance with international financial reporting standards.

c. Before hiring Mancera as Independent External Auditor, we ascertained that this firm: (i) had the personal and professional qualifications and the independence stipulated by laws and provisions in order to provide these services; and (ii) would present its statement on compliance with quality control standards corresponding to the fiscal year audited. We also reviewed the terms of the auditors' responsibilities.

d. We recommended that the Company's Board of Directors approve the fees paid to the Independent External Auditor as well as the work program followed for providing its opinion on the financial statements for fiscal year 2020.

e. Effective communications were maintained with the Independent External Auditor, on which basis we are able to report that the quality of the audit report as well as the communiqués and interim reports were consistent with the applicable laws and regulations on the provision of its services.

f. We observed no relevant cases of non-compliance with the operating or accounting guidelines or policies of the Company or its subsidiaries as of December 31, 2020. Therefore, it was not necessary to apply any preventive or corrective actions in the Company.

g. The Company required services other than those of the external audit from the Independent External Auditor during the fiscal year. Those services were engaged following an analysis of their suitability in terms of the applicable legal provisions considering the independence of the Independent External Auditor.

h. We reviewed the financial statements for the Company and its subsidiaries as of December 31, 2020, the Independent External Auditor's report, and the accounting policies used in preparing the financial statements, and verified that all necessary information was disclosed in keeping with current regulations. After having discussed their content with the persons responsible for preparing them, and having heard the comments of the Independent External Auditor, who is responsible for providing an opinion on the reasonableness of the financial statements and the extent to which they conform to financial reporting standards, we recommended that the Company's Board of Directors approve those statements for presentation to the ordinary annual shareholders' meeting of the Company, because we believe they reasonably reflect the Company's financial situation as of the date indicated.

i. There were no modifications and/or approved authorizations regarding the accounting policies of the Company or its subsidiaries for fiscal year 2020.

j. We followed up on implementation of the Company's policies and processes regarding risk management, internal control and auditing, as well as the status of the internal control system. Furthermore, the Committee was informed of various non-relevant deficiencies or discrepancies detected by the internal audit area, and in this respect the Company management also informed us of the measures taken to correct them. It should be noted that we detected no relevant breaches of the internal control policies established by the Company.

k. We approved the work program of the internal auditor for fiscal year 2020 and followed up on and verified that it was observed.

l. We supported the Board of Directors in preparing the reports referred to in article 28, section IV of the LMV.

m. We reviewed and recommended that the Board of Directors approve the transactions carried out by the Company under the terms mentioned in article 28 of the Securities Market Law, particularly with regard to transactions with related parties, ascertaining that these were carried out at market values and on the basis of the corresponding transfer price studies. We also saw to it that these transactions were reviewed by the Company's Independent External Auditor, as indicated in the corresponding note to transactions with related parties in the report on the consolidated financial statements of the Company with data as of December 31, 2020.

n. We followed up on the resolutions of the shareholders' meeting and the Board of Directors.

Additionally, and in fulfillment of its primary Corporate Practices duties, the Committee carried out the following activities:

a. Evaluated the performance of key executives of the Company and its subsidiaries, as well as the performance of OPSIMEX as Trust Administrator.

b. Reviewed and followed up on Telesites' transactions with related parties and those of the corporations it controls, which were carried out during the ordinary course of business and under market conditions.

c. Analyzed the process of hiring and compensation of Company employees and key executives, including compensation for Board Members.

d. Based on the analysis of the Company's results and the interviews held with key executives, we found its performance during the fiscal year to have been satisfactory.

e. No requests were received relating to the dispensations mentioned in article 28, section III, point f) of the LMV.

f. We continued supervision of the Company's corporate and legal situation, verifying that it remained in compliance with the applicable laws and regulations.

No observations were received from shareholders, board members, key executives, employees or third parties regarding accounting practices, internal controls or issues relating to internal or external audits of the Company, nor were there any reports of material actions or situations deemed irregular in its administration or which may have had an adverse effect on the Company's financial situation.

We have reviewed the consolidated financial statements of the Company for the fiscal year ended December 31, 2020, and the opinion of the Company's Independent External Auditor, finding that they were prepared in accordance with accounting policies, procedures and practices consistent with financial reporting standards, and we agree with the content of that opinion as we believe they reasonably reflect the financial position of the Company as of December 31, 2020. We believe the management, direction and execution of the Company's businesses during fiscal year 2020 was carried out appropriately by Company management.

We make the foregoing statement for the purpose of complying with the obligations entrusted to this corporate body and provided for in the LMV, and with any other duty that has been or is entrusted to us by the Company's Board of Directors, further noting that in the preparation of this report we took into account the opinion of key executives of Telesites.

Sincerely,
Luis Ramos Lignan
Chairman of the Audit and Corporate Practices Committee
TELESITES, S.A.B. de C.V.

Consolidated
Financial Statements

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 31 December 2020, 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 31 December 2020 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are described in the Auditor's Responsibilities for the *Audit of the Consolidated Financial Statements* section of our report. We are independent 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. 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.

Notes 2e) and Note 9 to the accompanying consolidated financial statements contain disclosures related to this matter.

3. 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.

Notes 2m) and Note 8 to the accompanying consolidated financial statements include disclosures related to the Company's asset retirement obligation.

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 scepticism 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.

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

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

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited

Sergio Rodolfo García Guerrero
Mexico City
19 April 2021

Consolidated Statements of **Financial Position**

(Amounts in thousands of Mexican pesos)

		As at 31 December		
		2020		**2019**
Assets				
Current assets:				
Cash and cash equivalents (Note 4)f	Ps.	9,350,846	Ps.	1,233,951
Accounts receivable		129,211		39,425
Related parties (Note 6)		5,177		15,410
Recoverable value added tax		5,398,970		-
Recoverable income tax		-		69,299
Other current assets (Note 5)		202,532		98,040
Total current assets		15,086,736		1,456,125
Non-current assets:				
Licenses and software, net		12,558		13,109
Property and equipment, net (Note 7)		61,104,947		45,994,776
Right-of-use assets (Note 11)		12,177,749		9,795,562
Deferred tax asset (Note 16)		33,457		23,202
Other non-current assets (Note 5)		89,650		89,428
Total assets	Ps.	88,505,097	Ps.	57,372,202
Liabilities and equity				
Current liabilities:				
Short-term debt (Note 9)	Ps.	2,995,501	Ps.	4,497,775
Interest payable on debt (Note 9)		520,093		515,469
Accounts payable and accrued liabilities (Note 14)		300,273		327,105
Taxes and contributions payable		673,219		148,993
Related parties (Note 6)		27,381		47,471
Employee benefits (Note 13)		21,416		19,914
Total current liabilities		4,537,883		5,556,727
Non-current liabilities:				
Long-term debt (Note 9)		18,900,787		18,603,259
Deferred tax liability (Note 16)		6,217,327		10,271,702
Lease liabilities (Note 11)		12,797,200		10,298,615
Deferred income tax from sale of structured notes (Note 1.b)		8,693,107		-
Retirement benefits (Note 12)		10,638		9,201
Asset retirement obligation (Note 8)		1,012,080		948,496
Total liabilities		52,169,022		45,688,000
Equity (Note 15):				
Share capital		35,000		35,000
Other components of equity		(16,228,640)		(16,228,640)
Surplus on revaluation of assets		14,054,041		23,340,609
Surplus on issue of real estate structured notes		20,015,684		-
Components of other comprehensive loss		(1,751)		(2,062)
Retained earnings		5,736,997		4,539,295
Equity attributable to equity holders of the parent		23,611,331		11,684,202
Non-controlling interests		12,724,744		-
Total equity		36,336,075		11,684,202
Total liabilities and equity	Ps.	88,505,097	Ps.	57,372,202

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

Consolidated Statements of **Comprehensive Income**

	For the year ended 31 December			
		2020		**2019**
Operating revenue:				
Infrastructure rent	Ps.	8,106,907	Ps.	7,296,727
Revenue from alteration services		96,974		100,342
Other income (Note 2u)		20,658		4,715
		8,224,539		7,401,784
Operating costs and expenses:				
Depreciation and amortization (Note 7)		2,694,391		2,221,552
Depreciation of right-of-use assets (Note 11)		1,798,358		1,802,191
Alteration service costs		92,126		95,325
Operating expenses		400,075		385,756
Other expenses		18,214		4,040
		5,003,164		4,508,864
Operating profit		3,221,375		2,892,920
Net financing cost:				
Accrued interest income		220,189		86,365
Accrued interest expense		(2,640,793)		(2,684,005)
Foreign exchange loss, net		(274,146)		(228,182)
		(2,694,750)		(2,825,822)
Profit before income tax		526,625		67,098
Income tax (Note 16)		(427,690)		(285,938)
Net profit/(loss) for the year	Ps.	98,935	Ps.	(218,840)
Attributable to:				
Equity holders of the parent	Ps.	73,827	Ps.	(218,840)
Non-controlling interests		25,108		-
	Ps.	98,935	Ps.	(218,840)
Weighted average number of outstanding shares (thousands of shares)		3,300,000		3,300,000
Basic earnings/(loss) per share attributable to equity holders of the parent	Ps.	0.02	Ps.	(0.07)
Diluted earnings/(loss) per share attributable to equity holders of the parent	Ps.	0.02	Ps.	(0.07)

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

Consolidated Statements of **Comprehensive Income**

		For the year ended 31 December 2020		2019
Net profit/(loss) for the year	Ps.	98,935	Ps.	(218,840)
Other comprehensive income:				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, net of taxes:				
Foreign currency translation reserve		245		(1,148)
Total		245		(1,148)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of taxes:				
Revaluation surplus, net of taxes		(9,286,568)		281,205
Surplus on issue of real estate structured notes		20,015,684		-
Labour obligations, net of taxes		66		(1,778)
Total		10,729,182		279,427
Total other comprehensive income		10,729,427		278,279
Comprehensive income for the year	Ps.	10,828,362	Ps.	59,439
Attributable to:				
Equity holders of the parent	Ps.	8,080,310	Ps.	(218,840)
Non-controlling interests		2,748,052		-
	Ps.	10,828,362	Ps.	(218,840)

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

Consolidated Statements **of Changes in Equity**

For the Years Ended 31 December 2020 and 2019
(Amounts in thousands of Mexican pesos)
(Note 15)

	Equity attributable to equity holders of the parent										
				Retained earnings		Other comprehensive income/(loss)					
	Share capital	Other components of equity	Legal reserve	Unapplied income	Total	Effect of labour obligations	Foreign currency translation reserve	Revaluation surplus	Surplus on issue of real estate structured notes	Non-controlling interests	Total equity
Balance as at 31 December 2018	Ps. 35,000	Ps.(16,228,640)	Ps. 3,359	Ps. 3,556,248	Ps. 3,559,607	Ps. (134)	Ps. 998	Ps.23,059,404	Ps. -	Ps. -	Ps. 10,426,235
Net loss for the year	-	-	-	(218,840)	(218,840)	-	-	-	-	-	(218,840)
Other comprehensive income	-	-	-	-	-	(1,778)	(1,148)	281,205	-	-	278,279
Comprehensive income	-	-	-	(218,840)	(218,840)	(1,778)	(1,148)	281,205	-	-	59,439
Allocation effect of surplus, net of taxes	-	-	-	1,198,528	1,198,528	-	-	-	-	-	1,198,528
Balance as at 31 December 2019	35,000	(16,228,640)	3,359	4,535,936	4,539,295	(1,912)	(150)	23,340,609	-	-	11,684,202
Profit for the year	-	-	-	73,827	73,827	-	-	-	-	25,108	98,935
Other comprehensive income	-	-	-	-	-	66	245	(9,286,568)	20,015,684	-	10,729,427
Total comprehensive income	-	-	-	73,827	73,827	66	245	(9,286,568)	20,015,684	25,108	10,828,362
Allocation effect of surplus, net of taxes	-	-	-	1,123,875	1,123,875	-	-	-	-	-	1,123,875
Surplus on issue of real estate structured notes (Note 1b)	-	-	-	-	-	-	-	-	-	12,728,643	12,728,643
Cash dividends	-	-	-	-	-	-	-	-	-	(29,007)	(29,007)
Balance as at 31 December 2020	Ps. 35,000	Ps.(16,228,640)	Ps. 3,359	Ps. 5,733,638	Ps. 5,736,997	Ps. (1,846)	Ps. 95	Ps.14,054,041	Ps.20,015,684	Ps.12,724,744	Ps. 36,336,075

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

Consolidated Statements of **Cash Flows**

(Amounts in thousands of Mexican pesos)

		For the year ended 31 December 2020		2019
Operating activities				
Profit before income tax	Ps	.526,625	Ps.	67,098
Items not affecting cash flows:				
Depreciation and amortization		4,489,661		4,023,743
Accrued interest income		(220,189)		(86,365)
Accrued interest expense		2,640,793		2,684,005
Foreign exchange loss, net		274,146		228,182
Net periodic benefit expense		1,770		1,084
		7,712,806		6,917,747
Changes in operating assets and liabilities:				
Accounts receivable		(84,577)		52,999
Related parties		(15,066)		(11,966)
Other current and non-current assets		40,299		4,391
Accounts payable and accrued liabilities		(40,092)		(87,954)
Taxes and contributions payable		(5,553,824)		(769,799)
Net cash flows from operating activities		2,059,546		6,105,418
Investing activities				
Interest received		220,189		86,365
Licenses and software		(3,566)		(75)
Property and equipment		(1,076,703)		(2,053,653)
Net cash flows used in investing activities		(860,080)		(1,967,363)
Financing activities				
Long-term structured notes obtained		3,026,569		-
Structure notes repaid		(4,500,000)		-
Interest paid on long-term debt		(1,497,146)		(1,609,894)
Issue of real estate structured notes		12,728,643		-
Cash dividends paid		(29,007)		-
Lease payments		(2,811,630)		(2,261,163)
Net cash flows from/ (used in) financing activities		6,917,429		(3,871,057)
Net increase in cash and cash equivalents		8,116,895		266,998
Cash and cash equivalents at beginning of year		1,233,951		966,953
Cash and cash equivalents at end of year	Ps.	9,350,846	Ps.	1,233,951

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

Notes to Consolidated Financial Statements

31 December 2020 and 2019
(Amounts in thousands of Mexican pesos, unless otherwise indicated)

1. DESCRIPTION OF THE BUSINESS AND RELEVANT EVENTS

a) Corporate Information

Telesites, S.A.B. de C.V. and subsidiaries (Telesites or 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 1 January through 31 December.

The Company's head offices are located 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 19 April 2021, the Company's Board of Directors authorized the issue of the accompanying consolidated financial statements.

b) Relevant Events

On 1 June 2020, Irrevocable Real Estate Trust No. 4594 was created in Mexico City (Banco ACTINVER, S.A., Institución de Banca Múltiple Grupo Financiero ACTINVER) (as the Trust, or FIBRA OPSIMEX) between Operadora de Sites Mexicanos, S.A. de C.V. (as the Trustor, OPSIMEX, and Trust Manager), Banco Actinver, S.A. Institución de Banca Múltiple, Grupo Financiero Actinver (as the Trustee), in the presence of CIBanco, S.A., Institución de Banca Múltiple as common representative of the Noteholders.

Surplus on issue of real estate structured notes

On 22 July and 29 December 2020, Opsimex contributed assets and liabilities, comprised of 6,500 and 480 towers, respectively, distributed across Mexico's 32 states, to the Trust. In exchange for its contribution, Opsimex received a 72.5% interest in the Trust, while the remaining 27.5% was distributed among public investors.

An analysis of the effects of the assets and liabilities transferred as of the above-mentioned dates is as follows:

		Amounts
Passive infrastructure contribution to the Trust:		
6,500 sites	Ps.	(4,895,425)
480 sites		(233,362)
		(5,128,787)
Fair value of real estate structured notes received		33,557,332
	Ps.	28,428,545
Other movements		
Deferred income tax from sale of structured notes		(8,693,107)
Disposal of leases under IFRS 16		280,246
Surplus on issue of real estate structured notes	Ps.	20,015,684

This transaction gave rise to a surplus on issue of real estate structured notes totalling Ps.20,015,684, which was recognized in equity.

The assets and liabilities transferred include Right-of-use assets and Lease liabilities of Ps.5,168,194 and Ps.5,448,441, respectively: As of the above-mentioned date, these amounts were recognized in accordance with IFRS 16 Leases as part of the Trust and remeasured in accordance with the (current/non-current) terms established in the agreements as of that date.

In accordance with IFRS 16, the lessee shall recognize the full termination of the lease in profit or loss at the net carrying value of the right-of-use assets and lease liabilities at the termination date. Notwithstanding the foregoing, these balances were transferred to the Trust and therefore, were recognized in the consolidated financial statements. Accordingly, they do not constitute a full termination of the lease agreements, but a continuation of the original leases in these consolidated financial statements. In order to reflect the economic substance rather than the legal form of the lease agreements transferred, the net profit of Ps.280,246 mentioned above, is presented as part of the Surplus on issue of real estate structured notes caption in the consolidated financial statements.

The Trust is primarily engaged in the acquisition or construction of eligible assets in Mexico intended to (i) be leased or commercially exploited by granting access to and sharing the passive infrastructure to be used, operated and exploited as a location for active and passive infrastructure, (ii) to acquire the right to receive income from the leasing of these eligible assets or from the rendering of the service, and (iii) to provide financing for these purposes secured by the eligible assets, provided that such financing is performed directly by the Trust or trusts in accordance with the tax provisions related to Infrastructure and real estate trusts (FIBRA, by its acronym in Spanish).

Income tax from the sale of these eligible assets could be deferred, but it will ultimately be paid by the seller of the assets, if the Company or the investors sell the structured notes received as consideration for the contribution of the eligible assets. Income tax from this transaction totalled Ps.8,693,107.

Opsimex has control over the Trust and therefore, all of its assets, liabilities and operating results have been consolidated as of the date on which the Company obtained control.

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 International Financial Reporting Standards issued (IFRS) effective as at 31 December 2020, 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 31 December 2020 and 2019 is as follows:

Company name	% equity interest as at 31 December 2020	2019	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 2019	Infrastructure
Real estate trust					
Irrevocable Trust No. 4594, Banco Actinver, Institución de Banca Múltiple [1]	72.5%	-	Mexico	July 2020	Infrastructure
Services					
Demonsa, S.A. de C.V. (Demonsa)	100%	100%	Mexico	January 2015	Services

[1] Telesites has control over the real estate Trust and therefore, all of its assets, liabilities and operating results have been consolidated as of the date on which it acquired control.

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
- Asset retirement obligation

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. See accounting policy in Note 2.c) Revenue recognition.

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 market place (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 considering 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%

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).

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

As at 31 December 2020 and 2019, there were no indicators of impairment in the value of the Company's fixed assets.

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 on 31 December 2020.

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) Uncertain tax treatments

The Company periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and considers whether it is probable that the tax authorities will accept an uncertain tax treatment. Tax balances are determined based on the 'most likely amount method' or the 'expected value' method, depending on which approach best predicts the resolution of the uncertainty.

r) 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.

s) 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 31 December 2020 and 2019, the statement of cash flows was prepared using the indirect method.

t) 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.

u) 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 31 December 2020 and 2019 is as follows:

		2020		2019
Revenue from rent paid in advance	Ps.	3,240	Ps.	3,478
Recovery of expenses		16,346		-
Other		1,072		1,237
	Ps.	20,658	Ps.	4,715

3. NEW ACCOUNTING PRONOUNCEMENTS

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

a) Standards issued but not yet effective

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

Several other amendments and interpretations apply for the first time in 2020, but do not have an 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.

b) New and amended standards and interpretations in 2020

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Changes in accounting policies and disclosures

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the Company's consolidated financial statements.

c) New and amended standards and interpretations in 2019

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 (1 January 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 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

		Amount
Operating lease commitments as of 31 December 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 31 December 2018		(276,521)
Lease liabilities as at 1 January 2019	Ps.	(10,311,068)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following: 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 1 January 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 the Interpretation did not have an impact on the Company's consolidated financial statements.

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 Company's consolidated financial statements.

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 1 January 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.

4. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents as at 31 December 2020 and 2019 is as follows:

		2020		2019
Cash	Ps.	5	Ps.	5
Banks		1,356,652		1,196,211
Readily marketable securities		7,994,189		37,735
	Ps.	9,350,846	Ps.	1,233,951

5. OTHER CURRENT AND NON-CURRENT ASSETS

An analysis of other current and non-current assets as at 31 December 2020 and 2019 is as follows:

		2020		2019
Advances to suppliers	Ps.	25,806	Ps.	21,619
Value added tax payable, net		77,132		51,780
Prepaid insurance		19,211		18,140
Fees and subscriptions		80,383		6,501
Total other current assets	Ps.	202,532	Ps.	98,040
Security deposits	Ps.	89,650	Ps.	89,428
Total other non-current assets	Ps.	89,650	Ps.	89,428

6. RELATED PARTIES

a) An analysis of balances due from and to related parties as at 31 December 2020 and 2019 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.

		2020		2019
Receivables:				
Radiomóvil Dipsa, S.A. de C.V. (i)	Ps.	3,975	Ps.	10,896
Claro Costa Rica, S.A. (vii)		1,202		4,514
	Ps.	5,177	Ps.	15,410
Payables:				
Operadora Cicsa, S.A. de C.V. (ii)	Ps.	19,003	Ps.	47,242
PC Industrial, S.A. de C.V. (v)		2,949		95
Administradora Carso Palmas, A.C. (xi)		-		47
Grupo Sanborns, S.A.B. de C.V. (vi)		63		63
Other related parties		5,365		24
	Ps.	27,380	Ps.	47,471

b) During the years ended 31 December 2020 and 2019, the Company had the following transactions with its related parties:

			2020		2019
Revenue:					
Radiomóvil Dipsa, S.A. de C.V.	Leasing (i)	Ps.	7,343,577	Ps.	6,671,119
Alteration services (i)			96,974		100,342
Claro Costa Rica, S.A. de C.V.	Leasing (vii)		127,067		106,369
Teléfonos de México, S.A.B. de C.V.	Leasing (viii)		6,143		5,735
Teléfonos del Noreste, S.A. de C.V.	Leasing (ix)		1,649		1,596
Carso Energy, S.A. de C.V.	Advisory (xv)		4,000		-
Expenses:					
Operadora Cicsa, S.A. de C.V.	Construction (ii)	Ps.	89,908	Ps.	206,823
Radiomóvil Dipsa, S.A. de C.V.	Leasing (iii)		92,126		95,325
Seguros Inbursa, S.A., Grupo Financiero Inbursa	Insurance (iv)		40,388		27,410
PC Industrial, S.A. de C.V.	Maintenance (v)		16,399		23,860
Consorcio Red Uno, S.A. de C.V.	Leasing (x)		98		165
Grupo Sanborns, S.A. de C.V.	Leasing (vi)		937		913
Fianzas Guardiana Inbursa, S.A.	Insurance (xiv)		72		92
Arcomex, S.A. de C.V.	Leasing (xiii)		-		248
Acolman, S.A.	Leasing (xii)		8,828		4,121
Administradora Carso Palmas, A.C.	Leasing (xi)		38		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 31 December 2020 and 2019, revenue earned from these passive infrastructure leasing and alteration services totalled Ps.7,343,577 and Ps.6,771,461, respectively. The account receivable due from Telcel as at 31 December 2020 and 2019 is Ps.9,184 and Ps.10,896, respectively.

(ii) During 2020 and 2019, 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.89,908 and Ps.206,823, respectively. As at 31 December 2020 and 2019, the account payable due to CICSA was Ps.19,003 and Ps.47,242, respectively.

(iii) During 2020 and 2019, the Company had transactions related to leases of sites and land for passive infrastructure with Telcel. For the years ended 31 December 2020 and 2019, the Company's total rental expense was Ps.92,126 and Ps.95,325, respectively.

(iv) During 2020 and 2019, 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 31 December 2020 and 2019, the Company's total charge for insurance costs was Ps.40,388 and Ps.27,410, respectively.

(v) During 2020 and 2019, 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.16,399 and Ps.23,860, respectively. As at 31 December 2020 and 2019, the account payable due to PCIS was Ps.2,949 and Ps.95, respectively.

(vi) In 2020, the Company had transactions related to leases of sites for passive infrastructure with Grupo Sanborns, S.A. de C.V. (Sanborns). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these lease agreements was Ps.937 and Ps.913, respectively. As at 31 December 2020 and 2019, the account payable due to Sanborns was Ps.63.

(vii) During 2020 and 2019, the Company had transactions related to leases with Claro Costa Rica, S.A. (Claro). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these leases was Ps.127,067 and Ps.106,369, respectively. As at 31 December 2020 and 2019, the account receivable due from Claro was Ps.1,202 and Ps.4,514, respectively.

(viii) During 2020 and 2019, the Company had transactions related to leases with Teléfonos de México, S.A.B. de C.V. (Telmex). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these leases was Ps.6,143 and Ps.5,735, respectively.

(ix) During 2020 and 2019, the Company had transactions related to leases with Teléfonos del Noreste, S.A. de C.V. (Telnor). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these leases was Ps.1,649 and Ps.1,596, respectively.

(x) During 2020 and 2019, the Company had transactions related to leases with Consorcio Red Uno, S.A. de C.V. (RedUno). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these leases was Ps.98 and Ps.165, respectively.

(xi) During 2020 and 2019, the Company had transactions related to leases with Administradora Carso Palmas, A.C. (Administradora). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these leases was Ps.38 and Ps.182, respectively. As at 31 December 2019, the account payable due to Administradora was Ps.47.

(xii) During 2020 and 2019, the Company had transactions related to leases with Acolman, S.A. (Acolman). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these leases was Ps.8,828 and Ps.4,121, respectively.

(xiii) During 2020 and 2019, the Company had transactions related to leases with Arcomex, S.A. de C.V. (Arcomex). For the year ended 31 December 2019, the Company's total rental expense under these leases was Ps.248.

(xiv) During 2020 and 2019, the Company had transactions related to leases with Fianzas Guardiana Inbursa, S.A. (Guardiana). For the years ended 31 December 2020 and 2019, the Company's total rental expense under these leases was Ps.72 and Ps.92, respectively.

(xv) In 2020, the Company had transactions related to advisory services with Carso Energy. (Carso). For the year ended 31 December 2020, the Company's total expense for advisory services was Ps.4,000.

7. PROPERTY AND EQUIPMENT, NET

The Company has two main types of towers: rooftop towers and greenfield towers, which are located in open areas. Most of the Company's greenfield towers can accommodate up to three customers, except for towers that are more than 45 meters high, which can accommodate up to five customers. Rooftop towers equipped with additional masts can accommodate more customers, provided that there is sufficient floor space available on-site to install the additional masts. As at 31 December 2020, the Company's passive infrastructure is comprised of 18,046 towers (16,935 towers as at 31 December 2019).

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 31 December 2020, the Company has 289 towers (286 towers as at 31 December 2019) in Costa Rica.

An analysis of property and equipment as at 31 December 2020 and 2019 is as follows:

Item	Passive infrastructure	Automotive equipment	Other equipment	Construction in process	Land	Total
Investment:						
As at 31 December 2018	Ps. 52,240,248	Ps. 9,457	Ps. 52,222	Ps. 164,226	Ps. 63,468	Ps. 52,529,621
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 31 December 2019	56,249,954	11,095	59,888	308,568	67,133	56,696,638
Additions	34,403,455	4,383	19,800	1,044,835	7,685	35,480,158
Additions from revaluation surplus (Note 2h)	1,726,211	-	-	-	-	1,726,211
Disposals from revaluation surplus (Note 2h)	(12,696,787)	-	-	-	-	(12,696,787)
Disposals	(5,658,972)	-	-	(1,116,903)	-	(6,775,875)
As at 31 December 2020	Ps. 74,023,861	Ps. 15,478	Ps. 79,688	Ps. 236,500	Ps. 74,818	Ps. 74,430,345
Depreciation:						
As at 31 December 2018	Ps. 8,939,087	Ps. 5,207	Ps. 10,729	Ps. -	Ps. -	Ps. 8,955,023
Depreciation expense	2,180,253	2,340	6,357	-	-	2,188,950
Disposals	-	-	-	-	-	-
As at 31 December 2019	11,119,340	7,547	17,086	-	-	11,143,973
Depreciation expense	2,649,068	2,286	6,716	-	-	2,658,070
Disposals	-	-	-	-	-	-
As at 31 December 2020	Ps. 13,768,408	Ps. 9,833	Ps. 23,802	Ps. -	Ps. -	Ps. 13,802,043
Asset retirement obligation:						
As at 31 December 2018	Ps. 415,431	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 415,431
Cancellations	-	-	-	-	-	-
Amortization	(28,182)	-	-	-	-	(28,182)
Increase for the year	54,862	-	-	-	-	54,862
As at 31 December 2019	442,111	-	-	-	-	442,111
Cancellations	-	-	-	-	-	-
Amortization	(29,050)	-	-	-	-	(29,050)
Increase for the year	63,584	-	-	-	-	63,584
As at 31 December 2020	Ps. 476,645	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 476,645
Net book value:						
As at 31 December 2020	Ps. 60,732,098	Ps. 5,645	Ps. 55,886	Ps. 236,500	Ps. 74,818	Ps. 61,104,947
As at 31 December 2019	Ps. 45,572,725	Ps. 3,548	Ps. 42,802	Ps. 308,568	Ps. 67,133	Ps. 45,994,776

Depreciation and amortization expense for the years ended 31 December 2020 and 2019 was Ps.2,694,391 and Ps.2,221,552, respectively.

8. ASSET RETIREMENT OBLIGATION

An analysis of the Company's asset retirement obligation as at 31 December 2020 and 2019 is as follows:

		2020		2019
Balance as at 1 January	Ps.	948,496	Ps.	894,094
Increase for additions of passive infrastructure		63,584		54,402
Utilized		-		-
Balance as at 31 December	Ps.	1,012,080	Ps.	948,496

As at 31 December 2020, the review of the cash flow estimates, and discount rates determined no changes in these variables compared to the prior year.

9. SHORT- AND LONG-TERM DEBT

a) Long-term debt:

Breakdown of debt			2020		2019
Bank loans	Long term	Ps.	527,244	Ps.	500,876
Amortized cost			(527)		(718)
			526,727		500,158
Issue of structured notes ("certificados bursátiles")	Long term		18,404,815		18,137,294
Amortized cost			(30,755)		(34,193)
			18,374,060		18,103,101
Total long-term debt		Ps.	18,900,787	Ps.	18,603,259

b) Short-term debt and interest:

Breakdown of debt			2020		2019
Issue of structured notes ("certificados bursátiles")	Short term	Ps.	3,000,000	Ps.	4,500,000
Amortized cost			(4,499)		(2,225)
			2,995,501		4,497,775
Interest payable on structured notes ("certificados bursátiles")	Short term		517,671		513,336
Interest payable on bank loans	Short term		2,422		2,133
Total interest payable		Ps.	520,093		515,469
Total short-term debt and interest		Ps.	3,515,594	Ps.	5,013,244

c) Issue of structured notes

On 17 July 2015, as part of its structured note placement program through Inversora Bursátil, S.A. de C.V., Casa de Bolsa Grupo Financiero Inbursa (Inversora), Opsimex was authorized to issue five-year structured notes ("*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 5 August 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 23 July 2025. These structured notes bear annual gross interest of 7.97%.

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

iii) On 5 August 2015, Opsimex issued series 2 OSM-152 Mexican peso structured notes ("*certificados bursátiles*") for a total issue of Ps.4,500,000, and with a maturity date of 29 July 2020. These structured notes bear annual gross interest of 0.5% plus the 28-day Mexican weighted interbank rate (TIIE). As at 31 December 2020, the Company repaid these structured notes in full on 29 July 2020.

iv) On 5 August 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 17 July 2030. These structured notes bear annual gross interest of 4.75%.

v) On 18 February 2016, Opsimex reissued its series 1 OSM-15 2R Mexican peso structured notes ("*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 28 February 2019, 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 31 December 2019, Opsimex repaid these structured notes in full.

vii) On 4 April 2019, 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 31 December 2019, Opsimex repaid these structured notes in full.

viii) On 27 July 2020, Opsimex issued series OSM-0120 Mexican peso structured notes ("*certificados bursátiles*") for a total issue of Ps.1,000,000, and with a maturity date of 26 January 2021. These structured notes bear annual gross interest of 6.70%.

ix) On 27 July 2020, Opsimex issued series OSM-0220 Mexican peso structured notes ("*certificados bursátiles*") for a total issue of Ps.2,000,000, and with a maturity date of 27 July 2021. These structured notes bear annual gross interest of 6.70%.

An analysis of the historical amounts and the outstanding accrued interest under the long-term structured notes of Opsimex as at 31 December 2020 is as follows:

Series	Maturity date		Long-term debt		Interest payable
OSM-15R Mexican pesos series 1	23 July 2025	Ps.	3,500,000	Ps.	119,756
4OSM-15R Mexican pesos series 1	23 July 2025		3,710,000		124,924
OSM-15 2R Mexican pesos series 1	23 July 2025		2,500,000		85,788
OSM-15U UDIs series 3	17 July 2030		8,694,815		178,270
		Ps.	18,404,815	Ps.	508,738

An analysis of the historical amounts and the outstanding accrued interest under the short-term structured notes of Opsimex as at 31 December 2020 is as follows:

Series	Maturity date		Short-term debt		Interest payable
OSM 0120	26 January 2021	Ps.	1,000,000	Ps.	2,978
OSM 0220	27 July 2021		2,000,000		5,956
		Ps.	3,000,000	Ps.	8,933

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

Series	Maturity date		Long-term debt		Interest payable
OSM-15 Mexican pesos series 1	23 July 2025	Ps.	3,489,861	Ps.	118,212
4OSM-15R Mexican pesos series 1	23 July 2025		3,710,000		125,669
OSM-15 2R Mexican pesos series 1	23 July 2025		2,500,000		85,024
OSM-15U UDIs series 3	17 July 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 31 December 2019 is as follows:

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

As at 31 December 2020 and 2019, the value of one UDI was $6.4402 pesos and $6.3990 pesos, respectively. As at 19 April 2021, the date of issue of these consolidated financial statements, the value of the UDI was $6.7824 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, as well as OSM0120 y OSM0220 short-term debts in Mexican pesos, 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 31 December 2020 and 2019 is as follows:

Currency	Lender	Rate	Maturity date		Long-term debt		Interest payable
Mexican pesos:	Bank of America, N.A. (i)	4.52%	23 February 2023	Ps.	476,987	Ps.	2,160
	Bank of America, N.A. (ii)	4.52%	23 February 2023		49,740		262
	Total debt			Ps.	526,727	Ps.	2,422

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

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

(i) On 23 February 2018, the Company renewed its line of credit of USD 24,000 with Bank of America, N.A. This loan matures on 23 February 2023 and bears interest on outstanding balance at a rate of 4.52%. As at 31 December 2020 and 2019, the outstanding balance of principal is Ps.476,987 and Ps.452,905, respectively, and interest payable is Ps.2,160 and Ps.1,937, respectively.

(ii) On 24 May 2018, the Company renewed its line of credit of USD 2,500 with Bank of America, N.A. This loan matures on 23 February 2023 and bears interest on outstanding balance at a rate of 4.52%. As at 31 December 2020 and 2019, the outstanding balance of principal is Ps.47,253 and Ps.47,253, respectively, and interest payable is Ps.262 and Ps.196, respectively.

10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

An analysis of the Company's financial assets and financial liabilities as at 31 December 2020 and 2019 is as follows:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	Ps. 18,952,897	Ps. 20,712,751	Ps. 18,602,815	Ps. 18,770,860

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.

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

	Leased properties	Other leases	Total
As at 1 January 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 31 December 2019	9,791,632	3,930	9,795,562
Additions and reclassifications	4,179,779	766	4,180,545
Depreciation	(1,795,252)	(3,106)	(1,798,358)
As at 31 December 2020	Ps. 12,176,159	Ps. 1,590	Ps. 12,177,749

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

	2020	2019
As at 1 January	Ps. 10,298,615	Ps. 10,311,068
Additions	4,180,545	1,187,126
Accretion of interest	1,129,670	1,061,584
Lease payments	(2,811,630)	(2,261,163)
As at 31 December	Ps. 12,797,200	Ps. 10,298,615

The following are the amounts recognized in profit or loss:

		2020		2019
Depreciation of right-of-use assets	Ps.	1,798,358	Ps.	1,802,191
Lease interest		1,129,670		1,061,584
Total amount recognized in the statement of comprehensive income	Ps.	2,928,028	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 31 December 2020 and 2019 is as follows:

a) Net periodic benefit expense

	2020					
		Retirement benefits		Termination benefits		Total
Analysis of net periodic benefit expense for 2020:						
Current-year service cost	Ps.	618	Ps.	304	Ps.	922
Interest cost		475		192		667
Net periodic benefit expense	Ps.	1,156	Ps.	614	Ps.	1,770

	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

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 31 December 2018	Ps.	3,993	Ps.	1,655	Ps.	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 31 December 2019		6,517		2,684		9,201
Remeasurements for the year						
Current-year service cost		618		304		922
Interest cost		475		192		667
Charges to the reserve		-		(59)		(59)
Actuarial gain		(452)		359		(93)
Net defined benefit obligation as at 31 December 2020	Ps.	7,158	Ps.	3,480	Ps.	10,638

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

	2020					
	Retirement benefits		Termination benefits		Total	
Provisions for:						
Vested benefit obligation	Ps.	7,158	Ps.	3,480	Ps.	10,638
Net defined benefit obligation	Ps.	7,158	Ps.	3,480	Ps.	10,638

	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

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

	2020	2019
Financial assumptions		
Discount rate	7.52%	7.29%
Expected salary increase rate	7.00%	7.00%
Inflation rate	3.50%	3.50%
Biometric assumptions		
Mortality rate	EMSSA 2020	EMSSA 2020
Disability rate	IMSS 97	IMSS 97

As at 31 December 2020 and 2019, the Company does not have any material contingent liabilities for employee benefits.

13. EMPLOYEE BENEFITS

As at 31 December 2020 and 2019, the Company has recognized accrued liabilities for short-term employee benefits. An analysis is as follows:

	As at 31 December 2019		Arising during the year		Utilized		As at 31 December 2020	
Paid annual leave	Ps.	1,738	Ps.	3,483	Ps.	3,104	Ps.	2,118
Vacation premium		3,240		5,092		4,510		3,822
Bonuses		12,251		15,051		14,026		13,276
Employee profit sharing		2,685		2,115		2,600		2,200
	Ps.	19,914	Ps.	25,741	Ps.	24,239	Ps.	21,416

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		2020		2019
Suppliers and accounts payable	Ps.	254,844	Ps.	263,236
Provisions and accrued liabilities		45,429		63,869
Total	Ps.	300,273	Ps.	327,105

The above-mentioned provisions represent expenses incurred in 2020 and 2019 or services contracted during these years that are to be paid in the following year. There is uncertainty as to both the final amounts payable and the timing of the Company's cash outlay and thus, the amounts shown above may vary.

15. EQUITY

a) An analysis of the Company's share capital as at 31 December 2020 and 2019 is as follows:

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

b) As at 31 December 2020 and 2019, the Company's share capital is variable, with an authorized fixed minimum of Ps.35,000, represented by 4,774,486,209 registered shares, issued and outstanding, with no par value.

c) As at 31 December 2020, 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 31 December 2020 and 2019, 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 1 January 2014 shall be subject to an additional 10% withholding tax.

16. INCOME TAX

a) Income tax

On 30 October 2019, the Mexican Congress approved the 2020 Tax Reform, which became effective on 1 January 2020. Among other changes, the reform establishes a net interest expense deduction limitation equal to 30% of an entity's adjusted tax profit. This limitation is only applicable when the amount of the aggregate interest payments of the members of a corporate group in Mexico exceeds 20 million Mexican pesos. The 2020 Tax Reform had no effect on the Company's consolidated financial statements.

The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for fiscal year 2020.

b) An analysis of income tax recognized in profit or loss for the years ended 31 December 2020 and 2019 is as follows:

		2020		2019
Current income tax	Ps.	905,448	Ps.	758,008
Deferred income tax		(477,758)		(472,070)
Total income tax	Ps.	427,690	Ps.	285,938

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

		2020		2019
As at 1 January	Ps.	(10,248,500)	Ps.	(10,087,162)
Deferred income tax recognized in profit or loss		477,757		472,070
Deferred income tax in other comprehensive income		(517,863)		(119,753)
Deferred income tax reclassified to retained earnings		4,104,735		(513,655)
As at 31 December	Ps.	(6,183,871)	Ps.	(10,248,500)

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:

	2020	2019
Statutory income tax rate	30%	30%
Effect of reconciling items:		
Taxable effects of inflation	41	261
Property and equipment, net	(18)	(112)
Non-deductible items	(4)	9
Leases	29	237
Other items	3	1
Effective income tax rate	81%	426%

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

		2020		2019
Deferred tax assets:				
Provisions and accrued liabilities	Ps.	21,570	Ps.	9,558
Rent payable to individuals		-		4,015
Amortized cost		45		476
Employee benefits		660		797
Retirement benefits		3,191		2,760
Tax losses		7,991		5,596
Total deferred tax assets		33,457		23,202
Deferred tax liabilities:				
Property and equipment, net		708,810		898,202
Surplus on revaluation of assets		5,505,297		9,368,948
Prepaid expenses		3,220		4,552
Total deferred tax liabilities		6,217,327		10,271,702
Deferred tax liability, net	Ps.	6,183,870	Ps.	10,248,500

f) For the years ended 31 December 2020 and 2019, the Company reported taxable profit of Ps.3,018,160 and Ps.2,526,693, respectively, on which income tax payable was Ps.905,448 and Ps.758,008, respectively.

g) Available tax loss carry forwards

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 consolidated tax losses as at 31 December 2020 is as follows:

Year of tax loss	Tax loss restated for inflation		Expiration date
2016	Ps.	250	2026
2017		6,296	2027
2018		5,626	2028
2019		7,136	2029
2020		7,172	2030
	Ps.	26,480	

h) As at 31 December 2020 and 2019, the Company had the following tax balances:

		2020		2019
Restated contributed capital account (CUCA)	Ps.	43,575	Ps.	42,244
Net taxed profits account (CUFIN)		12,262		11,887

i) FIBRA OPSIMEX tax regime

The Trust is subject to the tax treatment set forth in the Tax Provisions related to FIBRAs (FIBRA Tax Regime) applicable to trusts engaged in the acquisition or construction of property and must comply with the requirements established in the related provisions. The Trust and its Noteholders must fulfil the tax obligations arising from the Trust's activities in accordance with the FIBRA Tax Regime.

The Trust is not subject to the payment of income tax; however, it is required to calculate its taxable profit in terms of the Tax Provisions regarding FIBRAs and distribute at least 95% of its annual taxable profit to its noteholders.

For the period from 1 July to 31 December 2020, the Trust determined taxable profit of Ps.170,083, in accordance with the Tax Regime for FIBRAs.

Pursuant to Articles 187 and 188 of the MITL, Rules 3.21.2.2. and 3.21.2.3. of the 2020 Miscellaneous Tax Resolution and other applicable tax laws, the Trust must comply with certain requirements, which include the following:

a) The Trust is primarily engaged in the acquisition or construction of real estate intended to be leased, or to acquire to the right to receive income from the leasing of such real estate.

b) At least 70% of the Trust's net assets must be invested in real estate, while the remainder must be invested in government securities registered with the National Securities Registry, or in mutual funds.

c) The real estate built or acquired is intended for leasing and cannot be sold unless at least four years as of the date of completion of construction or acquisition thereof have elapsed, respectively. The real estate sold before such period has elapsed shall not be subject to the preferential tax treatment established in Article 188 of the Law.

d) The Trustee must issue equity certificates for the Trust's net assets, and such certificates must be placed in Mexico among the general investing public.

e) The Trustee must distribute, at least once a year and no later than 15 March, at least 95% of its taxable profit from the immediately prior year generated from the Trust's net assets to all noteholders.

f) Mobile telecommunications towers must be intended exclusively for commercial exploitation through service agreements for shared access and use of the infrastructure to be used, operated, and exploited as a location for active and passive infrastructure.

g) In terms of Rule 3.21.3.5., the value of mobile telecommunications towers that are an integral part of the Trust's net assets is to be determined using the procedure established to restate the acquisition cost of the real estate referred to in Article 124 of the MITL, except when the real estate where the towers are built is also part of the Trust's net assets, in which case the value of the towers is to be determined as part of the construction cost of such property.

In accordance with Article 187 of the MITL, the Trust will be also subject to the provisions of Article 188 of the MITL, as follows:

a) In terms of Title II of the Law, the Trustee shall determine the Trust's taxable profit for the year on revenue earned from property, rights, loans, or securities that are an integral part of the Trust's net assets.

b) Taxable profit for the year shall be divided by the number of equity certificates issued by the Trustee to the Trust in order to determine the amount of taxable profit corresponding to each individual certificate.

c) The Trustee must withhold from the holders of the equity certificates income tax on the distributed amount of such tax result, applying the rate set forth in Article 9 of the Law, unless the noteholders are exempt from the payment of income tax on such income.

d) The holders of the equity certificates shall be subject to the payment of income tax on income earned from the sale of such certificates.

e) Whenever the trustors contribute real estate to the Trust that will be immediately leased to such trustors by the trustee, the trustors may defer payment of income tax payable on income earned from the sale of the property until the date on which the lease agreement is terminated, provided that such period does not exceed 10 years, or at the time the trustee sells the contributed real estate, whichever occurs first.

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 other 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 2019, the IFT issued a Biennial Ruling that amended, eliminated, and supplemented the provisions stipulated in the original Ruling. Additionally, in December 2020, the IFT issued a second Biennial Ruling, whereby the IFT's plenary session amended, eliminated, and supplemented the measures imposed on the so-called preponderant economic agent in the telecommunications sector. 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 the Trust, as Assignee of Opsimex, together owners of the passive infrastructure, have 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 December 2020 and will be valid from 1 January to 31 December 2021. 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 Opsimex and the Trust will be required to file a new reference offer for approval by the IFT. These new reference offers shall take effect on 1 January of the following year, although operators may agree on reference offers with longer terms than their current reference offers.

Towers and Antennas

Opsimex and the Trust are 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 towers are located. Failure to comply with these regulations may lead to fines. The Company believes that Opsimex and the Trust comply 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:

Region	Mexican states	2020 Infrastructure rental income	2020 Depreciation of right-of-use assets	2020 Depreciation of passive infrastructure	2019 Infrastructure rental income	2019 Depreciation of right-of-use assets	2019 Depreciation of passive infrastructure
1	Baja California Sur and Baja California	Ps. 382,470	Ps. 93,957	Ps. 122,498	Ps. 351,831	Ps. 94,100	Ps. 99,069
2	Sinaloa and Sonora	549,198	110,047	197,159	493,016	110,968	156,773
3	Chihuahua and Durango	384,777	65,583	154,282	337,992	66,720	122,100
4	Nuevo León, Tamaulipas, and Coahuila	944,958	175,012	297,960	875,583	177,174	254,148
5	Jalisco, Michoacán, Colima, and Nayarit	964,986	202,867	327,990	873,098	203,566	264,520
6	Querétaro, Guanajuato, San Luis Potosí, Aguascalientes, and Zacatecas	932,843	214,096	310,317	852,087	210,301	249,098
7	Puebla, Veracruz, Oaxaca, and Guerrero	1,247,431	266,970	421,203	1,113,061	263,306	328,025
8	Yucatán, Campeche, Tabasco, Chiapas and Quintana Roo	877,400	195,874	297,871	784,870	184,647	248,944
9	Hidalgo, Morelos, and Mexico City	1,661,518	445,682	533,039	1,508,820	459,229	336,949
	Total	Ps. 7,945,581	Ps. 1,765,422	Ps. 2,620,014	Ps. 7,190,358	Ps. 1,770,011	Ps. 2,059,626
1	Costa Rica	Ps. 127,067	Ps. 28,270	Ps. 28,984	Ps. 106,369	Ps. 27,262	Ps. 25,605
	Total foreign sites	127,067	28,270	28,984	106,369	27,262	25,605
	Total	Ps. 8,072,648	Ps. 1,798,358	Ps. 2,691,303	Ps. 7,296,727	Ps. 1,797,273	Ps. 2,085,231

19. SUBSEQUENT EVENTS

i) In January and February 2020, the Company paid interest of Ps.391,243, Ps.56,980, Ps.211,023, and Ps.18,542 respectively, on its Series 1 OSM-15 and Series 2 OSM-152 Mexican-peso structured notes ("certificados bursátiles"), its Series 3 OSM-15U UDI-denominated structured notes, and its Series OSM0220 structured notes, respectively.

ii) On 26 January 2021, the short-term debt issued under ticker symbol OSM 0120 for a total issue amount of Ps.1,000,000 matured. The Company repaid in full the short-term debt plus accrued interest.

iii) Throughout the financial reporting period and through the date of issue of this auditor's report, the Company has continued to carry out its ordinary business operations and has not been significantly impacted by the Covid-19 pandemic.

As the pandemic continues to evolve and cause disruption in global markets, at the date of issue of these financial statements, the extent of the impact is still uncertain and unpredictable. Such an economic environment may have an adverse effect on the Company's operating results and financial position in the future.

iv) On 26 January 2021, the Trust obtained the refund of the recoverable VAT balance in the amount of Ps.5,088,476 through official document 900-02-00-00-00-2021-482.

telesites

Investor information

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Stock information

Series B1 shares of Telesites, S.A.B de C.V. are listed on the Mexican Stock Exchange under the ticker symbol SITES.

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