

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OPERADORA DE SITES MEXICANOS, S.A.B. DE C.V. AND SUBSIDIARIES

Opinion

We have audited the accompanying consolidated financial statements of Operadora de Sites Mexicanos, S.A.B. de C.V. and its subsidiaries (formerly Operadora de Sites Mexicanos, S.A. de C.V.) (the Company), which comprise the consolidated statement of financial position as at 31 December 2022, 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 Operadora de Sites Mexicanos, S.A.B. de C.V. and its subsidiaries as at 31 December 2022, 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 accompanying 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 *Property, Plant and Equipment* and IFRS 13 *Fair Value Measurement*. 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.

How we addressed this key audit matter

We evaluated management's calculation of the Company's debt and we applied analytical testing to the accrued interest on the debt, verifying the amounts of interest against the results of the reconciliation of interest payable. We analyzed the determination of the market value of the debt and the calculation of the interest and we verified the results of these analyses against the terms and conditions of the respective debt contracts. We compared the book balances of the debt against the balances reflected in the confirmation of balances that we received from the financial entities with which the Company has contracted the debt. We evaluated the risk of interest rate fluctuations considering the amount of the debt in question. We sought the assistance of specialists to determine the balance of debt recognized at amortized cost. We also evaluated the presentation and disclosure of the Company's structured notes and long-term debt in its financial statements considering IFRS requirements.

Notes 2e) and 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 *Provisions, Contingent Liabilities and Contingent Assets*. 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 9 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 (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.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when we have access to it and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read and consider the Annual Report filed with the CNBV, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and to issue a statement on the Annual Report required by the CNBV that contains a description of the matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Mancera, S.C.

A Member Practice of Ernst & Young Global Limited

Alejandro Morán Sámano

Mexico City
25 april 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in thousands of Mexican pesos)

| | As at 31 December | |
|--|------------------------|-----------------------|
| | 2022 | 2021 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (Note 4) | Ps. 4,888,306 | Ps. 5,686,292 |
| Accounts receivable | 229,148 | 433,651 |
| Related parties (Note 7) | 50,455 | 112,489 |
| Recoverable taxes | 454,555 | 2,968,459 |
| Other current assets (Note 6) | 175,373 | 146,370 |
| Total current assets | 5,797,837 | 9,347,261 |
| Non-current assets: | | |
| Property and equipment, net (Note 8) | 78,016,420 | 72,674,121 |
| Right-of-use assets (Note 12) | 19,392,776 | 17,127,493 |
| Long-term accounts receivable (Note 5) | 413,694 | - |
| Licenses and software, net | 15,799 | 14,286 |
| Deferred tax assets (Note 17) | 29,981 | 58,276 |
| Other non-current assets (Note 6) | 159,442 | 145,991 |
| Total non-current assets | 98,028,112 | 90,020,167 |
| Total assets | Ps. 103,825,949 | Ps. 99,367,428 |
| Liabilities and equity | | |
| Current liabilities: | | |
| Short-term debt (Note 10) | Ps. 458,700 | Ps. 450,258 |
| Interest payable on debt (Note 10) | 549,042 | 531,840 |
| Dividends payable | 48,721 | - |
| Accounts payable and accrued liabilities (Note 15) | 169,141 | 231,667 |
| Taxes and contributions payable | 309,111 | 222,524 |
| Related parties (Note 7) | 163,071 | 23,125 |
| Employee benefits (Note 14) | 50,160 | 43,844 |
| Total current liabilities | 1,747,946 | 1,503,258 |
| Non-current liabilities: | | |
| Long-term debt (Note 10) | 19,762,785 | 19,586,566 |
| Deferred tax liability (Note 17) | 4,052,802 | 4,325,335 |
| Deferred income tax from sale of structured notes (Note 1.b) | 11,636,971 | 11,636,971 |
| Lease liabilities (Note 12) | 21,567,400 | 18,262,010 |
| Retirement benefits (Note 13) | 11,937 | 13,380 |
| Asset retirement obligation (Note 9) | 1,175,685 | 1,056,581 |
| Total non-current liabilities | 58,207,580 | 54,880,843 |
| Total liabilities | 59,955,526 | 56,384,101 |
| Equity (Note 16): | | |
| Share capital | 23,733 | 10,050 |
| Other components of equity | (16,203,640) | (16,203,640) |
| Surplus on revaluation of assets | 14,509,073 | 11,480,589 |
| Surplus on issue of real estate structured notes (Note 1b) | 26,635,921 | 26,635,921 |
| Retained earnings | 2,283,947 | 4,673,159 |
| Equity attributable to equity holders of the parent | 27,249,034 | 26,596,079 |
| Non-controlling interests | 16,621,389 | 16,387,248 |
| Total equity | 43,870,423 | 42,983,327 |
| Total liabilities and equity | Ps. 103,825,949 | Ps. 99,367,428 |

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

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

(Amounts in thousands of Mexican pesos)

| | For the year ended 31 December | |
|--|-----------------------------------|--------------------|
| | 2022 | 2021 |
| Operating revenue: | | |
| Infrastructure rent | Ps. 10,545,326 | Ps. 8,688,509 |
| Revenue from alteration services | 140,729 | 160,257 |
| Other income (Note 2t) | 189,464 | 102,381 |
| | 10,875,519 | 8,951,147 |
| Operating costs and expenses: | | |
| Depreciation and amortization (Note 8) | 3,882,987 | 3,425,212 |
| Depreciation of right-of-use assets (Note 12) | 2,172,022 | 1,660,574 |
| Alteration service costs | 113,845 | 70,836 |
| Operating expenses | 483,790 | 458,254 |
| Other expenses | 16,885 | 22,301 |
| | 6,669,529 | 5,637,177 |
| Operating profit | 4,205,990 | 3,313,970 |
| Net financing cost: | | |
| Accrued interest income | 427,643 | 592,197 |
| Accrued interest expense | (3,130,337) | (2,790,486) |
| Foreign exchange loss, net | (711,486) | (665,875) |
| | (3,414,180) | (2,864,164) |
| Profit before income tax | 791,810 | 449,806 |
| Income tax (Note 17) | 651,038 | 224,543 |
| Net profit | Ps. 140,772 | Ps. 225,263 |
| Attributable to: | | |
| Equity holders of the parent | Ps. (229,197) | Ps. 163 |
| Non-controlling interests | 369,969 | 225,100 |
| | Ps. 140,772 | Ps. 225,263 |
| Weighted average number of outstanding shares (thousands of shares) | 3,237,517 | 35,174 |
| Basic (loss)/earnings per share attributable to equity holders of the parent | \$ (0.07) | \$ 0.004 |
| Diluted (loss)/earnings per share attributable to equity holders of the parent | \$ (0.07) | \$ 0.004 |

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

CONSOLIDATED STATEMENTS OF **COMPREHENSIVE INCOME**

(Amounts in thousands of Mexican pesos)

| | For the year ended 31 December | |
|--|-----------------------------------|---------------|
| | 2022 | 2021 |
| Net profit | Ps. 140,772 | Ps. 225,263 |
| Other comprehensive income: | | |
| Other comprehensive income not to be reclassified to profit or loss in future years, net of taxes: | | |
| Revaluation surplus, net of taxes | 3,028,484 | (2,573,452) |
| Surplus on issue of real estate structured notes | (24,091) | 6,620,237 |
| Surplus on non-controlling interests | 1,394,064 | 579,898 |
| Foreign currency translation reserve | (2,121) | (292) |
| Labor obligations, net of taxes | 1,137 | 2,311 |
| Total other comprehensive income | 4,397,473 | 4,628,702 |
| Comprehensive income | Ps. 4,538,245 | Ps. 4,853,965 |
| Attributable to: | | |
| Equity holders of the parent | Ps. 2,774,212 | Ps. 4,048,967 |
| Non-controlling interests | 1,764,033 | 804,998 |
| | Ps. 4,538,245 | Ps. 4,853,965 |

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

CONSOLIDATED STATEMENTS OF **CHANGES IN EQUITY**

For the Years Ended 31 December 2022 and 2021

(Amounts in thousands of Mexican pesos)

(Nota 16)

| | Equity attributable to equity holders of the parent | | | | | | | | | | | |
|---|---|----------------------------|----------------------------------|---------------|------------------|--------------|-----------------------------|--------------------------------------|---------------------|--|---------------------------|---------------|
| | Retained earnings | | | | | | Other comprehensive income | | | | | |
| | Share capital | Other components of equity | Reserve for repurchase of shares | Legal reserve | Unapplied income | Total | Effect of labor 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 2020 | \$ 10,000 | \$ (16,203,640) | \$ - | \$ 19,813 | \$ 5,688,057 | \$ 5,707,870 | \$ (1,846) | \$ - | \$ 14,054,041 | \$ 20,015,684 | \$ 12,724,744 | \$ 36,306,853 |
| Net profit for the year | - | - | - | - | 163 | 163 | - | - | - | - | 225,100 | 225,263 |
| Other comprehensive income | - | - | - | - | - | - | 2,311 | (292) | (2,573,452) | 6,620,237 | 579,899 | 4,628,702 |
| Total comprehensive income | - | - | - | - | 163 | 163 | 2,311 | (292) | (2,573,452) | 6,620,237 | 804,999 | 4,853,965 |
| Allocation effect of surplus, net of taxes | - | - | - | - | 635,847 | 635,847 | - | - | - | - | - | 635,847 |
| Issue of real estate structured notes (Note 1b) | - | - | - | - | - | - | - | - | - | - | 2,964,090 | 2,964,090 |
| Effect of merger | - | - | - | - | 29,106 | 29,106 | - | - | - | - | - | 29,106 |
| Dividends paid | - | - | - | - | (1,700,000) | (1,700,000) | - | - | - | - | - | (1,700,000) |
| Share capital increase | 50 | - | - | - | - | - | - | - | - | - | - | 50 |
| Cash dividends | - | - | - | - | - | - | - | - | - | - | (106,584) | (106,584) |
| Balance as at 31 December 2021 | 10,050 | (16,203,640) | - | 19,813 | 4,653,173 | 4,672,986 | 465 | (292) | 11,480,589 | 26,635,921 | 16,387,248 | 42,983,327 |
| Profit for the year | - | - | - | - | (229,197) | (229,197) | - | - | - | - | 369,969 | 140,772 |
| Other comprehensive income | - | - | - | - | - | - | 1,137 | (2,121) | 3,028,484 | (24,091) | 1,394,064 | 4,397,473 |
| Total comprehensive income | - | - | - | - | (229,197) | (229,197) | 1,137 | (2,121) | 3,028,484 | (24,091) | 1,764,033 | 4,538,245 |
| Allocation effect of surplus, net of taxes | - | - | - | - | 673,951 | 673,951 | - | - | - | - | - | 673,951 |
| Issue of real estate structured notes (Note 1b) | - | - | - | - | - | - | - | - | - | - | - | - |
| Effect of merger | 14,141 | - | - | (16,463) | 14,179 | (2,284) | - | - | - | - | - | 11,856 |
| Dividends paid | - | - | - | - | (1,769,319) | (1,769,319) | - | - | - | - | - | (1,769,319) |
| Creation of reserve for repurchase of shares | - | - | 2,500,000 | - | (2,500,000) | (2,500,000) | - | - | - | - | - | - |
| Repurchase of shares | (458) | - | (1,037,288) | - | - | - | - | - | - | - | - | (1,037,746) |
| Capital reimbursement | - | - | - | - | - | - | - | - | - | - | (1,244,112) | (1,244,112) |
| Share capital increase | - | - | - | - | - | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | - | - | - | - | (285,780) | (285,780) |
| Balance as at 31 December 2022 | \$ 23,733 | \$ (16,203,640) | \$ 1,462,712 | \$ 3,350 | \$ 842,787 | \$ 846,137 | \$ 1,602 | \$ (2,413) | \$ 14,509,074 | \$ 26,611,830 | \$ 16,621,390 | \$ 43,870,423 |

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 | |
|--|-----------------------------------|---------------|
| | 2022 | 2021 |
| Operating activities | | |
| Profit before income tax | Ps. 791,810 | Ps. 449,806 |
| Items not affecting cash flows: | | |
| Depreciation and amortization | 6,055,009 | 5,111,337 |
| Accrued interest income | (427,643) | (592,197) |
| Accrued interest expense | 3,130,337 | 2,790,485 |
| Foreign exchange loss, net | 711,486 | 665,875 |
| Net periodic benefit expense | 2,438 | 2,350 |
| | 10,263,437 | 8,427,948 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (209,191) | (304,494) |
| Related parties | 218,844 | (92,608) |
| Recoverable taxes | 2,513,904 | 2,428,108 |
| Other current and non-current assets | 14,368 | (11,085) |
| Accounts payable and accrued liabilities | (63,105) | 683,907 |
| Retirement benefits paid | 3,572 | (354) |
| Taxes and contributions payable | (814,933) | (1,381,871) |
| Net cash flows from operating activities | 11,926,896 | 9,749,551 |
| Investing activities | | |
| Property and equipment | (4,104,142) | (10,859,562) |
| Interest received | 427,643 | 592,197 |
| Net cash flows used in investing activities | (3,676,499) | (10,267,315) |
| Financing activities | | |
| Share capital increase | 14,141 | 50 |
| Repurchase of shares | (1,037,746) | - |
| Capital reimbursement | (1,244,112) | - |
| Long-term structured notes obtained | - | 495,346 |
| Short-term bank loan obtained | 570,000 | 1,250,000 |
| Structured notes repaid | - | (3,000,000) |
| Bank loan repaid – Bank of America | (60,578) | - |
| Bank loan repaid | (1,020,000) | (800,000) |
| Issue of real estate structured notes | - | 2,967,990 |
| Dividends paid | (2,055,099) | (135,591) |
| Interest paid on debt | (1,250,810) | (1,303,389) |
| Lease payments | (2,964,179) | (2,556,055) |
| Net cash flows used in financing activities | (9,048,383) | (3,081,699) |
| Net decrease in cash and cash equivalents | (797,986) | (3,599,463) |
| Cash and cash equivalents at beginning of year | 5,686,292 | 9,285,755 |
| Cash and cash equivalents at end of year | Ps. 4,888,306 | Ps. 5,686,292 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022 and 2021

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

1. DESCRIPTION OF THE BUSINESS

Operadora de Sitios Mexicanos, S.A.B. de C.V. and subsidiaries (Opsimex or the Company) was incorporated in Mexico City on 5 January 2015, as a result of its spin-off from Radiomóvil Dipsa, S.A. de C.V. (Telcel). 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 (such as power generators or backup batteries, air conditioning and alarm systems and other equipment).

As at 31 December 2022 and 2021 and through 15 March 2022, the Company was a 99.99%-owned subsidiary of Telesites, S.A.B. de C.V. (Telesites). Subsequently, Telesites (disappearing company) merged into the Company (surviving company).

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 12 April 2023, the consolidated financial statements and these notes were authorized by the Company's Board of Directors, for their issue and subsequent approval by the shareholders, who have the authority to modify the consolidated financial statements. Information on subsequent events covers the period from 1 January 2023 through the above-mentioned issue date of the financial statements.

Relevant events

At an extraordinary shareholders' meeting held on 20 January 2022, the shareholders discussed and approved the merger of Telesites into the Company. This merger took effect on 15 March 2022, date on which the Company changed its name to Operadora de Sitios Mexicanos, S.A.B. de C.V. and its share were listed on the Mexican Stock Exchange.

Surplus on issue of real estate structured notes

On 20 April 2021, the Company contributed assets and liabilities, comprised of 2,800 towers, distributed across Mexico's 32 states, to Irrevocable Trust 4594 (Banco Actinver, S.A., Institución de Banca Múltiple Grupo Financiero Actinver) (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 (2021): | |
| Beginning balance of surplus on issue of real estate structured notes | Ps. 20,015,684 |
| 2,800 sites | (1,194,708) |
| Fair value of real estate structured notes received | 10,640,000 |
| | Ps. 29,460,976 |
| Other movements | |
| Deferred income tax from sale of structured notes | Ps. (2,943,864) |
| Disposal of leases under IFRS 16 | 118,809 |
| Surplus on issue of real estate structured notes as at 31 December 2021 | Ps. 26,635,921 |
| Remaining value of 2,800 sites | (24,091) |
| Surplus on issue of real estate structured notes as at 31 December 2022 | Ps. 26,611,830 |

These transactions amounted a surplus on issue of real estate structured notes of Ps. 26,611,830 and Ps. 26,635,921, as at 31 December 2022 and 2021, respectively, which was recognized in equity.

The assets and liabilities transferred include right-of-use assets and lease liabilities of Ps. 1,891,476 and Ps. 2,010,285, respectively, in 2021. 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 amount 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. 118,809 as at 31 December 2021 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 sells them or the investors sell the structured notes received as consideration for the contribution of the eligible assets. Income tax from this transaction totaled Ps. 11,636,971.

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.

Merger of Demonsa and Telesites Internacional

At an extraordinary shareholders' meeting held on 21 June 2021, the shareholders agreed to merge Demonsa, S.A. de C.V. and Telesites Internacional, S.A. de C.V. (the disappearing companies) into the Company (the surviving company). This merger took effect on 31 July 2021.

Purchase of passive infrastructure

On 17 November 2022, in conformity with an asset purchase agreement, the Company purchased from Teléfonos de México, S.A.B. de C.V. (Telmex) a portfolio of 194 telecommunications towers for a sale price of Ps. 1,194,180, and assumed the related rights and obligations.

On 7 December 2022, in conformity with an asset purchase agreement, the Trust purchased from Telmex a portfolio of 194 telecommunications towers for a sale price of Ps. 1,390,980, and assumed the related rights and obligations.

On 30 November 2021, in conformity with an asset purchase agreement, the Trust purchased from Telmex a portfolio of 958 telecommunications towers for a sale price of Ps. 6,993,400, and assumed the related rights and obligations.

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 (IFRS) effective as at 31 December 2022, 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 the Company 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 constitution.

An analysis of the Company's equity investment in its subsidiaries as at 31 December 2022 and 2021 is as follows:

| Company name | % equity interest as at 31 December | | Country | Date of first consolidation | Type of transaction |
|--|--|-------|------------|--------------------------------|------------------------|
| | 2022 | 2021 | | | |
| Irrevocable Trust No. 4594, Banco Actinver, Institución de Banca Múltiple | 72.5% | 72.5% | Mexico | July 2020 | Infrastructure |
| Telesites Costa Rica, S.A. (TLC) | 100% | 100% | Costa Rica | August 2021 | Infrastructure |
| Telesites Colombia, S.A.S. (TCO) | -% | 100% | Colombia | August 2021 | Infrastructure |

c) Revenue recognition

Rental and alteration service income

The Company is primarily engaged in leasing passive infrastructure, which consists of non-electronic components used in telecommunications networks, such as towers, masts and other structures designed to support antennas for telecommunications and broadcasting.

Alteration services to telephone carriers refer to the modifications that the Company makes to the passive infrastructure.

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 *Revenue from Contracts with Customers*. 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 where the leased passive infrastructure is.

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 expected credit losses
- 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. Accounts receivable 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 generate cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows for the activities of the business and not a particular intention of holding an instrument. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for

forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

• Financial liabilities at fair value through profit or loss

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

• Long-term debt

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as accrued interest expense in the statement of comprehensive income.

• Derecognition of financial liabilities

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 legal obligation to receive or pay an offsetting amount, therefore the Company has, in fact, an offsetting financial asset or liability; 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 the 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 to be 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 life 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.

Annual depreciation rates for 2022 and 2021 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 higher than the 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 to verify if 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 2022 and 2021, 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.

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 12 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 2022.

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

On September 1st 2021, as a result of the labor outsourcing reform, the Company hired the employees of Demonsa, S.A. de C.V. (the Transferor), and assumed all labor obligations related to past services. Accordingly, the Company recognized a defined benefit obligation and any other assumed labor obligations through profit or loss for the year.

The Company is only required to pay employee profit sharing based on its own profits.

As a result of the labor outsourcing reform, in 2021 the method used to calculate employee profit sharing was modified. New requirements were established, whereby the employee profit sharing payable to each employee is capped at three times their current monthly wage or the average employee profit sharing received by the employee in the three prior years (assigned employee profit sharing), whichever is higher.

If the amount of employee profit sharing determined by applying the 10% rate to taxable profit is higher than the sum of the employee profit sharing allocated to each employee, the latter must be considered as the amount of employee profit sharing payable for the period. In accordance with the Mexican Labor Law, the difference between these two amounts does not generate a payment obligation either in the current or future periods.

If current employee profit sharing calculated using a 10% rate of an entity's taxable profit is equal to or less than the amount of the employee profit sharing assigned to each employee, the former shall be considered as the current employee profit sharing for the period.

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.

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

q) Uncertain tax positions

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) 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 2022 and 2021, the statement of cash flows was prepared using the indirect method.

s) Concentration of risk

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

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

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

Financial assets which potentially subject the Company to concentrations of credit risk are cash and cash equivalents, short-term deposits and debt instruments. The Company's policy is designed to avoid limiting its exposure to any one financial institution.

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

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| Year ended 31 December 2022 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total |
|---------------------------------------|-----------|--------------------|----------------|--------------|-------------------|----------------|
| Interest-bearing loans and borrowings | Ps. - | Ps. 982,098 | Ps. - | Ps. - | Ps. 19,586,566 | Ps. 20,568,664 |
| Accounts payable and other creditors | - | 107,305 | - | - | - | 107,305 |
| | Ps. - | Ps. 1,089,403 | Ps. - | Ps. - | Ps. 19,586,566 | Ps. 20,675,969 |

| Year ended 31 December 2021 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total |
|---------------------------------------|-----------|--------------------|----------------|--------------|-------------------|----------------|
| Interest-bearing loans and borrowings | Ps. - | Ps. 982,106 | Ps. - | Ps. 541,880 | Ps. 19,044,686 | Ps. 20,568,672 |
| Accounts payable and other creditors | - | 142,403 | - | - | - | 142,403 |
| | Ps. - | Ps. 1,124,509 | Ps. - | Ps. 541,880 | Ps. 19,044,686 | Ps. 20,711,075 |

t) Statement of comprehensive income presentation

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

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

An analysis of the Company's other income for the years ended 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|--|-------------|-------------|
| Restatement of recoverable value added tax | Ps. 170,705 | Ps. 86,466 |
| Unrealized loss on valuation of contracts | 15,041 | 8,610 |
| Recovery of expenses | 3,250 | 1,413 |
| Revenue from rent paid in advance | - | 1,841 |
| Recovery of rental expenses | 114 | 2,804 |
| Other | 354 | 1,247 |
| | Ps. 189,464 | Ps. 102,381 |

3. NEW ACCOUNTING PRONOUNCEMENTS

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1st 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

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

In January 2021, 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 January 1st 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.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1st 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The amendments are not expected to have a material effect on the Company’s Financial Statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are not expected to have a material effect on the Company’s Financial Statements.

b) New and amended standards and interpretations in 2021**Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37**

In May 2021, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1st 2022. These amendments had no impact on the Company’s consolidated financial statements.

Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2021, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after January 1st 2022 and apply prospectively. The amendments are not expected to have a material effect on the Company’s consolidated financial statements.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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. In accordance with the transitional provisions, the Company applies the amendments retrospectively only 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 date of initial application). These amendments had no impact on the consolidated financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

4. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents as at 31 December 2022 and 2021 is as follows:

| | 2022 | | 2021 | |
|-------------------------------|-------------|------------------|-------------|-----------|
| Cash | Ps. | 5 | Ps. | 5 |
| Banks | | 65,676 | | 94,186 |
| Readily marketable securities | | 4,822,625 | | 5,592,101 |
| | Ps. | 4,888,306 | Ps. | 5,686,292 |

5. ACCOUNTS RECEIVABLE

With regard to the bankruptcy proceeding filed by Altán Redes, S.A.P.I. de C.V., on 28 October 2022, the First District Judge in bankruptcy matters, residing in Mexico City and with jurisdiction throughout the country, issued a ruling approving the Bankruptcy Agreement dated 13 October 2022 filed by the bankruptcy mediator on 14 October 2022.

With respect to the Bankruptcy Agreement, the Company, in its capacity of creditor, did not grant any reduction to Altán Redes, S.A.P.I. de C.V., and the interest accrued on the recognized debt will be capitalized during the term of the agreement at the 28-day Mexican Weighted Interbank Interest Rate (TIIE, by its acronym in Spanish). The loan matures on 31 December 2056; however, the debtor can make prepayments if they have available cash flows and have settled all other debt balances with priority of payment.

As at 31 December, the long-term account receivable amounted to Ps. 413,694.

On 9 May 2022, the Company entered into an amending agreement to the commercial agreement entered on 29 May 2019 with Altán, whereby the latter was required to pay the outstanding debt balances accrued since December 2020. For purposes of this agreement, a discount of 17% was applied to the rental price for tower space, in accordance with the following:

- The contractual commitment for each tower will be for terms of ten years.
- A 17% discount is to be applied through the issuance of credit memos, solely and exclusively on the rental price for the approved tower space, for the first 3 years from 17 November 2021 to 16 November 2024, with a payment period of 180 calendar days from the issuance of the invoice, which shall be issued within the corresponding month.
- At the end of the 3-year period beginning on 17 November 2024, Altán shall have a period of 90 calendar days from the issuance of the invoice to make the payment.
- Should Altán fail to make any payment for the services to be rendered, there will be no grace period.

6. OTHER CURRENT AND NON-CURRENT ASSETS

An analysis of other current and non-current assets as at 31 December 2022 and 2021 is as follows:

| | 2022 | | 2021 | |
|---------------------------------------|-------------|----------------|------|---------|
| Advances to suppliers | Ps. | 19,313 | Ps. | 21,680 |
| Creditable input value added tax, net | | 63,512 | | 31,140 |
| Prepaid insurance | | 28,356 | | 24,115 |
| Fees and subscriptions | | 64,192 | | 69,435 |
| Total other current assets | Ps. | 175,373 | Ps. | 146,370 |
| Security deposits | Ps. | 159,442 | Ps. | 145,991 |
| Total other non-current assets | Ps. | 159,442 | Ps. | 145,991 |

7. RELATED PARTIES

a) An analysis of balances due from and to related parties as at 31 December 2022 and 2021 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.

| | 2022 | | 2021 | |
|--|-------------|----------------|------|---------|
| Receivables: | | | | |
| Radiomóvil Dipsa, S.A. de C.V. ⁽ⁱ⁾ | Ps. | 44,626 | Ps. | 58,071 |
| Telesites, S.A.B. de C.V. ^(viii) | | - | | 29,519 |
| Teléfonos de México, S.A.B. de C.V. ⁽ⁱⁱⁱ⁾ | | 5,486 | | 24,201 |
| Other related parties | | 343 | | 698 |
| | Ps. | 50,455 | Ps. | 112,489 |
| Payables: | | | | |
| Operadora Cicsa, S.A. de C.V. ^(ix) | Ps. | 8,251 | Ps. | 14,604 |
| Teléfonos de México, S.A.B. de C.V. ⁽ⁱⁱⁱ⁾ | | 149,949 | | - |
| PC Industrial, S.A. de C.V. ^(xi) | | 16 | | 506 |
| Radiomovil Dipsa, S.A. de C.V. | | 4 | | 2,051 |
| Seguros Inbursa, S.A., Grupo Financiero Inbursa ^(x) | | 3,762 | | 3,311 |
| Other related parties | | 1,089 | | 2,653 |
| | Ps. | 163,071 | Ps. | 23,125 |

b) During the years ended 31 December 2022 and 2021, the Company had the following transactions with its related parties:

| | | 2022 | 2021 |
|--|--|----------------------|---------------|
| Revenue: | | | |
| Radiomóvil Dipsa, S.A. de C.V. | Leasing ⁽ⁱ⁾ | Ps. 9,088,800 | Ps. 7,718,877 |
| | Alteration services ⁽ⁱ⁾ | 140,729 | 160,257 |
| Claro Costa Rica, S.A. de C.V. | Leasing ⁽ⁱⁱ⁾ | 122,547 | 124,186 |
| Teléfonos de México, S.A.B. de C.V. | Leasing ⁽ⁱⁱⁱ⁾ | 335,813 | 6,213 |
| Teléfonos del Noreste, S.A. de C.V. | Leasing ^(iv) | 1,857 | 1,704 |
| Torres Latinoamérica, S.A. de C.V. | Expense reimbursements ^(v) | 537 | - |
| Carso Electric, S.A. de C.V. | Recovery of expenses ^(vi) | 22 | - |
| Telesites S.A.B. de C.V. | Interest ^(vii) | - | 1,146 |
| Expenses: | | | |
| Operadora Cicsa, S.A. de C.V. | Construction ^(viii) | 95,339 | 138,590 |
| Radiomóvil Dipsa, S.A. de C.V. | Leasing ⁽ⁱ⁾ | 65,435 | 52,810 |
| Seguros Inbursa, S.A., Grupo Financiero Inbursa | Insurance ^(ix) | 42,754 | 37,700 |
| PC Industrial, S.A. de C.V. | Maintenance ^(x) | 344 | 20,490 |
| Consortio Red Uno, S.A. de C.V. | Leasing ^(xi) | - | 160 |
| Grupo Sanborns, S.A. de C.V. | Leasing ^(xii) | 1,040 | 1,327 |
| Fianzas Guardiania Inbursa, S.A. | Insurance ^(xiii) | 165 | - |
| Acolman, S.A. | Leasing ^(xiv) | 8,583 | 8,349 |
| Administradora Carso Palmas, A.C. | Leasing ^(xv) | - | 715 |
| Teléfonos de México, S.A.B. de C.V. | Fixed assets ⁽ⁱⁱⁱ⁾ | 2,585,160 | 6,993,400 |
| Leasing ⁽ⁱⁱⁱ⁾ | | - | 819 |
| Teléfonos del Noroeste, S.A. de C.V. | Leasing ^(iv) | - | 621 |
| Alquiladora de casas, S.A. de C.V. | Leasing ^(xvi) | 86,849 | - |
| Carso Infraestructura y Construcción, S.A. de C.V. | Construction services ^(vii) | 1,135 | - |
| Sears Operadora México, S.A. de C.V. | Maintenance ^(xviii) | 921 | - |
| Sanborns Hermanos, S.A. de C.V. | Leasing ^(xix) | - | 1,742 |
| Compañía de Teléfonos y Bienes, S.A. de C.V. | Leasing ^(xx) | 127,068 | - |
| Industrial Afiliada, S.A. de C.V. | Leasing ^(xxi) | - | 5,930 |
| Other | Leasing | 9 | 1,554 |

⁽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 2032 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 2022 and 2021, revenue earned from these passive infrastructure leasing and alteration services totaled Ps. 9,088,800 and Ps. 7,718,877, respectively. The account receivable due from Telcel as at 31 December 2022 and 2021 is Ps. 44,626 and Ps. 58,071, respectively.

As at 31 December 2022 and 2021, revenue earned from alteration services recognized in profit or loss totaled Ps. 140,729 and Ps. 160,257, respectively.

- (ii) During 2022 and 2021, the Company's transactions related to the use of passive infrastructure with Claro Costa Rica, S.A. (Claro) recognized in profit or loss totaled Ps. 122,547 and Ps. 124,186, respectively.
- (iii) During 2022 and 2021, the Company's transactions related to the use of passive infrastructure with Teléfonos de México, S.A.B. de C.V. (Telmex) recognized in profit or loss totaled Ps. 335,813 and Ps. 6,213, respectively. As at 31 December 2022 and 2021, the account receivable due from Telmex was Ps. 5,486 and Ps. 24,201, respectively.
As at 31 December 2022 and 2021, the Company purchased a portfolio of towers from Telmex for a total sale price of Ps. 2,585,160 and Ps. 6,993,400, respectively. As at 31 December 2022, the account payable due to Telmex was Ps. 149,949.
- (iv) During 2022 and 2021, the Company's transactions related to the use of passive infrastructure with Teléfonos del Noreste, S.A. de C.V. (Telnor) recognized in profit or loss totaled Ps. 1,857 and Ps. 1,704, respectively.
- (v) During 2022, the Company's expense reimbursement from Torres Latinoamérica recognized in profit or loss totaled Ps. 537.
- (vi) During 2021, the Company paid interest to Telesites totaling Ps. 1,146.
- (vii) During 2022 and 2021, the Company had transactions related to the construction of passive infrastructure with Operadora Cicsa, S.A. de C.V. (CICSA). Maintenance expense was Ps. 95,339 and Ps. 138,590, respectively. As at 31 December 2022 and 2021, the account payable due to CICSA was Ps. 8,251 and Ps. 14,604, respectively.
- (viii) During 2022 and 2021, the Company entered into insurance agreements described in its passive infrastructure lease agreements, with Seguros Inbursa, S.A., Grupo Financiero Inbursa (Inbursa). For the years ended 31 December 2021 and 2020, the Company's total charge for insurance costs was Ps. 42,754 and Ps. 37,700, respectively. As at 31 December 2022 and 2021, the account payable due to Inbursa was Ps. 3,762 and Ps. 3,311, respectively.
- (ix) During 2022 and 2021, the Company had transactions related to preventive maintenance for passive infrastructure with PC Industrial, S.A. de C.V. (PCIS). Maintenance expense was Ps. 344 and Ps. 20,490, respectively. As at 31 December 2022 and 2021, the account payable due to PCIS was Ps. 16 and Ps. 506, respectively.
- (x) During 2021, the Company had transactions related to leases with Consorcio Red Uno totaling Ps. 160.
- (xi) During 2022 and 2021, the Company had transactions related to leases of sites for passive infrastructure with Grupo Sanborns, S.A. de C.V. (Sanborns) totaling Ps. 1,040 and Ps. 1,327, respectively.
- (xii) During 2021, the Company had transactions related to leases with Fianzas Guardiania Inbursa, S.A. (Guardiana) totaling Ps. 165.
- (xiii) During 2022 and 2021, the Company had transactions related to leases with Acolman, S.A. (Acolman) totaling Ps. 8,583 and Ps. 8,349, respectively.
- (xiv) During 2021, the Company had transactions related to leases with Administradora Carso Palmas, A.C. (Administradora) totaling Ps. 715.
- (xv) During 2022, the Company had transactions related to leases with Alquiladora de Casas, S.A. de C.V. totaling Ps. 86,849.
- (xvi) During 2022, the Company had transactions related to leases with Carso Infraestructura y Construcción, S.A. de C.V. totaling Ps. 1,135.
- (xvii) During 2022, the Company had transactions related to leases with Sears Operadora México, S.A. de C.V. totaling Ps. 992.
- (xviii) During 2022, the Company had transactions related to leases with Sanborns Hermanos, S.A. de C.V. totaling Ps. 1,742.
- (xix) During 2022, the Company had transactions related to leases with Compañía de Teléfonos y Bienes, S.A. de C.V. totaling Ps. 127,068.
- (xx) During 2021, the Company had transactions related to leases with Industrial Afiliada, S.A. totaling Ps. 5,930.

8. 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 2022, the Company's passive infrastructure is comprised of 21,521 towers (19,759 towers as at 31 December 2021).

The Company's passive infrastructure is located in Mexico, distributed across nine cellular regions as defined by telecommunications sector rules and regulations.

An analysis of property and equipment as at 31 December 2022 and 2021 is as follows:

| Item | Passive infrastructure | Automotive equipment | Other equipment | Construction in process | Land | Total |
|--|------------------------|----------------------|--------------------|-------------------------|-------------------|-----------------------|
| Investment: | | | | | | |
| As at 31 December 2020 | Ps. 73,446,416 | Ps. 14,797 | Ps. 79,859 | Ps. 220,432 | Ps. 47,101 | Ps. 73,808,605 |
| Additions | 20,206,626 | 9,666 | 29,854 | 1,145,040 | 3,440 | 21,394,626 |
| Additions from revaluation surplus (Note 2h) | 2,370,360 | - | - | - | - | 2,370,360 |
| Disposals from revaluation surplus (Note 2h) | (4,613,610) | - | - | - | - | (4,613,610) |
| Disposals | (2,810,318) | - | - | (854,815) | - | (3,665,133) |
| As at 31 December 2021 | 88,599,474 | 24,463 | 109,713 | 510,657 | 50,541 | 89,294,848 |
| Additions | 4,132,302 | 1,974 | 7,733 | 1,312,263 | 3,495 | 5,457,767 |
| Additions from revaluation surplus (Note 2h) | 5,106,684 | - | - | - | - | 5,106,684 |
| Disposals | - | - | - | (1,431,943) | - | (1,431,943) |
| As at 31 December 2022 | Ps. 97,838,460 | Ps. 26,437 | Ps. 117,446 | Ps. 390,977 | Ps. 54,036 | Ps. 98,427,356 |

| Item | Passive infrastructure | Automotive equipment | Other equipment | Construction in process | Land | Total |
|-------------------------------------|-------------------------|----------------------|---------------------|-------------------------|-------------------|-------------------------|
| Depreciation: | | | | | | |
| As at 31 December 2020 | Ps. (13,659,778) | Ps. (9,761) | Ps. (23,762) | Ps. - | Ps. - | Ps. (13,693,301) |
| Depreciation expense | (3,402,087) | (5,759) | (15,175) | - | - | (3,423,021) |
| Disposals | - | - | - | - | - | - |
| As at 31 December 2021 | (17,061,865) | (15,520) | (38,937) | - | - | (17,116,322) |
| Depreciation expense | (3,823,016) | (2,484) | (57,488) | - | - | (3,882,987) |
| Disposals | - | - | - | - | - | - |
| As at 31 December 2022 | Ps. (20,884,881) | Ps. (18,004) | Ps. (96,425) | Ps. - | Ps. - | Ps. (20,999,309) |
| Asset retirement obligation: | | | | | | |
| As at 31 December 2020 | Ps. 476,645 | Ps. - | Ps. - | Ps. - | Ps. - | Ps. 476,645 |
| Cancellations | - | - | - | - | - | - |
| Amortization | (25,551) | - | - | - | - | (25,551) |
| Increase for the year | 44,501 | - | - | - | - | 44,501 |
| As at 31 December 2021 | 495,595 | - | - | - | - | Ps. 495,595 |
| Cancellations | - | - | - | - | - | - |
| Amortization | (26,326) | - | - | - | - | (26,326) |
| Increase for the year | 119,104 | - | - | - | - | 119,104 |
| As at 31 December 2022 | Ps. 588,372 | Ps. - | Ps. - | Ps. - | Ps. - | Ps. 588,373 |
| Carrying amount: | | | | | | |
| As at 31 December 2022 | Ps. 77,541,952 | Ps. 8,433 | Ps. 21,021 | Ps. 390,977 | Ps. 54,036 | Ps. 78,016,420 |
| As at 31 December 2021 | Ps. 72,033,204 | Ps. 8,943 | Ps. 70,776 | Ps. 510,657 | Ps. 50,541 | Ps. 72,674,121 |

Depreciation expense of property and equipment and amortization expense of licenses and software for the years ended 31 December 2022 and 2021 was Ps. 3,882,987 and Ps. 3,425,212, respectively.

9. ASSET RETIREMENT OBLIGATION

An analysis of the Company's asset retirement obligation as at 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|--|----------------------|---------------|
| Balance as at 1 January | Ps. 1,056,581 | Ps. 1,012,080 |
| Increase for additions of passive infrastructure | 145,430 | 50,979 |
| Redemptions | (26,326) | (6,478) |
| Utilized | - | - |
| Balance as at 31 December | Ps. 1,175,685 | Ps. 1,056,581 |

As at 31 December 2022, the review of the cash flow estimates and discount rates determined no changes in these variables compared to the prior year.

10. SHORT- AND LONG-TERM DEBT**a) Analysis of long-term debt**

| Breakdown of debt | | | 2022 | | 2021 |
|---|-----------|-----|-------------------|-----|------------|
| Bank loans | Long term | Ps. | - | Ps. | 542,166 |
| Amortized cost | | | - | | (286) |
| | | | - | | 541,880 |
| Issue of structured notes (“certificados bursátiles”) | Long term | | 19,785,918 | | 19,071,751 |
| Amortized cost | | | (23,133) | | (27,065) |
| | | | 19,762,785 | | 19,044,686 |
| Total long-term debt | | Ps. | 19,762,785 | Ps. | 19,586,566 |

b) Analysis of short-term debt and interest

| Breakdown of debt | | | 2022 | | 2021 |
|-----------------------------|------------|-----|----------------|-----|---------|
| Bank loans | Short term | Ps. | - | Ps. | 450,000 |
| Bank loan – Bank of America | Short term | | 458,700 | | - |
| | | Ps. | 458,700 | Ps. | 450,000 |

| Breakdown of debt | | | 2022 | | 2021 |
|--|------------|-----|------------------|-----|---------|
| Interest payable on structured notes (“certificados bursátiles”) | Short term | Ps. | 547,257 | Ps. | 529,096 |
| Interest payable on bank loans | Short term | | - | | 258 |
| Interest payable on bank loans – Bank of America | Short term | | 1,785 | | 2,744 |
| Total interest payable | | | 549,042 | | 532,098 |
| Total short-term debt and interest | | Ps. | 1,007,742 | Ps. | 982,098 |

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 for a total issue of Ps. 3,500,000, and with a maturity date of 23 July 2025. These structured notes bear annual gross interest of 7.97%.
- ii) On 23 September 2015, Opsimex reissued its series 1 OSM-15R Mexican peso structured notes for a total issue 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 for a total issue of Ps. 4,500,000, and with a maturity date of 29 July 2021. These structured notes bear annual gross interest of 0.5% + 28-day Mexican Weighted Interbank Interest Rate (TIIE). As at 31 December 2021, Opsimex repaid these structured notes in full on 29 July 2021.

- iv) On 5 August 2015, Opsimex issued series 3 OSM-15U structured notes denominated in UDIs for a total issue of Ps. 7,000,000 (equal to 1,324,169 UDIs), and with a maturity date of 17 July 2030. These structured notes bear annual gross interest of 4.75%.
- v) On 18 February 2016, Opsimex reissued its series 1 OSM-15 2R Mexican peso structured notes for a total issue of Ps. 2,500,000, and with a maturity date of 23 July 2025. These structured notes bear annual gross interest of 7.97%.
- vi) On 27 July 2021, Opsimex issued series OSM-0120 Mexican peso structured notes for a total issue of Ps. 1,000,000, and with a maturity date of 26 January 2021. These structured notes bear annual interest of 6.70%. As at 31 December 2021, Opsimex repaid these structured notes in full on 26 January 2021.
- vii) On 27 July 2021, Opsimex issued series OSM-0220 Mexican peso structured notes for a total issue of Ps. 2,000,000, and with a maturity date of 27 July 2021. These structured notes bear annual interest of 6.70%. As at 31 December 2021, Opsimex repaid these structured notes in full on 27 July 2021.

An analysis of the historical amounts and the outstanding accrued interest under the long-term structured notes as at 31 December 2022 is as follows:

| Series | Maturity date | Long-term debt | Interest payable |
|----------------------------------|---------------|----------------|------------------|
| OSM-15 Mexican pesos series 1 | 23 July 2025 | Ps. 3,500,000 | Ps. 121,653 |
| OSM-15R Mexican pesos series 1 | 23 July 2025 | 3,710,000 | 128,952 |
| OSM-15 2R Mexican pesos series 1 | 23 July 2025 | 2,500,000 | 86,895 |
| OSM-15U UDIs series 3 | 17 July 2030 | 10,075,918 | 209,757 |
| | | Ps. 19,785,918 | Ps. 547,257 |

An analysis of the historical amounts and the outstanding accrued interest under the long-term structured notes of Opsimex as at 31 December 2021 is as follows:

| Series | Maturity date | Long-term debt | Interest payable |
|----------------------------------|---------------|----------------|------------------|
| OSM-15 Mexican pesos series 1 | 23 July 2025 | Ps. 3,500,000 | Ps. 120,878 |
| OSM-15R Mexican pesos series 1 | 23 July 2025 | 3,710,000 | 128,131 |
| OSM-15 2R Mexican pesos series 1 | 23 July 2025 | 2,500,000 | 86,342 |
| OSM-15U UDIs series 3 | 17 July 2030 | 9,361,751 | 193,745 |
| | | Ps. 19,071,751 | Ps. 529,096 |

As at 31 December 2022 and 2021, the value of one UDI was \$ 7.6468 pesos and \$ 7.1082 pesos, respectively. As at 25 April 2023, the date of issue of these consolidated financial statements, the value of the UDI was \$ 7.7879 pesos.

Redemptions

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

d) Bank loans

An analysis of the Company's short-term bank loans as at 31 December 2022 is as follows:

| Currency | Item | Rate | Maturity date | Short-term debt | Interest payable |
|----------------|---------------------------------------|-------|------------------|--------------------|------------------|
| Mexican pesos: | Bank of America, N.A. ⁽ⁱ⁾ | 4.52% | 23 February 2023 | Ps. 409,898 | Ps. 1,595 |
| | Bank of America, N.A. ⁽ⁱⁱ⁾ | 4.52% | 23 February 2023 | 48,802 | 190 |
| | Total debt | | | Ps. 458,700 | Ps. 1,785 |

An analysis of the Company's long-term bank loans as at 31 December 2021 is as follows:

| Currency | Item | Rate | Maturity date | Short-term debt | Interest payable |
|----------------|---------------------------------------|-------|------------------|-----------------|------------------|
| Mexican pesos: | Bank of America, N.A. ⁽ⁱ⁾ | 4.52% | 23 February 2023 | Ps. 490,732 | Ps. 2,468 |
| | Bank of America, N.A. ⁽ⁱⁱ⁾ | 4.52% | 23 February 2023 | 51,148 | 277 |
| | Total debt | | | Ps. 541,880 | Ps. 2,744 |

⁽ⁱ⁾ On 23 February 2018, the Company renewed its line of credit of USD 24,000 with Bank of America (BOFA). This loan matures on 23 February 2023 and bears interest on outstanding balances at a rate of 4.52%. As at 31 December 2022 and 2021, the outstanding balance of this loan is Ps. 409,898 and Ps. 490,732, respectively, and interest payable on the loan is Ps. 1,595 and Ps. 2,468, respectively. On 22 February 2023, the Company repaid USD 3,000.

⁽ⁱⁱ⁾ On 24 May 2018, the Company renewed its line of credit of USD 2,500 with BOFA. This loan matures on 23 February 2023 and bears interest on outstanding balances at a rate of 4.52%. As at 31 December 2022 and 2021, the outstanding balance of this loan is Ps. 48,802 and Ps. 51,148, respectively, and interest payable on the loan is Ps. 190 and Ps. 277, respectively.

An analysis of the Company's short-term bank loans as at 31 December 2022 and 2021 is as follows:

| Currency | Item | 28-day TIIE + basis points | Maturity date | Long-term debt | Interest payable |
|----------------|--------------------------------------|----------------------------|-----------------|--------------------|------------------|
| Mexican pesos: | Banco Santander, S.A. ⁽ⁱ⁾ | 6.36% | 26 January 2022 | Ps. 350,000 | Ps. 186 |
| | Banco Inbursa, S.A. ⁽ⁱⁱ⁾ | 6.51% | 26 April 2022 | 100,000 | 72 |
| | Total debt | | | Ps. 450,000 | Ps. 258 |

⁽ⁱ⁾ On 8 January 2021, the Company entered into a 12-month current account loan agreement in Mexican pesos with Banco Santander, S.A. Institución de Banca Múltiple for financing of up to Ps. 500,000. The loan bears interest on the outstanding balance at the 28-day TIIE + 6 basis points. On 28 October 2021, the Company drew down Ps. 100,000 from this line of credit. This drawdown matured in one month and was repaid in full on 26 November 2021.

On 28 December 2021, the Company drew down Ps. 350,000 from this line of credit. This drawdown matures in one month and bears interest at the 28-day TIIE + 6 basis points. As at 31 December 2021, the outstanding balance of this loan is Ps. 350,000 and accrued interest payable on the loan is Ps. 186. As at 31 December 2022, the Company repaid the loan in full.

⁽ⁱⁱ⁾ On 28 October 2021, the Company entered into a current account loan agreement in Mexican pesos with Banco Inbursa, S.A. Institución de Banca Múltiple for financing of up to Ps. 100,000. This loan matures on 26 April 2022 and bears interest on the outstanding balance at the 28-day TIIE + 8 basis points. As at 31 December 2021, the outstanding balance of this loan is Ps. 100,000 and accrued interest payable on the loan is Ps. 72. As at 31 December 2022, the Company repaid the loan in full.

11. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

An analysis of the Company's financial assets and financial liabilities as at 31 December 2022 and 2021 is as follows:

| | 2022 | | 2021 | |
|----------------|-----------------|--------------------|-----------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term debt | Ps. 19,762,785 | Ps. 18,795,983,979 | Ps. 19,586,566 | Ps. 19,200,241 |

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.

12. 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 12 years, while motor vehicles and offices generally have lease terms between 1 and 4 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

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

| | Leased properties | | Other leases | | Total |
|---------------------------------|-------------------|--------------------|--------------|-----------------|-----------------------|
| As at 31 December 2021 | Ps. | 11,941,028 | Ps. | 1,590 | Ps. 11,942,618 |
| Additions and reclassifications | | 6,825,494 | | 19,955 | 6,845,449 |
| Depreciation | | (1,661,284) | | 710 | (1,660,574) |
| As at 31 December 2021 | | 17,105,238 | | 22,255 | 17,127,493 |
| Additions and reclassifications | | 4,431,224 | | 6,081 | 4,437,305 |
| Depreciation | | (2,160,997) | | (11,025) | (2,172,022) |
| As at 31 December 2022 | Ps. | 19,375,465 | Ps. | 17,311 | Ps. 19,392,776 |

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

| | 2022 | | 2021 | |
|------------------------|------|--------------------|------|-------------|
| As at 1 January 2021 | Ps. | 18,262,010 | Ps. | 12,555,935 |
| Additions | | 4,437,305 | | 6,845,449 |
| Accretion of interest | | 1,832,264 | | 1,416,680 |
| Lease payments | | (2,964,179) | | (2,556,054) |
| As at 31 December 2022 | Ps. | 21,567,400 | Ps. | 18,262,010 |

The following are the amounts recognized in profit or loss:

| | 2022 | 2021 |
|--|----------------------|---------------|
| Depreciation of right-of-use assets | Ps. 2,172,022 | Ps. 1,660,574 |
| Lease interest | 1,832,264 | 1,416,680 |
| Total amount recognized in the statement of comprehensive income | Ps. 4,004,286 | Ps. 3,077,254 |

13. 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 2022 and 2021 is as follows:

a) Net periodic benefit expense

| | 2022 | | |
|--|------------------------|-------------------------|------------------|
| | Retirement benefits | Termination benefits | Total |
| Analysis of net periodic benefit expense for 2022: | | | |
| Current-year service cost | Ps. 812 | Ps. 473 | Ps. 1,285 |
| Interest cost | 548 | 605 | 1,153 |
| Net periodic benefit expense | Ps. 1,360 | Ps. 1,078 | Ps. 2,438 |
| | | | |
| | 2021 | | |
| | Retirement benefits | Termination benefits | Total |
| Analysis of net periodic benefit expense for 2021: | | | |
| Current-year service cost | Ps. 666 | Ps. 614 | Ps. 1,280 |
| Interest cost | 620 | 451 | 1,070 |
| Net periodic benefit expense | Ps. 1,286 | Ps. 1,064 | Ps. 2,350 |

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 2020 | Ps. | 7,158 | Ps. | 3,480 | Ps. | 10,638 |
| Remeasurements for the year | | 615 | | 327 | | 942 |
| Current-year service cost | | - | | - | | - |
| Interest cost | | 566 | | 427 | | 993 |
| Charges to the reserve | | - | | (354) | | (354) |
| Actuarial gain | | (641) | | 1,803 | | 1,162 |
| Net defined benefit obligation as at 31 December 2021 | | 7,698 | | 5,683 | | 13,381 |
| Remeasurements for the year | | - | | - | | - |
| Current-year service cost | | (192) | | 923 | | 731 |
| Interest cost | | - | | - | | - |
| Charges to the reserve | | - | | (551) | | (551) |
| Actuarial gain | | (799) | | (822) | | (1,624) |
| Net defined benefit obligation as at 31 December 2022 | Ps. | 6,707 | Ps. | 5,233 | Ps. | 11,937 |

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

| | 2022 | | | | | |
|--------------------------------|---------------------|--------------|----------------------|--------------|------------|---------------|
| | Retirement benefits | | Termination benefits | | Total | |
| Provisions for: | | | | | | |
| Vested benefit obligation | Ps. | 6,707 | Ps. | 5,230 | Ps. | 11,937 |
| Net defined benefit obligation | Ps. | 6,707 | Ps. | 5,230 | Ps. | 11,937 |

| | 2021 | | | | | |
|--------------------------------|---------------------|-------|----------------------|-------|-------|--------|
| | Retirement benefits | | Termination benefits | | Total | |
| Provisions for: | | | | | | |
| Vested benefit obligation | Ps. | 7,698 | Ps. | 5,682 | Ps. | 13,380 |
| Net defined benefit obligation | Ps. | 7,698 | Ps. | 5,682 | Ps. | 13,380 |

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

| | 2022 | 2021 |
|-------------------------------|--------------------|--------------------|
| Financial assumptions | | |
| Discount rate | 10.07% | 8.05% |
| Expected salary increase rate | 7.50% | 7.00% |
| Inflation rate | 3.75% | 3.50% |
| Biometric assumptions | | |
| Mortality rate | EMSSA 2009 Dynamic | EMSSA 2009 Dynamic |
| Disability rate | IMSS 97 | IMSS 97 |

As at 31 December 2022 and 2021, the Company does not have any material contingent liabilities for employee benefits.

14. EMPLOYEE BENEFITS

As at 31 December 2022 and 2021, the Company has recognized accrued liabilities for short-term employee benefits. An analysis is as follows:

| | As at 31 December 2020 | | | As at 31 December 2021 | | | As at 31 December 2022 | | |
|-------------------------|------------------------------|----------------------------|--------------|------------------------------|----------------------------|---------------------|-------------------------------------|----------------------------|-------------------|
| | Ps. | Arising during the year | Utilized | Ps. | Arising during the year | Utilized | Ps. | Arising during the year | Utilized |
| Paid annual leave | 2,117 | 4,484 | (3,464) | 3,137 | 4,019 | (4,317) | 2,839 | 2,839 | 2,839 |
| Vacation premium | 3,822 | 4,431 | (6,026) | 2,227 | 8,312 | (5,638) | 4,901 | 4,901 | 4,901 |
| Bonuses | 13,276 | 13,100 | (15,129) | 11,247 | 19,617 | (12,694) | 18,170 | 18,170 | 18,170 |
| Employee profit sharing | 2,201 | 27,233 | (2,201) | 27,233 | 18,127 | (21,110) | 24,250 | 24,250 | 24,250 |
| | Ps. 21,416 | Ps. 49,248 | Ps. (26,820) | Ps. 43,844 | Ps. 50,075 | Ps. (43,759) | Ps. 50,160 | Ps. 50,160 | Ps. 50,160 |

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

| | 2022 | 2021 |
|------------------------------------|--------------------|-------------|
| Suppliers and accounts payable | Ps. 107,305 | Ps. 142,403 |
| Provisions and accrued liabilities | 61,836 | 89,264 |
| Total | Ps. 169,141 | Ps. 231,667 |

The above-mentioned provisions represent expenses incurred in 2022 and 2021 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.

16. EQUITY

a) An analysis of the Company's share capital as at 31 December 2022 and 2021 is as follows:

| Series | Share capital | 2022 | | 2021 | |
|--------|-------------------|------------------|-------------------|---------------|------------|
| | | No. of shares | Amount | No. of shares | Amount |
| A | Minimum, fixed | - | Ps. - | 50,000 | Ps. 50 |
| B | Minimum, fixed | - | - | 35,124,997 | 9,950 |
| A-1 | Minimum, variable | 3,300,000 | 23,733 | - | - |
| | | 3,300,000 | Ps. 23,733 | 35,174,997 | Ps. 10,000 |

- b) The Company's share capital is variable, with an authorized fixed minimum of Ps. 23,733, represented by 3,300,000 series "A-1" common registered shares, issued and outstanding, with no par value. These shares are registered on the National Securities Registry under file number 3495-1-2022-1 and listed on the stock exchange under ticker symbol SITES1.
- c) As at 31 December 2022, the Company had treasury shares comprised of 62,483,000 Series A-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 2022 and 2021, 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.
- g) Through resolutions adopted at a regular shareholders' meeting held on 26 January 2022, the shareholders declared a cash dividend of Ps. 100,320. This dividend was paid out from the CUFIN account on 27 January 2022.
- h) Through resolutions adopted at a regular shareholders' meeting held on 18 February 2022, the shareholders declared a cash dividend of Ps. 100,320. This dividend was paid out from the CUFIN account on 21 February 2022.
- i) Through resolutions adopted at a regular shareholders' meeting held on 31 March 2022, the shareholders authorized a program for the purchase and issuance of shares representing the Company's share capital, as provided for in Article 60 of the General Rules Applicable to Securities Issuers, in accordance with Article 56 of the Mexican Securities Trading Act, for a total amount of Ps. 2,500,000.
- j) Through resolutions adopted at a regular shareholders' meeting held on 29 April 2022, the shareholders declared a cash dividend of \$0.48 per issued and outstanding share representing the Company's share capital. The amount of the dividend to be paid will depend on the repurchase or reissue of the Company's own shares. This dividend was paid out on 30 May 2022.

17. INCOME TAX

On 30 October 2020, the Mexican Congress approved the 2021 Tax Reform, which became effective on January 1st 2021. 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 2021 Tax Reform had no effect on the Company's consolidated financial statements.

- a) The Mexican Income Tax Law (MITL) establishes a corporate income tax rate of 30% for fiscal years 2022 and 2021.
- b) An analysis of income tax recognized in profit or loss for the years ended 31 December 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---------------------|--------------------|-------------|
| Current income tax | Ps. 901,521 | Ps. 663,643 |
| Deferred income tax | (250,483) | (439,100) |
| Total income tax | Ps. 651,038 | Ps. 224,543 |

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

| | 2022 | 2021 |
|---|------------------------|-----------------|
| As at 1 January | Ps. (4,267,059) | Ps. (6,191,456) |
| Deferred income tax recognized in profit or loss | 250,483 | 439,100 |
| Deferred income tax in other comprehensive income | (6,245) | (716,392) |
| Deferred income tax reclassified to retained earnings | - | 2,201,689 |
| As at 31 December | Ps. (4,022,821) | Ps. (4,267,059) |

- 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:

| | 2022 | 2021 |
|---------------------------------|-------------|------|
| Statutory income tax rate | 30% | 30% |
| Effect of reconciling items: | | |
| Taxable effects of inflation | 55 | 99 |
| Property and equipment, net | (30) | (52) |
| Non-deductible items | 1 | 1 |
| Provisions | 2 | - |
| Reversal of provisions | 3 | - |
| Leases | 18 | 12 |
| Share of profit/(loss) of trust | 3 | (40) |
| Effective income tax rate | 82% | 50% |

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

| | 2022 | | 2021 |
|---------------------------------------|------------------------|-----|-------------|
| Deferred tax assets: | | | |
| Provisions and accrued liabilities | Ps. 18,724 | Ps. | 34,892 |
| Interest pursuant to Article 28.XXXII | - | | 5,269 |
| Employee benefits | 7,676 | | 14,101 |
| Retirement benefits | 3,581 | | 4,014 |
| Total deferred tax assets | 29,981 | | 58,276 |
| Deferred tax liabilities: | | | |
| Property and equipment, net | 17,163 | | 57,089 |
| Surplus on revaluation of assets | 4,029,691 | | 4,265,045 |
| Amortized cost | 761 | | 395 |
| Prepaid expenses | 5,187 | | 2,806 |
| Total deferred tax liabilities | 4,052,802 | | 4,325,335 |
| Deferred tax liability, net | Ps. (4,022,821) | Ps. | (4,267,059) |

f) For the years ended 31 December 2022 and 2021, the Company reported taxable profit of Ps. 3,005,068 and Ps. 2,212,143, respectively, on which income tax payable was Ps. 901,520 and Ps. 663,643, respectively.

g) As at 31 December 2022 and 2021, the Company has the following tax balances:

| | 2022 | | 2021 |
|---|-------------|-----|------------|
| Restated contributed capital account (CUCA) | Ps. 29,329 | Ps. | 13,505 |
| Net taxed profits account (CUFIN) | 21,209,264 | | 18,958,239 |

h) FIBRA real estate 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 fulfill 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 years ended 31 December 2022 and 2021, the Trust determined taxable profit of Ps. 1,497,707 and Ps. 322,973, respectively, 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 2022 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 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 MITL.
- 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.

Dignified vacation reform

The vacation reform published in the *Official Gazette* on 27 December 2022 and effective as of January 1st 2023 amends Articles 76 and 78 of the Federal Labor Law, which address vacation periods. Workers who have more than one year of service are now entitled to 12 paid vacation days per year, increasing by two days for each additional year of service until the fifth year (20 days). As of the sixth year, the number of vacation days granted to employees will increase by two days for each additional five years of service. Each employee may use such vacation days as they prefer, upon agreement with their employer. Article 78 was amended to indicate that, of the total vacation period provided for in Article 76, the worker shall be entitled to at least twelve continuous days. As at 31 December 2022, the Company recognized an increase in the provision for paid annual leave in its financial statements.

Labor outsourcing reform

In April 2021, the Mexican government amended the Federal Labor Law, the Federal Tax Code and other laws that regulate employment in order to prohibit the outsourcing of employees, except under specific circumstances. Derived from this tax reform, entities are not allowed to deduct outsourcing expenses or credit their input value added tax on outsourcing expenses. In a worst-case scenario, labor outsourcing may be considered as tax fraud. This reform became effective on September 1st 2021.

As a result of the labor outsourcing reform, the Company transferred employees between Group companies, along with all labor obligations related to past services provided. The labor outsourcing reform had no effect on the Company's consolidated financial statements.

Employee profit sharing

As a result of the labor outsourcing reform, in 2021 the method used to calculate employee profit sharing was modified. New requirements were established, whereby the employee profit sharing payable to each employee is capped at three times their current monthly wage or the average employee profit sharing received by the employee in the three prior years (assigned employee profit sharing), whichever is higher.

If the amount of employee profit sharing determined by applying the 10% rate to taxable profit is higher than the sum of the employee profit sharing allocated to each employee, the latter must be considered as the amount of employee profit sharing payable for the period. In accordance with the Mexican Labor Law, the difference between these two amounts does not generate a payment obligation either in the current or future periods.

If current employee profit sharing calculated using a 10% rate of an entity's taxable profit is equal to or less than the amount of the employee profit sharing assigned to each employee, the former shall be considered as the current employee profit sharing for the period.

18. 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.

As a result, 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. The Company's and the Trust's passive infrastructure includes non-electronic components used in telecommunications networks, including but not limited to rights of way, ducts, masts, ditches, towers, posts, equipment installations and related supplies, security, auxiliary equipment, land, physical space and pipes.

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

In February 2017, the IFT 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.

Merger

At the date of issue of these merged financial statements and with regard to the disappearing entity, the Company is in the process of obtaining acceptance from the tax authority of the processing form for the notice of cancellation of the Federal Taxpayer Registry (RFC, by its acronym in Spanish) due to merger.

In this regard, and in accordance with the procedure in force, it shall be deemed to be complete when the Company has filed the cancellation of the RFC of the disappearing entities mentioned in the preceding paragraph, as set out in Article 24 Section I of said code, Rule 2.5.25 of the Miscellaneous Tax Resolution and processing forms "86/CFF Notice of cancellation in the RFC due to merger" and "316/CFF Review prior to the filing of the notice of cancellation in the RFC".

Therefore, if the procedure for the cancellation of the RFC of the disappearing companies is not completed, the tax authorities could consider the merger as a disposal for tax purposes, with the relevant implications established in the MITL, Value Added Tax Law and other applicable laws.

Reference offer

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

In the terms of the Biennial Ruling, there is an offer currently in effect, which was duly approved by the IFT in November 2022 and will be valid from January 1st to 31 December 2023. As per the terms of the reference offer, carriers must sign both a general agreement and an individual agreement for each site they acquire access to for a minimum of ten years.

According to the Biennial Ruling, in July of each year the Company will be required to file a new reference offer for approval by the IFT. These new reference offers shall take effect on January 1st of the following year, although operators may agree on reference offers with longer terms than their current reference offers.

Towers and Antennas

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

19. 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 regions:

| Region | Mexican states | 2022 | | | 2021 | | |
|--------|--|------------------------------|-------------------------------------|--|------------------------------|-------------------------------------|--|
| | | Infrastructure rental income | Depreciation of right-of-use assets | Depreciation of passive infrastructure | Infrastructure rental income | Depreciation of right-of-use assets | Depreciation of passive infrastructure |
| 1 | Baja California Sur and Baja California | Ps. 459,909 | Ps. 122,171 | Ps. 172,798 | Ps. 399,685 | Ps. 94,084 | Ps. 155,464 |
| 2 | Sinaloa and Sonora | 691,448 | 135,521 | 278,623 | 587,573 | 127,863 | 228,148 |
| 3 | Chihuahua and Durango | 596,545 | 90,884 | 248,191 | 430,491 | 95,748 | 170,792 |
| 4 | Nuevo León, Tamaulipas and Coahuila | 1,204,026 | 210,514 | 424,878 | 1,023,973 | 211,693 | 337,692 |
| 5 | Jalisco, Michoacán, Colima and Nayarit | 1,310,664 | 240,922 | 512,433 | 1,071,156 | 231,614 | 395,739 |
| 6 | Querétaro, Guanajuato, San Luis Potosí, Aguascalientes and Zacatecas | 1,222,533 | 246,269 | 461,948 | 1,021,248 | 227,376 | 383,929 |
| 7 | Puebla, Veracruz, Oaxaca and Guerrero | 1,747,197 | 338,907 | 614,700 | 1,374,145 | 297,634 | 485,058 |
| 8 | Yucatán, Campeche, Tabasco, Chiapas and Quintana Roo | 1,254,683 | 227,363 | 429,769 | 968,774 | 226,323 | 314,367 |
| 9 | Hidalgo, Morelos and Mexico City | 1,932,746 | 535,380 | 653,755 | 1,687,277 | 122,681 | 904,356 |
| | Total | Ps. 10,419,751 | Ps. 2,147,931 | Ps. 3,797,095 | Ps. 8,564,322 | Ps. 1,635,016 | Ps. 3,375,545 |
| | Other foreign sites | | | | | | |
| 1 | Costa Rica | Ps. 125,575 | Ps. 24,091 | Ps. 25,921 | Ps. 124,187 | Ps. 25,558 | Ps. 26,542 |
| | Total foreign sites | 125,575 | 24,091 | 25,921 | 124,187 | 25,558 | 26,542 |
| | Total | Ps. 10,545,326 | Ps. 2,172,022 | Ps. 3,823,016 | Ps. 8,688,509 | Ps. 1,660,574 | Ps. 3,402,087 |

20. SUBSEQUENT EVENTS

- i) The loan payable by Telesites Costa Rica to Bank Of America matured on 23 February 2023. On that same date, the parties to the loan agreement extended the maturity date through an extension letter, whereby they agreed to increase the interest rate to 5.60% and set the new maturity date at 2 March 2023.

On March 1st 2023, amendment number 1 was signed under the unsecured term loan agreement, which ratifies the 5.6% interest rate and extends the loan term for 5 years as of the signing date.

- ii) In January 2023, the Company paid interest of Ps. 391,243 and Ps. 243,983 on its OSM-15 Mexican peso structured notes and OSM-15U UDI structured notes, respectively.