telesites

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3,300’000,000 shares series “B-1”, ordinary, registered, without par value; representing the outstanding capital stock to December 31, 2016:

Ticker Code in the Mexican Stock Market: “SITES”

The shares issued by TELESITES, S.A.B. de C.V. are registered in the Securities Section of the National Securities Registry and are listed on the Bolsa Mexicana de Valores, S.A.B. de C.V. (Mexican Stock Exchange). Inscription in the National Securities Registry does not imply any certification whatsoever regarding the securities’ soundness or the issuer’s solvency or regarding the exactness or truth of the information contained herein, nor validates any actions that, if applicable, may have breached the applicable legal provisions.

ANNUAL REPORT PRESENTED ACCORDING TO THE GENERAL RULES APPLICABLE TO SECURITIES ISSUERS AND TO OTHER STOCK MARKET PARTICIPANTS FOR THE YEAR ENDED DECEMBER 31, 2016.

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1. GENERAL INFORMATION

a) GLOSSARY OF TERMS AND DEFINITIONS

Capitalized terms that are not expressly defined herein will have the meaning in the singular and plural assigned below.

"AMX Shares"	Means any or all of the shares of capital stock of América Móvil, regardless of its series.
"TELESITES Shares"	Means any or all of the shares of capital stock of TELESITES, regardless of its series.
"América Móvil or AMX"	Means América Móvil, S.A.B. de C.V.
"BMV" or "Bolsa"	Means the Bolsa Mexicana de Valores, S.A.B. de C.V. (Mexican Stock Exchange).
"Sole Circular" or "CUE"	Means the general rules applicable to securities issuers and to other stock market participants published in the Official Gazette of the Federation on March 19, 2003, as well as its amendments.
"CNBV"	Means the Comisión Nacional Bancaria and de Valores (National Banking and Securities Commission).
"Company", "Issuer" or "TELESITES"	Means TELESITES, S.A.B. de C.V.
"Spin-off from América Móvil"	Means the spin-off thru which América Móvil transferred assets, liabilities and capital to TELESITES.
"Spin-off from Sercotel"	Means the spin-off thru which Sercotel transferred assets, liabilities and capital to Promotora.
"Spin-off from Telcel"	Means the spin-off thru which Telcel transferred assets, liabilities and capital to OPSIMEX.
"United States or USA"	Means the United States of America.
"Slim Family"	Means Carlos Slim Helú and members of his immediate family.
"Control Trust"	Means trust F/0126 of Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa, División Fiduciaria, which according to the available public information, owns shares series "B-1" of TELESITES in benefit of Slim Family.
"INDEVAL"	Means S.D. Indeval Institución para the Depósito de Valores, S.A. de C.V. (Securities Deposit).
"Site Infrastructure" or "Passive Infrastructure"	Means non-electronic telecommunications network elements mainly composed of: (i) actual building space (or sections thereof) held under any legal title; (ii) the

	towers, masts and other structures that provide support for radio communication antennas; and (iii) the civil works as well as the conduits, frames, ducts, elements to define and restrict access as well as other attachments on the site that are useful to install and operate radio equipment.
"Institute or IFT"	Means the Federal Telecommunications Institute.
"ISR"	Means Income Tax.
"VAT"	Means Value Added Tax.
"LFTR"	Means the Federal Telecommunications and Broadcasting Act.
"LGSM"	Means the General Business Corporations Law.
"LISR"	Means the Income Tax Law.
"LMV"	Means the Securities Exchange Act.
"Mexico"	Means the United Mexican States.
"MM"	Millions.
"IFRS"	Means las International Financial Reporting Standards, issued by the International Accounting Standards Board ("IASB").
"Tower Reference Offer 2015"	Means the reference offer to provide access services and shared use of the passive infrastructure approved for Telcel for the IFT thru resolution P/IFT/051114/376 dated November 5, 2014, effective until December 31, 2015.
"Tower Reference Offer 2016-2017"	Means the reference offer to provide access services and shared use of the passive infrastructure approved for Telcel for the IFT thru resolution P/IFT/EXT/241115/173 dated November 24, 2015, effective from January 1, 2016 to December 31, 2017, which may be consulted online at: www.TELESITES.com.mx/Opsimex/ofertaaucip
"Tower Reference Offer"	Either the Tower Reference Offer 2015 and the Tower Reference Offer 2016-2017.
"OPSIMEX"	Means Operadora de Sites Mexicanos, S.A. de C.V.
"Promotora"	Means Promotora de Sites, S.A. de C.V.
"Ps", "$" or "Pesos"	Means Mexican pesos, legal currency of Mexico.
"Annual Report"	Means this Annual Report, prepared according to Annex N of the Sole Circular.
"RNV"	Means the National Securities Registry.

"SAT"	Means the Tax Administrative Service.
"Sercotel"	Means Sercotel, S.A. de C.V., a direct subsidiary of América Móvil.
"Telcel"	Means Radiomóvil Dipsa, S.A. de C.V., an indirect subsidiary of América Móvil.
"Telmex"	Means Teléfonos de México, S.A.B. de C.V., an indirect subsidiary of América Móvil.

Terms such as "we are", "us" and "ours" jointly refer to TELESITES and to its indirect subsidiary, OPSIMEX, unless the context indicates otherwise.

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b) EXECUTIVE SUMMARY

General Information about TELESITES

TELESITES, S.A.B. de C.V., is a stock company with variable capital that was incorporated (i) by instrument 55,433 on October 19, 2015, certified by Patricio Garza Bandala, Notary Public 18 of Mexico City, acting as an associate of Ana Patricia Bandala Tolentino, Notary Public 195 of Mexico City, whose first official transcript was recorded in the Public Registry of Property and Commerce of Mexico City under commercial folio 548205-1 on December 10, 2015; and (ii) as a result of the Spin-off from América Móvil as the new business unit, which will permit, through its subsidiary OPSIMEX that the Site Infrastructure that at the time was owned by Telcel is accessed and used by all of the radio communication operators in Mexico, becoming the best option to finance the capital investments in the development of their corresponding networks and/or radio communication services.

TELESITES operates in Mexico, its principal market, as well as in Costa Rica. Nevertheless, we continuously evaluate business and investment operations that may include expanding our presence in other territories and countries other than those where we currently operate.

During the last years, the global tendency in the telecommunication industry has been to simultaneously expand clients and networks. In particular, the development of its own infrastructure was considered a strategic activity for the participating companies, since it was the beginning of the deployment of mobile networks and coverage was the great differentiator. However, the development of mobile telecommunications within the market has led both in developed countries as well as developing countries for telecommunication operators to redefine its strategy towards differentiation in the service and deployment of Site Infrastructure.

These conditions in addition to the increasing investment requirements to meet the volume of data traffic, have required adjustments to the Company's telecommunications strategies, which have resorted to (i) sharing towers and sites where these are located or (ii) the sale to a third party so the latter may market and exploit these more efficiently.

This shift in paradigm is especially important in Latin America and the Caribbean because the penetration of landlines in the region is relatively low when compared to the rest of North America or Europe; making the deployment of mobile telephone networks more relevant. Therefore, it is estimated that mobile telecommunications will play an increasingly important role in Latin America and the Caribbean given the demand for broadband services; particularly the deployment of fourth generation, long-term evolution ("LTE") technology may prompt the need to introduce new networks and increase coverage. Companies like Telefónica, Oi, Nextel and Millicom, among others, have adopted business models as described in the preceding paragraph, having sold over 30,000 towers for mobile telecommunications in recent years.

In this way, wide ranges of specialized companies have emerged to provide radio communication infrastructure. According to KPMG[1], in India, for example, in 2006, 100% of the towers were operated by the telecommunications operators themselves, while in 2010 nearly 85% were operated by independent Companies.

In the US, three public Companies operate in the radio communication infrastructure sector; to wit: American Tower Corporation, Crown Castle International Corporation and SBA Communications Corporation. According to S&P Capital IQ report issued in August 2014, American Tower Corporation was the largest independent operator of remote communication and broadcasting towers in North America based on the number of towers and sales. Currently, more than half of its sites are located outside the US.

[1] Source: KPMG - *"Passive Infrastructure Sharing in Telecommunications", 2011.*

In general, the principal clients of these companies are mobile communications companies with greater market share in the US. So, in the case of American Tower Corporation, they represented 85% of its domestic sales in 2014. One of the ways these companies have appreciated is by the sale made by radio operators of certain assets forming part of its passive infrastructure.

This is the result of considering more efficient and competitive to share this infrastructure and to take advantage of the resources earned to finance its main business. Moreover, there are many examples of telecommunications operators that have started their passive infrastructure business in order to have two different and specialized businesses. In fact, Telefónica recently announced in the media about the creation of Telxius, a new global Company that will group certain telecommunications infrastructure assets and multi-national data centers.

In Mexico, the access and shared use industry of Passive Infrastructure and related services started over 14 years ago and has accelerated significantly in the last years with the sale of portfolios of towers by certain mobile communications operators. Presently, five companies operate in this sector of the Mexican market, which jointly have over 10,000 towers. Currently, the main operator is American Tower Corporation; however, Mexico Tower Partners is also present, among other competitors.

The creation of OPSIMEX generated significant benefits, such as driving other companies to independently offer Site Infrastructure services. This profitability is generated by the fact that the telephone towers where used by more operators.

Moreover, important returns may be taken advantages of when operating our business separately; including;

1. A business model focused on profitability: we will focus on a business that will generate the following benefits:

    a. Increased profits. Since the majority of the mobile telephone companies consider advantageous to share Site Infrastructure instead of individually assuming the costs related to installation and administration of this industry sector, it opens the door for our assets to be marketed with two or more clients, thereby increasing the return on investment;

    b. Opportunity for growth. By distributing the costs and investments among a greater number of participants, TELESITES is able to extend its infrastructures in locations where it currently does not have network coverage;

    c. Business differentiated by stability. We operate the business with the most stability because normally these types of companies are capable of forecasting their income and long-term costs more accurately than telecommunications operators since the new contracts with space in towers have a duration of approximate periods of 10 (ten) years. The result is a suitable vehicle for investors seeking greater stability in the generation and distribution of returns;

    d. Benefits of competition. Since the new operators and the current competitors of Telcel in Mexico can take advantage of the Site Infrastructure previously deployed, these competitors are able to develop and scale their businesses quickly; in turn, benefiting infrastructure operators such as TELESITES because the increase in the number and size of the telecommunications operators in the industry will also increase the occupation indexes of its Site Infrastructure. This will strengthen the demand for the services that are offered and will increase the rate of return on their assets;

    e. Improved operations. The creation of a company focusing on the operation of a service that is useful for the telecommunications sector makes TELESITES' management and employees to dedicate their efforts to developing a company that is distinguished by the quality of the operations, which translates into benefits for their clients and, finally, for the final users; and

f. Diverse strategies. It is foreseeable that various strategies will increase profitability of the Business operated by TELESITES itself or through its affiliate, including emphasizing: (i) cost reduction; (ii) operation and optimal maintenance of the sites; (iii) better planning for the requirements of the new sites, demand for mobile operators and their technological requirements; and (iv) administration of their contractual relationships with clients and suppliers.

2. Market in growth. Various analysts anticipate that the explosion of data traffic for smart terminals will continue to drive the demand for more radio telecommunications infrastructure. Mobile communications operators need to continue to invest in the expansion of their network capacity to keep up with the increase in the demand for data plans as well as the migration of the users of the LTE platform.

3. Regulation. Regulations for telecommunications and broadcasting in Mexico could benefits TELESITES because the new telecommunications legislation has included mechanisms to promote investment and competition in benefit of higher quality services and greater market penetration.

By resolution dated March 7, 2014, the IFT ruled that an economic interest group formed by America Móvil and Telcel in the telecommunications sector existed as "preponderant economic agents" imposing specific measures, including the obligation to grant access and shared use of the Site Infrastructure ("Preponderant Resolution"). According to the terms of the Preponderant Resolution and the new legal framework, Telcel published the Tower Reference Offer 2015, effective until December 31, 2015. Moreover, on November 24, 2015, the IFT approved the Tower Reference Offer 2016- 2017 effective January 1, 2016 thru December 31, 2017. It is important to note that according to the new legal framework, TELESITES will present in July of this year a Tower Reference Offer Proposal for the approval of IFT.

According to the Preponderant Resolution, the obligations established therein will also apply to persons who are beneficiaries or licensees of its rights or resulting from corporate reorganizations or stock changes resulting from any concentrations of any type of agents related to the "preponderant economic agent" for which purpose the necessary terms and conditions for such purposes should be established to the Institute's satisfaction.

Therefore, our subsidiary, OPSIMEX, as the titleholder of the Site Infrastructure, is obligated to fulfill the Preponderant Resolution with respect to the access and shared use of the Site Infrastructure. Nevertheless, this company has an evident financial incentive to increase access to more operators.

It is important to mention that TELESITES Shares are recorded in the RNV and may be listed on the BMV. They are not subject to any change in the regulatory situation of AMX or to ours or any of our subsidiaries. However, after their registration and listing in the BMV, if any situation or condition occurs, eventually the Institution, on our behest, could determine to reduce or eliminate the burdens resulting from the Preponderant Resolution.

According to the changes made to the measures established by IFT, each year the latter will evaluate the impact of antitrust terms and, when applicable, may determine, suppress, amend or establish new measures.

Similarly, the provisions of LFTR provide that the preponderant economic agent will cease to be such when the IFT determines that its national participation, considering the variable used to declare it preponderant, was reduced below fifty percent.

Share Performance in the Stock Market

The table below contains information about the performance of the shares in the BMV as of March 31, 2017.

Series	Periodicity	Date	Last Price	Low Price	High Price	Volume
SITES B1	Annual	2016	11.24	10.22	12.77	374,320,000
	Quarterly	1Q17	12.14	10.91	12.70	131,180,000
		4Q16	11.24	10.22	12.77	196,910,000
	Monthly	mar-17	12.14	11.11	12.34	40,780,000
		feb-17	11.50	11.02	12.70	67,870,000
		ene-17	12.17	10.91	12.70	22,530,000
		dic-16	11.24	10.96	12.77	23,860,000
		nov-16	12.02	10.22	12.09	129,470,000
		oct-16	10.92	10.86	12.00	43,580,000

Series	Periodicity	Date	Last Price	Low Price	High Price	Volume
SITES A	Annual	2015	12.85	11.5	13.25	109,224,000

Series	Periodicity	Date	Last Price	Low Price	High Price	Volume
SITES L	Annual	2015	11.21	10.52	13.38	304,102,269

The following tables include the selected financial information of the Company:

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATE OF FINANCIAL SITUATION
(Amounts in thousands of Mexican pesos)

	As at 31 December			
		2016		2015
Assets				
Current assets:				
Cash and cash equivalents	**Ps.**	**231,533**	Ps.	470,279
Accounts receivable		**3,779**		618
Related parties		**104,969**		10,593
Recoverable taxes		**165,715**		9,545
Other current assets		**144,528**		200,993
Total current assets		**650,524**		692,028
Non-current assets:				
Licenses and software		**8,755**		-
Property and equipment, net		**43,173,883**		38,687,768
Deferred tax assets		**28,492**		31,271
Other non-current assets		**190,001**		145,436
Total assets	**Ps.**	**44,051,655**	Ps.	39,556,503
Liabilities and equity				
Current liabilities:				
Short-term debt and interest	**Ps.**	**345,486**	Ps.	1,000,377
Interest payable on long-term debt		**476,492**		388,908
Accounts payable and accrued liabilities		**430,122**		264,899
Taxes and contributions payable		**77,363**		572,778
Related parties		**190,518**		205,823
Employee benefits		**7,505**		3,201
Total current liabilities		**1,527,486**		2,435,986
Non-current liabilities:				
Long-term debt		**21,520,659**		18,769,543
Deferred tax liabilities		**10,488,050**		9,886,089
Retirement benefits		**3,767**		1,199
Asset retirement obligation		**831,670**		732,990
Total liabilities		**34,371,632**		31,825,807
Equity:				
Share capital		**35,000**		35,000
Other components of equity	**(**	**16,228,640)**	(	16,228,640)
Surplus from revaluation of assets		**23,861,672**		22,446,129
Components of other comprehensive income		**616**		-
Retained earnings		**2,962,554**		1,411,023
Net (loss)/income for the year	**(**	**951,179)**		67,184
Total equity		**9,680,023**		7,730,696
Total liabilities and equity	**Ps.**	**44,051,655**	Ps.	39,556,503

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIAS
CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT
(Amounts in thousands of Mexican pesos)

	For the year ended 31 December 2016	For the period from 5 January to 31 December 2015
Operating revenue:		
Infrastructure rent	**Ps. 5,179,879**	Ps. 4,230,638
Revenue from alteration services	**214,778**	66,464
Other income (Note 2s)	**21,999**	438,124
	5,416,656	4,735,226
Operating costs and expenses:		
Depreciation (Note 7)	**2,557,196**	2,322,780
Leases (Note 11)	**1,734,151**	1,552,339
Alteration service costs	**201,062**	63,141
Operating expenses	**396,896**	242,912
Other expenses	**35,530**	211
	4,924,835	4,181,383
Operating income	**491,821**	553,843
Net financing cost:		
Accrued interest income	**38,250**	143,662
Accrued interest expense	**(1,349,273)**	(422,280)
Foreign exchange loss, net	**(235,494)**	(126,320)
	(1,546,517)	(404,938)
(Loss)/income before income tax	**(1,054,696)**	148,905
Income tax (Note 16)	**103,517**	(81,721)
Net (loss)/income for the year	**Ps.(951,179)**	Ps. 67,184
Components of other comprehensive income:		
Revaluation surplus, net of taxes	**Ps. 1,415,543**	Ps. 22,446,129
Labor obligations, net of taxes	**(86)**	-
Foreign currency translation reserve	**702**	-
Total other comprehensive income	**1,416,159**	22,446,129
Comprehensive income for the period	**Ps. 464,980**	Ps. 22,513,313
Weighted average number of outstanding shares (thousands of shares)	**3,300,000**	3,300,000
Net (loss)/income per share attributable to equity holders of the parent	**Ps. (0.28)**	Ps. 0.020

c) RISK FACTORS

Risks Related to our Operations

Our Company has a history of operations, trajectory, financial statements and business strategy in the process of consolidation, making our future performance difficult to predict.

TELESITES was recently incorporated and has very limited history of operation to base the evaluation of its business and perspectives. We are subject to all the business risks and uncertainties related to any new business, including the risk of not reaching our operational objectives and business strategy. Therefore, we only have limited operating results to prove our capacity to operate our business. It should not be assumed that our future performance would be similar to the financial position and operating results reflected in our financial statement or those of other companies in the telecommunication infrastructure services industry. Our limited operating history increases the risk and uncertainty faced when investing in TELESITES and the lack of historical data may not permit to predict long-term trends.

Factors that affect the demand for Site Infrastructure could cause a material adverse effect in our operating results. Some of these factors are:

- Increase the shared use of networks, roaming of radio communication service providers;
- Merger or grouping of radio communication service providers;
- Granting of government permits for the radio sector or restriction or revocation of these permits;
- Environmental, zoning, health or other regulations or changes to its applications and compliance;
- Reduction in the demand for radio communication services by consumers due to the financial conditions and other factors, including inflation;
- The capacity and disposition of the radio communication service providers to maintain or increase CAPEX in the network infrastructure;
- Increase of the current competition and the entry of new market participants;
- Development costs of radio communication infrastructure;
- Our capacity to efficiently satisfy the service requests from our clients;
- Telcel’s financial condition and strategy for growth, our principle client to date and the financial situation of our future clients;
- Delays or changes in the deployment of next generation technologies, including those related to: (i) the number or type of radio communication infrastructure or other communication centers that are necessary to provide communication or radio communication services in certain locations; or (ii) the wear and tear of existing wireless networks; and
- Technological changes difficult to predict.

Any economic downturn or change in the financial and credit markets could impact customers' demand for mobile services. If mobile service subscribers significantly lessen their minutes or use data applications at levels lower than those expected, clients should reduce their capital spending plans, thereby reducing demand for the sites. This could have a material adverse effect on TELESITES' business, operating results and financial situation.

Clients, potential clients, suppliers and other persons with whom we engage in business could need assurances that our financial stability as an independent company is sufficient to satisfy their requirements to do or continue doing business.

Some clients, potential clients, suppliers and other persons with whom we engage in business, thru OPSIMEX, could require assurances that our financial stability as an independent company is sufficient to satisfy its requirements to do or continue doing business. Additionally, they could prefer to work with other companies.

Presently, our business mainly depends upon one client and we hope that it will continue to depend on a limited number of clients in the future.

Our income depends mainly on our affiliate, Telcel. Even if we are able to increase our number of clients, much of our income will depend on the latter and focuses on a small number of clients. Consequently, the reduction in the demand of agreements to use shared Site Infrastructure and the reduction of investments by our clients in the future as well as the bankruptcy or concentration of any of them could have material adverse effect on the business, our operating results, financial situation or expectations for growth. Telcel might even have to end its relationship with our subsidiary OPSIMEX, decide to compete in the same sector, develop its own Passive Infrastructure or contract sites with our competitors.

If our clients share Site Infrastructure to a significant degree or if are grouped together or merged, our growth, income and capacity to generate positive cash flows could be materially affected.

The possibility that radio communication service suppliers share passive infrastructure or enter into roaming agreements with radio communication service suppliers as an alternative to contract our services could have a material adverse effect on our growth and income if these suppliers decide to share passive infrastructure instead of deploying their own networks. For example, in the US, recently merged companies have re-evaluated or announced plans to reduce duplicate segments of their networks. We hope that something similar happens in Mexico if certain radio communication suppliers are grouped together. Moreover, certain merged companies have modernized or are streamlining their networks and along with other clients could decide not to renew the agreements executed with us.

We might not have sufficient capacity to recognize the benefits of the towers that we acquire through OPSIMEX.

A key element in our strategy for growth is to increase our tower portfolio. We will depend on our property analysis and on the financial statements and records of the lessors and third parties to establish advances on profits and expenses as well as the capacity of the integrated towers to fulfill our internal policies.

Our operations could be adversely effected if our clients experience a reduction in their business and if their financial situations weakens.

Our performance largely depends on our ability to successfully charge rates for the use and access of our clients, who as mobile operators, are subject to certain risks related with the industry, including without limitation, the following:

- An intense competitive environment;
- Governmental or regulatory intervention in the mobile communication industry, including the development of a new legal framework for telecommunication services in Mexico;
- Existence of regulations for prevailing or dominant operators;
- The constant need to streamline its networks as well as the acquisition of additional radio spectrum that will allow it to expand its subscriptions base and maintain the quality of its mobile services;
- The existence of fixed terms in concessions and licenses, without flexibility to negotiate the specific terms imposed for its renewal;
- Changes in technology that affect the manner in which these operate;
- System failures that could cause delays or interruptions in their services; and
- Cyber-attacks or security breaches in their networks.

To the extent that any of our clients experiences a business downturn or weakening of its financial condition, their ability to meet obligations with us on time will be affected, which could have an adverse effect on its business, financial condition and operating results.

If we are not able to renew the site agreements or enter into new site agreements with respect to the space available at the Site Infrastructure that our subsidiary OPSIMEX owns or if we are not capable of maintaining the rates, our profits could be adversely affected.

We cannot ensure that all the site agreements will be renewed once they expire and/or that new agreements will be entered into or that these will be executed with similar or greater rates. We cannot ensure that new site agreements will be executed with favorable terms or at all. Moreover, we will continue developing and acquiring sites as part of our strategy for growth. To the extent that the capacity to host clients on the Site Infrastructure owned by our subsidiary is kept unoccupied for long periods of time, we will earn lesser income or no income from these sites, which could affect our financial situation and operating results.

Our site agreements might could cause us not to earn an income in the event where the sites are damaged, partially or completely. In the event that some or all of the sites of our subsidiary, OPSIMEX, suffer any damage, partially or completely, due to various circumstances, including natural disasters, we will not earn an income, which could have a material adverse effect on our financial situation and operating results.

We could face difficulties in obtaining the necessary resources to finance our needs for work capital, investment expenses or our strategy for growth.

TELESITES depends on its financial capacity to address its need for work capital, investment expense or its strategy for growth. We might need additional resources to implement our expansion plans. TELESITES plans to use cash flow generated by its operations and, if necessary, could incur in securities or bank debt. We cannot guarantee that TELESITES will be able to generate sufficient cash flow from its operations or that it will be able to continue receiving financing from current sources or from other sources, under similar terms as those applicable to their current financing agreements. Adverse changes in the credit markets in Mexico or in other countries, including the existence of higher interest rates, less liquidity and a preference for long-term financing by financial institutions could increase the costs to access new funds or to refinance existing commitments. The impossibility of obtaining access to additional capital according to terms acceptable for TELESITES could increase its financial costs and restrict its capacity to implement its expansion plans, which could seriously affect its business, financial situation and operating results.

We are exposed to risks related to the development of new sites.

We are exposed to risks related to our development activities for the Site Infrastructure, which could adversely affect our business, financial situation and operating results, including the following:

- Exploring development activities could be abandoned and the investments related to the research and valuation of these opportunities might not materialize;
- We might not be able to install our sites in adequate locations;
- Due to the increase cost of zoning, authorizations and/or permits, our activities might not be as profitable as expected;
- We might not be able to obtain or change, or we might have delays and additional costs in obtaining or changing the necessary facilities as well as the corresponding authorizations and permits;
- The feasibility studies for the development of new sites could have errors when implementing them;
- Development costs might be higher than expected;
- Sites or construction might be affected by natural disasters, which would allow us to complement them according to our estimates;
- We might not be able to find clients for the new sites;
- Opposition by neighborhood groups at the construction of new sites; and
- We might not be able to collect payment rates from new clients.

These risks could generate substantial and unexpected expenses or delays and, under certain circumstances, could avoid projects that were initiated from terminating. Any of these causes might adversely affect our business, financial situation and operating results.

We might not be able to successfully implement our strategy for growth or to effectively conduct our growth.

Our future success depends on our capacity to maintain our business growth by developing new sites, expanding our client base and increasing the percentage of occupation of our Site Infrastructure. The successful implementation of our expansion strategy will require expenses and investments even before that significant income generated. This will depend on a series of factors, including our ability to detect and ensure suitable locations for our sites at the same level as the current and future competition, the availability of additional capital, a favorable financial market, macroeconomic conditions in Mexico and worldwide as well as the favorable perception of our relationship with Telcel. We cannot guarantee that we will be successful in the materialization of any investment opportunities that we will identify or that one or more investments that we make will generate income, cash flow or the expected profits. Even if we are successful, we cannot guarantee that we will perform our operations successfully nor that we will satisfy the increase of the demand. Any profits obtained from our investments will be less than expected or could result in losses that might adversely affect our business, financial situation and operating results.

We might not be able to successfully expand our operations into other markets.

We continuously evaluate future business opportunities and possibilities for expansion and investment both within Mexico and beyond. Should the opportunity arise, we might expand our operations to new markets beyond Mexico. In this case, in addition to the risks inherent to our business, we might not have the same expertise of the dynamics and conditions of the new markets negatively affect our profitability. It is also entirely possible that the expected returns on the future investments that we decide to undertake in new markets are not entirely achieved as a result of market conditions and other factors, or if the estimated projects are not concluded on time for reasons beyond the control of the company.

In addition, the expansion into new territories and markets implies a need to obtain permits and approvals to operate our business and/or construct and operate new infrastructure in these new territories and markets. Difficulty to obtain, renew or maintain these permits and/or approvals could have a negative impact on the company, financial situation, operating results and perspectives.

Moreover, each country or market where we might venture in the future will present specific conditions that can impact its overall performance, such as interest rates fluctuations, currency fluctuations, trade barriers, inflation, changes in consumer spending habits, social and political instability, new legal and tax regimes, among others. We cannot ensure that the future development of economic conditions in the countries where we decide to invest or venture and where we have no control will not have an adverse effect on our operations.

The Company has no experience with operations in jurisdictions beyond Mexico.

The Company has no experience with operations in jurisdictions other than Mexico and may not be able to develop the relationships that are necessary with authorities, employees and/or clients. Other relevant factors for the Company's business are the governing laws and regulations that could be significantly different from those applicable to their operations in Mexico. If the Company expands its operations beyond Mexico, any delay or impossibility to adapt and comply with the operating and regulatory environment could have an adverse effect on its business, operating results and the financial situation of the Company.

New technologies or changes in the business models of our clients could make the Site Infrastructure business less attractive and profitable, resulting in a decrease to our profits.

The development and implementation of new technologies designed to increase the efficiency of radio communication networks or the changes to the business models of our clients could reduce the need to resort to our Site Infrastructure. This could reduce the demand for space for the towers and decrease the occupation rates that are expected. Moreover, telecommunications operators could reduce their budget to execute site agreements to lease our Site Infrastructure.

Delays and changes to the implementation or adopting new technologies or decrease in adopting these by consumers could have a material adverse effect on our growth.

There is no certainty that third, fourth or other generation of new mobile technologies will be implemented or adopted with the forecasted speed or that these new technologies are implemented in the manner that was anticipated. Moreover, consumer demand to adopt these new technologies once they are implemented could be less or slower than planned. These factors could cause a material adverse effect on our growth.

If we are not capable of protecting our rights to property where our Infrastructure Sites are located, we might have a material adverse effect on our business and operating results.

Rights to the properties where our Infrastructure Site are located mainly consist in lease and sublease agreements for the properties as well as usufructs, which are mostly set in domestic currency. The loss of these rights over a significant amount of properties and infrastructure where the Infrastructure Site is located could interfere with our capacity to operate towers and other elements of the Site Infrastructure, thus adversely affecting our income.

For different reasons, we might not always be able to have access, analyze and verify all of the information concerning ownership titles or possession before entering into a lease or any other agreement that creates a right to a property where a tower will be located could generate uncertainty about the sufficiency and security of our right to the corresponding property as well as affecting rights to enter and operate on this site. We could face disputes with the building owners and/or with the authorities with respect to the lease agreements and/or with properties where the Site Infrastructure are located. This could affect our ability to enter and operate certain sites and could generate a dispossession of the building where the Site Infrastructure is located.

Moreover, rights to the properties might not be enforceable to third parties. We might be unable to assert these rights against claims brought by persons with a greater rights to the properties. For various reasons, owners might decide not to honor or renew lease agreements entered into with us. The prevailing term for the leases that have been executed is 10 (ten) years. The inability to protect our rights to properties could have a material adverse effect on our business, operating results and financial situation.

Investment in our sites might not be liquid and, therefore, our ability to use our sites in favorable terms or in any other term will depend on factors that are beyond our control.

Investment in our sites might not be liquid. This could affect our flexibility to adjust the Site Infrastructure owned by our subsidiary to changes in market conditions. If it becomes necessary to sell any tower belonging to the Site Infrastructure for liquidity purposes, it might be necessary to have these at prices below market level and be subject to pay taxes and various expenses, which could adversely affect our business, financial situation and operating result.

Our capacity to sell sites under favorable terms or in any other term depends on factors beyond our control, including competition, demand from potential buyers, access from buyers to financial sources at attractive rates and the prices corresponding to the geographic location where our sites are located. We cannot predict the market conditions that will prevail at a certain period and that could affect our investments in sites. Due to the uncertainty in market conditions that could affect the sale of the sites in the future, we cannot ensure that, if necessary, we will be able to sell these assets owned by our subsidiary and earn a profit or do so in the short term.

Rights to properties where our Site Infrastructure is located could have an expiration term less than the agreements for the shared use of the Site Infrastructure.

Certain rights to the properties where our Site Infrastructure are located could have expiration dates that are shorter than the expiration dates of the agreements for the shared use of the Site Infrastructure that we have entered into with clients. In these cases, we will use our best efforts to renew these agreements or, alternatively, we might offer our clients to relocate the access to the Site Infrastructure. We cannot ensure that the suppliers or clients will agree and the latter may terminate in advance the agreements for access to the site entered into with us, which could cause a material adverse effect, a decrease to the operating results and an encumbrance upon our financial situation.

Costs might increase and income could decrease due to perceptions about health risks caused by radio emissions, especially if these perceptions of risk have merit.

Public perception concerning potential health risks associated with mobile phones and other wireless communications could hinder growth for the radio communication service companies. In particular, a negative public perception concerning health risks as well as the regulation related to these risks could compromise market acceptance of wireless communication and increase opposition to the development of the Site Infrastructure. Recently, the scientific community has studied the potential link between radio frequency issuances and certain health or environmental problems. Claims have been filed seeking damages for health reasons against wireless service providers and manufacturers of this equipment. If a scientific study or court order evidence that radio frequencies generate health risk for consumers, it could negatively affect telecommunications operators and the wireless service markets or those related to telecommunications, which would cause a material adverse effect on our business, operating results and financial situation.

Increased competition in the infrastructure industry at the service of radio communications could have a material adverse effect on TELESITES.

TELESITES could face increased competition, which could cause the acquisition of high-quality assets to become notably more expensive and impact its ability for growth as well as cause a decrease to its price and operating margins. Certain potential competitors, such as passive infrastructure suppliers, who allow access to their towers, could be greater in size and have more financial resources.

The telecommunication industry is highly competitive and our clients could find numerous alternatives to lease elements of passive infrastructure. Favorable prices offered by its clients could have a material adverse effect on our leasing rates and the income earned from services. Additionally, we might not be capable of renewing the current operating agreements with clients once these expire or entering into new agreements, which will have a material adverse effect on its operating results and rate of growth. Additionally, certain telecommunication service suppliers could opt to develop their own Site Infrastructure without resorting to our services.

Prices of the assets along with the pressure from the competition in terms of prices set in the lease agreements for Site Infrastructure could hinder our return on investment.

LFTR and the Preponderant Resolution could affect the income on our capital investments.

According to the LFTR, the Institute will encourage agreements to be entered into between licensees for the placement and shared use of the Site Infrastructure. If licensees cannot reach an agreement, the Institute may, when it considers it an essential supply to provide the service and if no substitute exist, establish the conditions for use, the sharing the physical space as well as the corresponding consideration. Moreover, the Institute may verify, at any moment, the conditions of the cooperation agreements in order to value their impact on the effective competition in the sector in question and may establish measures so that said cooperation is carried out and access is granted to any licensee under non-discriminatory conditions as well as those required to prevent or remedy the results contrary to the competition proceedings.

Additionally, according to the Preponderant Resolution, we are obliged to permit other operators the access and shared use of our passive infrastructure on non-exclusive and/or discriminatory basis. Entry fees and shared use rates for the Passive Infrastructure should be negotiated with the operator that requested these services. If the parties do not reach an agreement, IFT may set the entry fee for which purpose it will use the method of long-term average incremental cost. It should be offered under non-discriminatory terms and may be differentiated by geographical areas.

We cannot guarantee that the rates, as applicable, set by the Institute as a result of the process will generate sufficient income to cover our present or future investment needs, whether these will be sufficient to cover our costs, generate the forecasted income or whether these will be similar to the rates charged at other sites.

If we incur a high level of debt, our business and capacity to take advantage of business opportunities could have a material adverse effect.

We might incur in debt, which could directly or indirectly have the following effects:

- Limit our capacity to comply with the obligations under debt instruments;
- Limit our capacity to pay dividends, once these are decreed;
- Increase our vulnerability to adverse economic, geographic, regional or industrial conditions;
- Request that a portion of our cash flow from our operations be allocated to pay the debt, placing us at a competitive disadvantage before other competitors with lower debt levels;
- Limit our flexibility in the planning to react to changes in the business and the industry where we operate;
- Limit our flexibility in the planning to react to changes in the business and the industry where we operate;
- Limit our capacity to take advantage of the market opportunities;
- Limit our capacity to obtain additional financing; and
- Increase the financing cost.

TELESITES' capacity to generate sufficient cash to satisfy its present or future payment obligations will depend on its operating performance, which could be affected by the prevailing economic, financial and business conditions as well as other factors. These might well be beyond TELESITES' control. If TELESITES is unable to settle its level of indebtedness, it will be forced to adopt an alternative strategy that could include measures such as reducing or delaying capital expenses, selling assets, restructuring or refinancing its debt or issuing shares. These strategies may not be implemented in satisfactory terms, or at all.

In the future, from time to time, TELESITES may incur in a substantial form of debt. If TELESITES incurs in debt, the risks that it would face as a result of the foregoing might be intensified.

If we do not abide by the laws and regulations governing our business, which may change from time to time, we could be sanctioned and, perhaps even, loose certain rights within some of our business sectors.

Our business is regulated by many laws and provisions. Any breach by us to this regulation could result in sanctions and compensations. We cannot guarantee that the current or future legislation and regulation, including for tax matters, will not restrict our business or make us incur in additional costs. These factors might have an adverse material effect on us.

Our Site Infrastructure could be affected by natural disasters and other unexpected events with respect to which our insurance policies do not offer proper coverage.

Our Site Infrastructure is subject to risks related to natural disasters, such as storms, tornadoes, floods, hurricanes and earthquakes as well as other unforeseen events. Any damage or loss to parts of our Site Infrastructure or to our databases could affect our ability to provide services to our clients. Despite the fact that we have insurance coverage against natural disasters, these could be insufficient or inadequate to cover the costs of repairs or reconstruction of events of force majeure.

We are a holding company that even when we earn our own income, we depend on dividends and other resources from our subsidiaries to pay dividends to the extent that we may decide to do so.

We are a holding company and our operations are carried out mainly through our subsidiaries. As a result, our ability to pay dividends depends mainly on the ability of our subsidiaries to generate revenue and pay dividends. Our subsidiaries are independent and separate companies. Any payment of dividends, distributions, credits or advance payments by our subsidiaries is limited by the general provisions of the Mexican legislation with respect to the distribution of corporate revenue, including those related to payment by law of employee profit sharing. If a shareholder files a claim against us, the enforcement of any ruling will be limit to the assets available from our subsidiaries. Dividend payments by our subsidiaries also depends on the profits and their business considerations. Additionally, our right to receive any assets from any subsidiary as a shareholder of these subsidiaries, their liquidation or reorganization, will actually be subordinated to the creditor's rights of our subsidiaries including the creditor commercial.

In July 2015, our subsidiary OPSIMEX listed and offered in Mexico and abroad Stock Certificates recorded in the RNV; therefore, it assumed together with the holders of these debt instruments certain affirmative and negative covenants. These include not being authorized to distribute dividends to its shareholders for a period of three (3) years as of the issuance date of the securities certificates in question. This obligation will be valid until OPSIMEX does not totally pay these securities certificates.

The delay, absence or dismissal by different government levels to grant our subsidiaries operational permits and licenses to operate and expand their network of Site Infrastructure could adversely affect our financial situation, operating results and may have a material adverse effect for us.

Mexico does not have a regime granting certainty with respect to the permits, authorizations and licenses to install radio communication sites and the determination of the corresponding costs. Since municipal, state and federal authorities establish requirements from time to time to obtain specific permits, many times concurrent for the same location, we might not be able to implement our expansion plans on time and at all if we fail to obtain the authorizations required by the different government levels. The delay, absence or dismissal of the necessary authorizations to maintain and expand our network could adversely affect our ability to install or maintain the radio communication sites, resulting from a material adverse effect, a deduction to the operating results and an encumbrance upon our financial situation.

Our business relationship with Telcel could create potential conflicts of interest and result in unfavorable terms for us.

We believe that the transactions carried out with our principal client, Telcel, are done during the ordinary course of our business. However, these operations could create potential conflicts of interest and result in terms that are less favorable for us than those that we might obtain from an unrelated party.

Risks related to Mexico

Economic, political and social conditions could adversely affect our business.

Our main operations are located in Mexico. As a result, we are subject to political, economic, legal and regulatory risks specific to Mexico, including the general conditions of the Mexican economy, average rent per capital and unemployment rates. An economic downturn in Mexico, social instability, political disturbances and other adverse social events could affect our business and financial condition negatively. These events also could lead to more volatility in the rate of exchange and the financial markets, which could affect our ability to secure new financing and to pay our debt. The Mexican government recently cut expenditures in response to the downward cycle of international prices of crude oil and to reduce expenditures in the future. These cuts could have an adverse effect on the Mexican economy and, consequently, on our business, financial condition and operating results.

In the past, Mexico has experienced severe periods of slow or even negative growth, high inflation, high interest rates, devaluation in the rate of exchange and other economic problems. In 2014, 2015 and 2016, inflation in Mexico, according to the variations in the National Consumer Price Index, was 44.08%, 2.13% and 3.36% respectively and the average interest rate per annum of the Treasury Bills to 28 (twenty-eight) days (CETES) for the same period were 3.0%, 2.98% and 4.17%respectively. Future inflation and interest rates hikes could adversely affect our operating results by increasing the operating cost, in particular the cost of labor, the spending power of our clients and the cost of infrastructure as well as our financial costs.

The deterioration of the financial conditions or international economy, including a slowdown in the conditions of growth or recession in the trading partners of Mexico, including the US or if a new financial crisis arises, adverse effects could occur to the Mexican economy, our financial condition and out capacity to pay our debt.

Political events in Mexico could have an adverse effect on our operations.

Political events in Mexico could significantly affect its economic policy and, consequently, our operations. Political disagreements between the executive and legislative branches could prevent the timely implementation of political and economic reforms, which could have an adverse and significant effect on Mexico's economic policy and our business. It is also possible for the political uncertainty to adversely affect Mexico's economic situation. We cannot ensure that Mexico's political events, which are beyond our control, will not have an adverse effect on our business, operating results or financial condition.

The Mexican government has asserted, and continues to assert, significant influence on the Mexican economy. Changes to Mexico's governmental policies might affect negatively the results of our operations and our financial condition.

The federal government has asserted, and will continue to assert, significant influence over the Mexican economy. Consequently, the actions and policies of the federal government with respect to the economy, public expenditures and investment, state companies controlled by the State, whether financed or with government influence could have a significant impact on entities in the private sector in general and over us in particular and over market conditions, prices and return on investment in Mexican securities. In the past, the government has invested in the domestic economy and occasionally has made significant changes to policies and legislation. This might continue in the future. Its measures to control inflation and other regulations and policies involved, among other aspects, increases to the interest rates, changes to tax policies, price controls, currency devaluation, control of capital and limit to importation. Our business, financial condition and operating results might be affected by changes in the government policies or legislature that involve or affect our management, operations and tax regime. We cannot ensure that the changes to the federal government policies will not affect our business, financial condition and operating results. Tax legislation is subject to constant change and we cannot ensure that the Mexican government will not make changes to it or to any of its existing policies in the political, social, economic or other sectors. These changes could have an adverse effect on our business, financial condition or operating results.

Violence linked to drug trafficking in several regions of the country could interrupt the projects of the Company.

Certain regions of Mexico have experienced bouts of violence linked drug trafficking. Therefore, the construction and start-up of new sites could be adversely affected by these outbreaks of violence, any increase in the level of violence or a concentration of violence in the areas where these might be located, which could have adverse effect on the operating results and the financial situation of the Company.

Events in other countries could affect the market price of our securities and adversely affect our capacity to obtain additional financing.

The market value of Mexican companies is affected, to different degrees, by the economy and market conditions in other countries, including the US, EU and emerging market countries. Although the economic conditions in these countries may differ significantly from the economic conditions in Mexico, the reactions from investors to events in any of these other countries could have an adverse effect on the market value of the securities of Mexican Issuers. A crisis in the US, EU and emerging market countries could decrease the interest from investors in securities of Mexican Issuers. This could materially and adversely affect the market price of our securities and could also make it more difficult for us to access capital markets and to finance our operations in the future in terms that are acceptable, or at all.

Additionally, recently economic conditions in Mexico have become increasingly more related to the US economic conditions as a result of the North American Free Trade Agreement ("NAFTA") and the increase economic activity between the two countries. Therefore, adverse economic activities in the US, the termination or renegotiation of NAFTA or other related events could affect our business, financial condition or operating results. We cannot guarantee that these events in other emerging market countries, in the US, or in any other part of the work will not adversely affect our business, financial condition and operating results.

Risks related to shareholding or investments.

The offer of future securities or the sale of future shares by our controlling shareholder or the perception that this sale may occur could result in the reduction or decrease in the market price of our shares.

Despite the fact that on the date of this Annual Report we have no intention of doing so, in the future we may issue additional securities. These may include shares and/or instruments convertible or exchangeable into shares to finance, purchase and any other corporate purpose. Additionally, our majority shareholders may reduce their shareholding interest in TELESITES. These issuances or sales, or the expectations of such, could result in a reduction of the economic and corporate rights of our shareholders with respect to our company and in a negative market perception. This situation could potentially reduce the market value of our shares.

The possibility that our shares are traded at a discount value in books per share is separate and distinct from the risk that the value of the net worth per share could reduce. We cannot foresee whether our shares will be listed above or below the value of the net worth per share.

Currently a public market does not exist with respect to the Shares and this market may not be developed in a manner that offers investors proper liquidity.

Market price for our shares could be influenced by several factors, some of which are beyond our control, such as:

- High volatility of the market price and volume of securities traded for companies in the sectors where our subsidiaries and us participate, which are not necessarily related with the performance of these Companies;

- After listing the Shares in the RNV or the changes to the financial forecasts by analysts or if these forecasts are not reached or when surpassed or changes to the recommendations made by any analysts who decide to follow our shares or the shares of our competitors;

- Performance of the Mexican economy or of the sectors where we participate;

- Change to profits or variations to our operating results;

- Differences between the financial results and the actual operation and those expected by investors;

- Performance by companies that are comparable to us or our subsidiaries;

- Publicity by us or our competitors with respect to contracts, acquisitions, strategic partnerships, joint ventures or significant investment commitments;

- New laws or regulations or new interpretations of laws and regulations, including tax provisions or any other applicable to our business or those of our subsidiaries;

- Perceptions of us held by the investors and of the industries where we operate;

- Actions taken by our principle shareholders with respect to the sale of our shares or the perceptions in the sense that they plan to sell these shares;

- Hiring or loosing key directors;

- Perceptions about the manner in which our administrators provide their services and perform their duties;

- Increase to the competition;

- General tendencies of the Mexican economy or the financial markets and the rest of the world, including those derived from wars, acts of terrorism or the measures adopted in response to these facts; and

- Political situations and events in Mexico and worldwide.

Additionally, capital markets, in general, have experienced significant fluctuations in the price and volume that generally are not related or have not had a disproportionate relationship with the performance of the Companies that are specifically affected. We cannot predict whether our shares will be traded above or below our net value.

These market and industry factors could affect significantly and adversely the price of our shares regardless of our performance.

Our Shares might trade at a discount with respect to the book value per share.

The possibility that our shares are traded at a discount with respect to the book value per share is separate and different from the risk that the net worth per share could be reduced. We cannot foresee whether our shares will be traded above, at or below the net worth per share.

Our principle shareholders have significant influence over us and their interests could differ from the interests of our minority shareholders.

Our principle shareholders are authorized to vote in mostly all of the decisions submitted to a vote at the shareholders' meeting. Consequently, they exercise control over the business decisions, including:

- How the board of directors is comprised and, consequently, any determination by it with respect to the direction of the business and policies, including the designation and removal of our directors;

- Resolutions about mergers, other business combinations and other corporate reorganizations and operations, including those that may result in a change of control;

- Acquisitions, sales and transfers of our assets, including acquiring new businesses; and

- Level of indebtedness that we may incur.

The vote by the principle shareholders could lead us to take measures that might differ from the interests of other shareholders. We cannot guarantee that the principle shareholders will act in a manner that suits their own interests.

Forward-Looking Statements.

Periodically, we might make forward-looking statements in our periodical reports to the securities authorities according to the LMV and the Sole Circular. Examples of these statements include:

- Forecasts with respect to the revenue from operation, net profit (loss), net profit (loss) per share, investments in assets, dividend payments, structure of capital stock and other entries or financial ratios;

- Statements about the plans, objectives or goals of the Company;

- Statements about the future economic performance of the Company;

- Other factors or tendencies affecting the telecommunications industry in general and the financial situation of the Company in particular; and

- Statements about the assumptions that the foregoing are based on.

The Issuer might use terms such as "considers", "foresees", "plans", "expects", "intends", "objective", "estimates", "projects", "predicts", "forecast", "guideline", "should" and other similar expressions to identify its statements about future consequences, but these terms are not the only ones used for these purposes.

Forward-looking statements involve risks and uncertainties inherent to them. Several important factors exist that might cause the actual results to differ significantly from the plans, objectives, expectations, calculations and intentions expressed in their statements about future consequences. Similarly, it is clear that the preceding list is not restrictive and that other risks and uncertainties could cause its actual result to differ significantly from those expressed in the statements about future consequences.

Forward-looking statements are based on facts existing on the date in which they were made. We cannot assume any obligation to update these in light of new information or future events that may occur, except in terms of the obligation to disclose relevant events as provided by the LMV and the Sole Circular.

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d) OTHER SECURITIES

To date, in addition to the TELESITES Shares, the Company does not have any other securities registered in the RNV or traded in other stock markets. Consequently, public reports do not exist nor have been sent periodically or continuously to regulating authorities or to the corresponding stock markets.

Moreover, OPSIMEX has Stock Certificates registered in the RNV as provided by the placement program number 3495-4.15-2015-001. For more information about placement and public offer of Stock Certificates of OPSIMEX, please consult the sections "Report of Relevant Credits" and "Dividends" of this Annual Report.

Similarly, CNBV authorized for OPSIMEX a program to issue short-term, revolving stock certificates under number 3495-4.16-2016-001. These stock certificate issuances will vary between one and three hundred and sixty-five days. The program will be effective for two years, ending April 2, 2018.

The Company has provided completely and timely until the date of this Annual Report, the reports that the Mexican requires with respect to relevant events and periodical information.

e) SIGNIFICANT CHANGES TO THE RIGHTS OF THE SHARES RECORDED IN THE NATIONAL SECURITIES REGISTRY

As approved at the special meeting of the shareholders of L-series and at the general extraordinary meeting of shareholders of A and AA-series held on April 28, 2016, and since the corresponding conditions and authorizations have been fulfilled, the bylaws of the Issuer were amended so that the Company may have only the B-1 series of shares. These will be ordinary, common, registered, without par value. Consequently, the following series were converted: (i) L shares (with a vote and other limited corporate rights) and (ii) A and AA-series for B-1 shares, at a ratio of one share of the series, L, A and AA for one share of the B-1 series with full voting rights. It is important to note that this process ended on July 16, 2016 with an update to the securities listing in the BMV and the RNV of the CNBV.

f) PUBLIC DOCUMENTS

This Annual Report and other information of the Company may be consulted online, on the website of the BMV (www.bmv.com.mx) and on the website of the Corporation (www.inbursa.com).

Upon request in writing to the Head of Investor Relations of the Issuer, Mr. Rafael Rogelio Barradas Servín, any investor may be provided a copy of the information at the complex called “Plaza Carso” located in Calle Lago Zúrich No. 245, Edificio Presa Falcón, Piso 14, Colonia Ampliación Granada, C.P. 11529, Mexico City, Telephone (5255) 5125-0205, email relacionconinversionistas@TELESITES.com.mx.

The Company website is http://www.TELESITES.com.mx. Online information about the Company is not part of this Annual Report.

2. The Company

a) Background and Development of the Issuer

General Information

Corporate and Commercial name of the Issuer

The Issuer is a stock company with variable capital duly organized and validly existing under the laws of Mexico called "TELESITES, S.A.B. de C.V." It is commercially known as "TELESITES".

Date, Place of Incorporation and Duration of the Issuer

The Company was incorporated on October 19, 2015 by instrument 55,433 certified by Patricio Garza Bandala, Notary Public 18 of Mexico City, acting as an associate of Ana Patricia Bandala Tolentino, Notary Public 195 of Mexico City. Its first official transcript was recorded in the Public Registry of Property and Commerce of Mexico City on December 10, 2015 under electronic commercial folio 548205-1. Moreover and as provided by Article 4 of its bylaws, the duration of TELESITES is indefinite.

Address and Telephone Numbers of its Headquarters

Our headquarters are located in the commercial complex called "Plaza Carso" located in Calle Lago Zúrich 245, Edificio Presa Falcón, Piso 14, Colonia Ampliación Granada, C.P. 11529, Mexico City, Telephone (5255) 5125-0270.

Background

Our Company is mainly dedicated to constructing, installing, maintaining, operating and directly marketing several types of towers and other supporting structures as well as the actual spaces and other non-electrical elements for the installation of radiating radio communication equipment comprising our Site Infrastructure. We also provide other services directly or indirectly related to the telecommunications sector. According to this business plan, our subsidiary OPSIMEX as the owner of the Site Infrastructure will grant access and use to both the América Móvil subsidiaries as well as to other companies providing radio communication services.

The following chronology describes in a general manner the principle corporate events that lead to the incorporation of TELESITES as well as its principle subsidiaries:

(i) Approval by the board of directors of América Móvil. On July 8, 2014, the board of directors of América Móvil resolved, among other matters, to initiate the process that was necessary and advisable to separate certain assets consisting of the Site Infrastructure related to its mobile operation in Mexico and to allow third parties to operate and market these.

(ii) General Extraordinary Shareholders' Meeting of Telcel. On October 30, 2014, a general extraordinary shareholders' meeting was held. It resolved to approve the Spin-off from Telcel and, consequently, to transfer its Site Infrastructure to OPSIMEX.

(iii) Incorporation of OPSIMEX. On January 5, 2015, OPSIMEX was incorporated as a stock Company with variable capital under the las of Mexico. Its headquarters are located in Mexico City; although, it is authorized to establish offices, branches, agencies, terminals, facilities and any other operations in any part of Mexico or abroad. Moreover, as provided by Article 4 of its bylaws, the duration of OPSIMEX is indefinite.

(iv) General Extraordinary Shareholders' Meeting of Sercotel. On January 7, 2015, a general extraordinary shareholders' meeting was held. It resolved to approve the Spin-off from Sercotel, subject to the fulfillment of certain conditions precedent. Consequently, certain assets, liabilities and capital were transferred to Promotora.

(v) General Extraordinary Shareholders' Meeting of América Móvil. On April 17, 2015, a general extraordinary shareholders' meeting was held. It resolved to approve the pin-off from América Móvil, subject to the fulfillment of certain conditions precedent. Consequently, certain assets, liabilities and capital were transferred to TELESITES.

(vi) Formal Opinion issued by IFT. On September 21, 2015, the IFT issued a favorable opinion in the sense that both the Spin-off from América Móvil as well as the Spin-off from Sercotel constitute a corporate reorganization and, in this regard, do not require to be notified as concentrations to the Institute. By obtaining this formal opinion and the confirmation of criteria referred to in the next section, the condition precedents were considered fulfilled for both the Spin-off from América Móvil as well as the Spin-off from Sercotel.

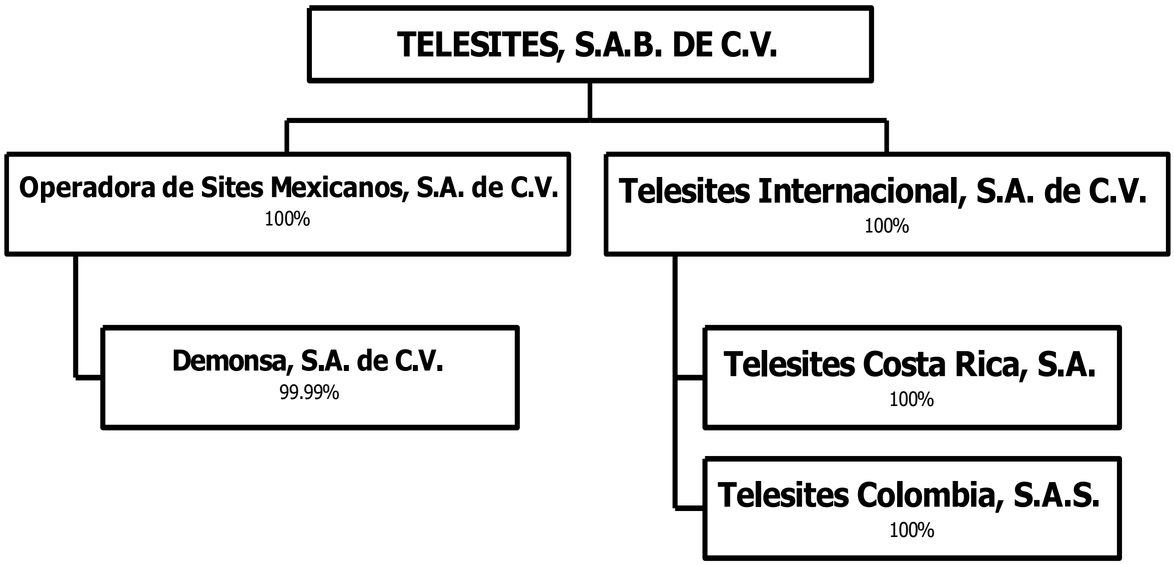
(vii) Confirmation of Criteria issued by the SAT. On October 13, 2015, the SAT issued a resolution to confirm that the Spin-off from América Móvil, the Spin-off from Sercotel and the Spin-off from Telcel did not generate any tax liabilities for a transfer if the requirements indicated therein were fulfilled. By obtaining the resolution and formal opinion from IFT referred to in the preceding section, the condition precedents were considered fulfilled for both the Spin-off from América Móvil as well as the Spin-off from Sercotel.

(viii) Incorporation Promotora. On October 19, 2015, Promotora was incorporate as a stock company with variable capital under the laws of Mexico. Its headquarters are located in Mexico City; although, it is authorized to establish offices, branches, agencies, terminals, facilities and any other operations in any part of Mexico or abroad. Moreover, as provided by Article 4 of its bylaws, the duration of Promotora is indefinite.

(ix) Incorporation TELESITES. On October 19, 2015 and as a result of the Spin-off from América Móvil, TELESITES was incorporate as a stock company with variable capital under the laws of Mexico. Its headquarters are located in Mexico City; although, it is authorized to establish offices, branches, agencies, terminals, facilities and any other operations in any part of Mexico or abroad. Due to its recent incorporation, the Company has not participated in relevant corporate events.

(x) Merger of OPSIMEX with Promotora. The extraordinary shareholders' meetings of OPSIMEX and Promotora both held on March 17, 2016 approved to carry out a merger of OPSIMEX as the surviving company and Promotora as the merged company.

TELESITES corporate structure to December 31, 2016 is shown in the following chart:



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b) BUSINESS DESCRIPTION

i) Main Activity

Our main activities include constructing, installing, maintaining, operating and directly marketing several types of towers and other supporting structures as well as the actual spaces and other non-electrical elements for the installation of radiating radio communication equipment comprising our Site Infrastructure. We also provide other services directly or indirectly related to the telecommunications sector.

We estimate that the inventory of sites held by our subsidiary OPSIMEX represents little over half of the total sites existing in Mexico. At the end of the corporate year 2015, OPSIMEX reached a portfolio containing 12,874 towers and at the end of the corporate year 2016 OPSIMEX reach a portfolio of 14,756 towers that were substantially finished.

With respect to TELESITES Costa Rica, from March 2016 to December 31, 2016, the portfolio reached 218 towers.

Moreover, at the beginning of 2016, TELESITES Colombia, S.A.S. was incorporated.

Currently we are seeking better locations, to increase the number of lessees, increase our towers and to have greater efficiency in our operations to create value. These incentives are aligned with the other operates because with these they will be able to deploy new technologies, have continuous coverage and expand their mobile network with greater speed.

Our clients are radio communication service providers, mainly concessionaires of public wireless telecommunication networks. These will install and will operate the active infrastructure on the Site Infrastructure.

Currently, we mainly operate two different types of towers: (i) those placed on rooftops; and (ii) those located on greenfields. Most of our towers on greenfields have a capacity to accommodate up to 3 (three) clients, except for those tower that are higher than 45 (forty-five) meters that have the capacity to accommodate up to 5 (five) clients. Our towers located on rooftops can accommodate more clients by installing additional masts if the available floor area is sufficient.

Tower Reference Offer, Master Agreement and Site Agreements

Our principal business consists in the construction, installation, maintenance and provision of access to towers and other support structures as well as the actual space to locate towers and other non-electronic elements through long-term site agreements. This business generates all of our income.

Tower Reference Offer

According to the new regulatory framework for telecommunications, we offer access and shared use to all our current and futures clients according to the Tower Reference Offer that are in force. This offer includes a summary of the terms for access and shared use of our sites and includes a master agreement to provide these services.

The terms of the Tower Reference Offer 2016-2017, the concessions of the public telecommunications networks wishing to have access and shared use of the Site Infrastructure should sign a master service agreement and specific contracts for each site that may have a different validity to the master agreement. In this sense, our subsidiary OPSIMEX as owner of the Site Infrastructure will grant the right to use and access each of the sites of its Site Infrastructure offering the same conditions that are offered to licensees located in equivalent circumstances of price, quality and duration.

Master Agreement

The master agreement provides the terms and conditions for the access and shared use of our sites. This agreement is published on our website along with all of its annexes. The terms of the master agreement, including the applicable rates, are offered on non-discriminatory bases and may differ by geographical areas as provided by the Preponderant Resolution. In the event of not reaching an agreement, the Institute may determine the applicable rates by using the method of incremental costs in the long terms.

Prior to executing the master agreement, the interested party may have access to information related to the location and the characteristics of our sites before signing the non-disclosure agreement, so that it may identify which of these it is interested in.

After executing the master agreement with the client, the following terms will apply:

- If the necessary, the client may request a technical inspection in the company of our personnel;

- If the client determines that it is interested in a specific site, it should present a placement application, indicating the equipment that it intends to install, its relevant characteristics and location requirements, such as weight and orientation;

- Once a placement application is received, we will analyze it and determine whether it is necessary to make any change to the site for its use according to the application. It may include optimizing the space on the site. We hope that changes to the site are not frequent and, if any change is needed, we will be responsible for implementing it while the client will be responsible for all of the costs related to it;

- If concluded that the use contemplated by the client is viable and after making the corresponding changes, as the case may be, we will send the client the site agreement that regulates its specific use; and

- After executing the site agreement, the client may proceed to install its equipment. It will verify that the equipment has been installed according to the description made on the application in order to avoid that said installation affects other clients on this site or the site as such.

According to the terms of the new regulatory framework, the Tower Reference Offer 2016-2017 will conclude on December 31, 2017 and subsequently every year the reference offer of the towers will be changed or substituted by a new offer. On or prior to July 30th of the expiration year of the reference towers in question, a new proposal should be presented for the approval of the Institute. No later than on July 30, 2017, a new proposal was submitted to IFT for a reference offer for the tower corresponding to the period from January 1, 2018 thru December 31, 2018. The IFT, after a process of public consultation to permit interested third parties to present comments to the draft of the reference offer that was presented, on November 15, 2017, should resolve the Tower Reference Offer 2018.

It is important to mention that according to the new legal framework, TELESITES will present in July of this year for the approval by the IFT, a Tower Reference Offer Proposal for 2018.

Site Agreements

Each site agreement with the client establishes the price, payment period and conditions that apply to the space in the tower, validity, floor space and other related terms, such as those related to access to the site.

The site agreement has a mandatory term of at least the valid term of the master agreement, except in certain circumstances. These include the valid period remaining for the lease agreement for the property when it is less, in which case the site agreement will end simultaneously with the lease agreement. Upon termination, the site agreement may be renewed at the request of the client.

Our Sites

The images below show the types of towers owned by our subsidiary OPSIMEX:

Guyed

Self-supporting

Mast

Unipolar

Since OPSIMEX provides services to use and access the Site Infrastructure, the active infrastructure that its clients install is not owned by OPSIMEX nor is it operated by it, but directly by its clients.

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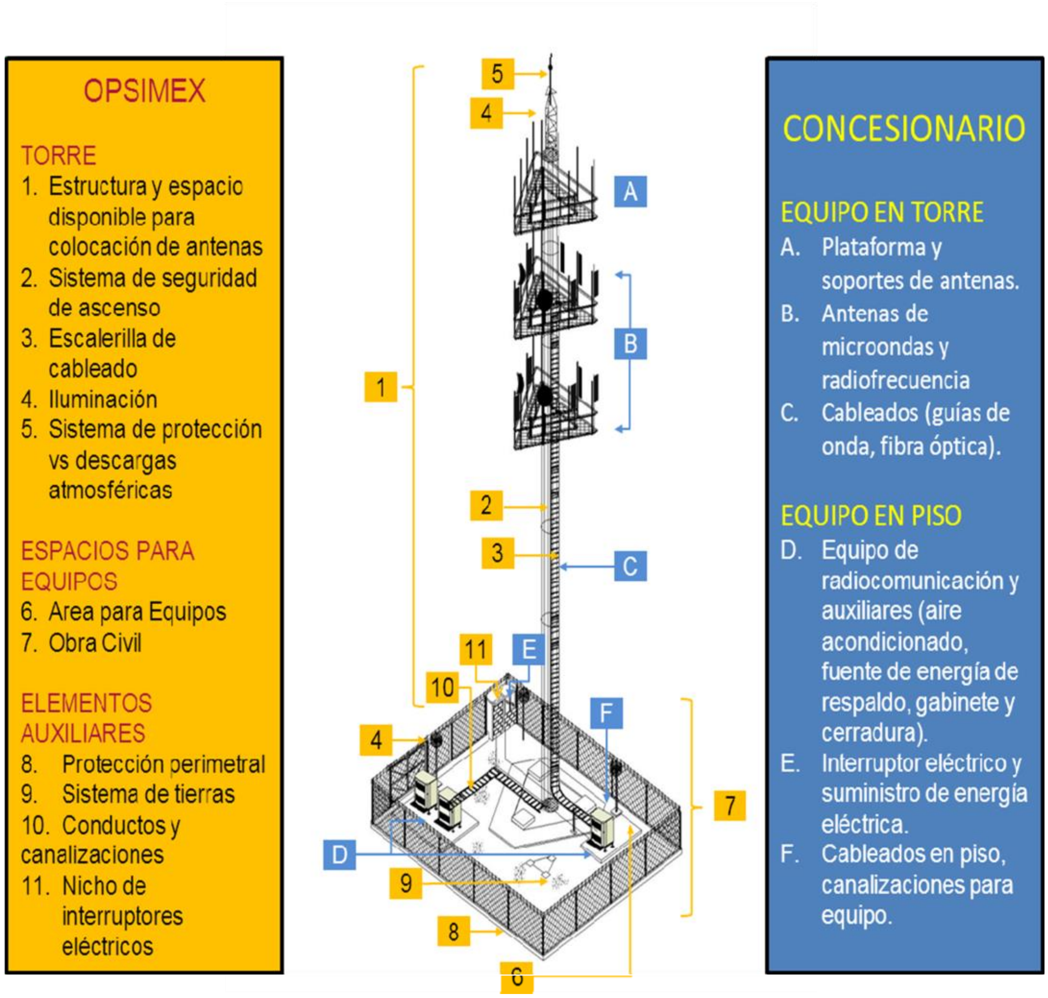
The following diagram illustrates a site, identifying the elements that are owned or held by OPSIMEX and its clients:



Most of the properties where the Site Infrastructure operated OPSIMEX is located is not owned by it, but under a long-term lease at market prices. Normally the lease is for 10 (ten) years with certain renewal rights at the discretion of OPSIMEX. Also, OPSIMEX has started to acquire certain properties where it will install the Site Infrastructure, cases in the which will analyze profitability and permanence in the sites as part of their business strategy.

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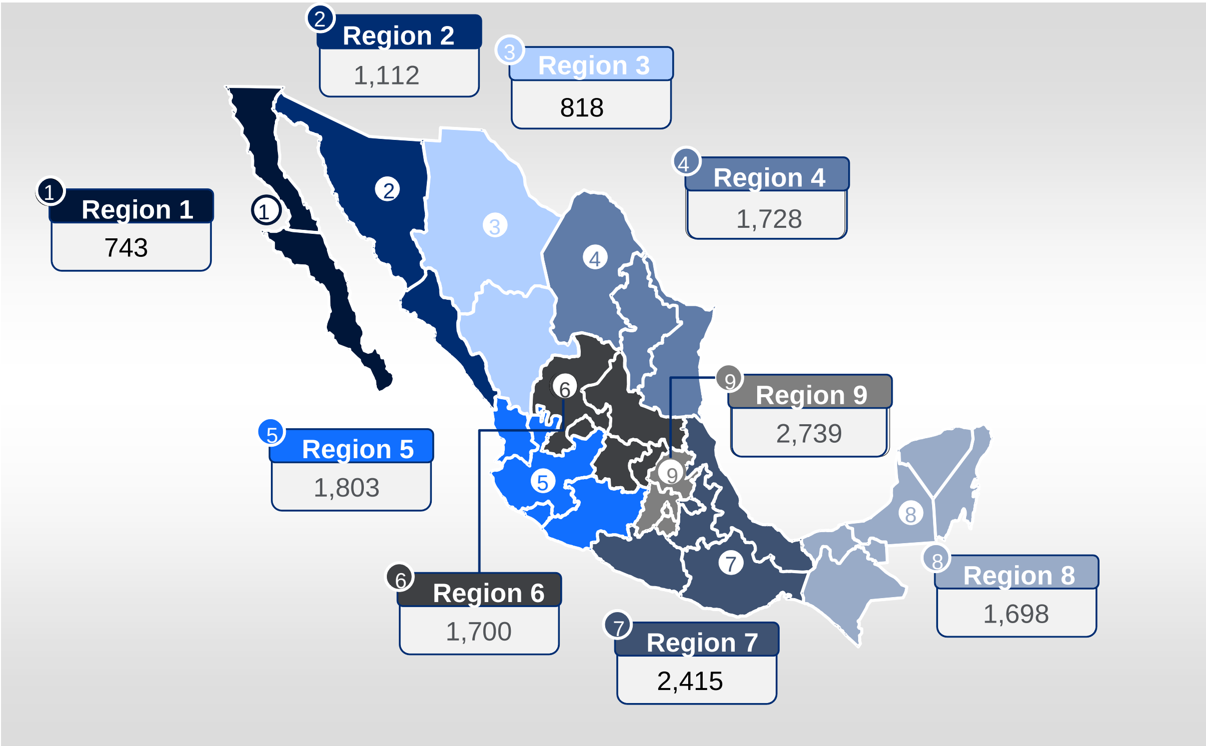
Location of our sites

Mexico

The map and the table indicated below illustrate the geographical distribution of the sites that are mostly finished to December 31, 2016:



REGION	STATE	TOTAL SITES	PERCENTAGE PER REGION
1	BAJA CALIFORNIA BAJA CALIFORNIA SUR	743	5.04%
2	SINALOA SONORA	1,112	7.54%
3	CHIHUAHUA DURANGO	818	5.54%
4	COAHUILA NUEVO LEÓN TAMAULIPAS	1,728	11.71%
5	COLIMA JALISCO MICHOACÁN NAYARIT	1,803	12.22%

6	**AGUASCALIENTES** **GUANAJUATO** **QUERÉTARO** **SAN LUIS POTOSÍ** **ZACATECAS**	1,700	**11.52%**
7	**GUERRERO** **OAXACA** **PUEBLA** **TLAXCALA** **VERACRUZ**	2,415	**16.37%**
8	**CAMPECHE** **CHIAPAS** **QUINTANA ROO** **TABASCO** **YUCATÁN**	1,698	**11.51%**
9	**CIUDAD DE MÉXICO** **ESTADO DE MÉXICO** **HIDALGO** **MORELOS**	2,739	**18.56%**
TOTAL		**14,756**	**100.00%**

Costa Rica

With respect to Costa Rica, from March 2016 thru December 31, 2016, the portfolio reached 218 towers.

Client Capacity

Through OPSIMEX, we maintain relationships with several third parties who are suppliers. The most important are Infracomex, S.A. de C.V., Teloram, S.A. de C.V. and Operadora Cicsa, S.A. de C.V. They provide construction services that are strategic for the infrastructure projects that we develop. We do not rely on any other provider or in terms of any supply in particular.

Our operations could be affected by extreme weather conditions or natural disasters, which could adversely affect our business and results. However, insurance policies with industry standards mitigate any damages and allow us to face these contingencies because the necessary time to install a new site varies considerably from one site to another.

ii) Distribution Channels

The Company offers, through OPSIMEX, services consisting of using and accessing its Site Infrastructure through a valid the Tower Reference Offer. It may also offer services to non-licensees consisting of public telecommunication networks, under other commercial agreement. For this purpose, the Site Infrastructure of OPSIMEX could mostly accommodate the active infrastructure of several operators of radio communications services.

iii) Patents, Licenses, Trademarks and Other Agreements

To date, the Company, through OPSIMEX, has filed several trademark applications before the Mexican Institute of Industrial Property. These are listed below:

Titleholder	Name	Registration Number	Class	Type of Trademark	Expiration
OPSIMEX	*Operadora Telsites*	Pending	37	Registered	29/10/2015
OPSIMEX	*Operadora Telsites*	1574461	38	Registered	03/03/2025
OPSIMEX	*Opsimex*	1574460	38	Registered	03/03/2025
OPSIMEX	*Telecom Sites*	Pending	37	Registered	29/10/2015
OPSIMEX	*Telecom Sites*	1589143	38	Registered	03/03/2025
OPSIMEX	*TELESITES*	1612401	37	Registered	07/04/2025
OPSIMEX	*TELESITES*	1569136	37	Mixed	09/04/2025
OPSIMEX	*TELESITES*	1594630	38	Registered	07/04/2025
OPSIMEX	*TELESITES*	1594631	38	Mixed	07/04/2025
OPSIMEX	*Telsites*	1574459	38	Registered	03/03/2025

All of the aforementioned trademarks and those that the Company may develop in the future are important because they are the distinctive signs of the service being offered. Their positioning is crucial.

Presently, the Company has no pending filings to obtain (i) any patent; or (ii) license registry.

Other Agreements

Since the Company does not own most of the properties where the Site Infrastructure operated by OPSIMEX are located, the Company has executed lease, sublease and usufruct agreements. Moreover, it has started to acquire certain properties where the Site Infrastructure will be installed; therefore, it will analyze the profitability and permanence of these sites as part of its business strategy.

The Issuer has not executed relevant agreements other than those related to its ordinary course of business.

iv) Principal Clients

To date, Telcel is still our principal client. However, Telcel could terminate its relationship with us in the future and compete in the same sector by developing its own passive infrastructure.

On June 2, 2015, the affiliates of Grupo Iusacell, S.A. de C.V. (“Grupo Iusacell” or “AT&T”), subsidiaries of AT&T Inc., entered into a Master Agreement for Access and Shared Use of Passive Infrastructure with our subsidiary, OPSIMEX. At the end of 2015, 245 Site Agreements had been executed under the master agreement with AT&T. Moreover, on July 6, 2015, Pegaso PCS, S.A. de C.V. and its affiliates, subsidiaries of Telefónica S.A. (“Telefónica”), executed with our subsidiary OPSIMEX a Master Agreement for Access and Shared Use of Passive Infrastructure. At the end of the year, 22 Site Agreements had been executed under the master agreement with AT&T and Telefónica referred to in this paragraph. Most of these documents were signed in December 2015 and started to generate revenue during the first months of 2016.

On February 16, 2016, Telcel entered with our subsidiary, OPSIMEX, the Master Service Agreement to Access and Share Passive Infrastructure. By the end of 2016, 1792 Site Agreements had been signed under the master agreement with Telcel.

On May 27, 2016, Pegaso PCS, S.A. de C.V., Grupo Telecomunicaciones Mexicanas, S.A. de C.V., (both subsidiaries of Telefónica, S.A. (Telefónica)) entered into with our subsidiary, OPSIMEX, the Master Service Agreement to Access and Share Passive Infrastructure. By the end of 2016, 7 Site Agreements had been signed under the master agreement. Lastly, on August 26, 2016, AT&T Comercialización Móvil, S. de R.L. de C.V.; AT&T Comunicaciones Digitales, S. de R.L. de C.V.; AT&T Norte, S. de R.L. de C.V.; AT&T Desarrollo en Comunicaciones, S. de R.L. de C.V.; Grupo AT&T Celullar, S. de R.L. de C.V., (ATT) entered into the Master Service Agreement to Access and Share Passive Infrastructure.

On February 17, 2017, Altán Redes, S.A.P.I. de C.V. (Altán), the company that won the tender to operate the Shared Network with a band 700 mhz subscribed with our subsidiary, OPSIMEX the Master Service Agreement to Access and Share Passive Infrastructure effective until December 31, 2017.

We hope that according to our business plans and the market conditions we will execute new Master Agreements for Access and Shared Use of Passive Infrastructure under the new Reference Offer for the period 2018, thus formalizing more Site Agreements.

v) Governing Law and Tax Situation

Amendment to the Constitution

As a result of an amendment to the Constitution enacted in June 2013, the regulatory framework for telecommunications and broadcasting in Mexico changed significantly.

This amendment to the Constitution created a new regulating board for telecommunications and broadcasting: the Institute. The IFT is an independent agency, whose decisions and operations are autonomous with its own legal capacity and patrimony. The purpose of the Institute is to regulate and encourage competition and streamline telecommunications and broadcasting. It is also in charge of the regulation, promotion and supervision of the telecommunications and broadcasting services and access to Active Infrastructure, Passive Infrastructure and to other essential supplies as provided under the Mexican Constitution, the LFTR and other regulatory provisions.

IFT is the authority for telecommunication and antitrust matters for the telecommunications and broadcasting industry.

According to this amendment to the Constitution, the Institute is authorized, among other aspects, to determine whether a “preponderant economic agent” exists in the telecommunications sector and, when applicable, impose specific measures to this agent. These measures are known as “asymmetrical regulation” because they apply to a specific operator but not to other operators.

Preponderance

In March 2014, the Institute determined that the “economic interest group” comprised by América Móvil and its subsidiaries Telcel, Telmex and Teléfonos del Noroeste, S.A. de C.V., and by Grupo Carso, S.A.B. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V., constitute a “preponderant economic agent” in the telecommunications industry. Additionally, the Institute conditioned the mobile and fixed operations of the “preponderant economic agent” to an extensive asymmetrical regulation, which include regulation applicable to the Passive Infrastructure of the “preponderant economic agent”.

According to the Preponderant Resolution, the obligations provided by the preponderance statement issued by the Institute also apply to the persons who are beneficiaries or assignees of the rights of the persons comprising the “preponderant economic agent” as well as those resulting from corporate restructures or shareholding changes of said persons. Therefore, it is foreseeable that OPSIMEX, as beneficiary of Telcel, should continue subject to compliance of the Preponderant Resolution with respect to access and shared use of the Passive Infrastructure. Therefore, OPSIMEX should permit that other licensees the shared use of the Passive Infrastructure consist with the corporate purpose of OPSIMEX.

Secondary Legislation

In July 2014, LFTR established that IFT is in charge of the regulation, pronouncement and supervision of the use and exploitation of radio spectrum, orbital resources, satellite services, the public telecommunications networks and the provision of broadcasting and telecommunication services as well as access to Active and Passive Infrastructure and other essential supplies. In this regard, LFTR provides that IFT will encourage agreements to be entered into between licensees for the shared use of Passive Infrastructure. It also establishes that IFT may verify the agreement terms and assess their impact for the competition and has the authority to provide measures to ensure that licensees share under non-discriminatory conditions.

Tower Reference Offer

Asymmetrical measures for access and shared use of the Passive Infrastructure imposed may include presenting and obtaining the approval of the Institute of a Tower Reference Offer.

In November 2015, the Institute approved the Tower Reference Offer 2016-2017, currently in force, which is basically comprised by the Reference Offer and its Annexes, the Master Agreement for Access and Shared Use of Passive Infrastructure as well as a model of the site agreement. In compliance with the asymmetrical measures, the Tower Reference Offer 2016-2017 was published by TELESITES in its website according to the terms of the Preponderant Resolution.

It is important to mention that according to the new legal framework, TELESITES will present in July of this year for the approval by the IFT, a Tower Reference Offer Proposal for 2018.

Licensees who sign the agreement under a corresponding Tower Reference Offer may opt to access all of the sites of TELESITES with available space. Similarly, the Master Agreement regulates the complementary services that are provided in order to verify that the site can be used by the applicant licensees and the possibility of requesting at its own expense the adjustment of the site or recovery of the space.

Entry rates should be negotiated with the applicant licensees and, in the event of not reaching an agreement to this end, they will be established by the Institute according to the methodology based on average incremental costs for the long-term.

In order to share the use of the infrastructure in any site, the applicant licensee should execute the corresponding site agreement. It will include the contract term (minimum 5 years), space that will be occupied as well as the corresponding fees.

The Preponderant Resolution establishes that the rights of the “preponderant economic agent” also apply to the persons who are its beneficiaries or assignees as well as those resulting from corporate restructures or shareholding changes of said persons. Therefore, it is foreseeable that OPSIMEX, as beneficiary of Telcel, should continue subject to compliance of the Preponderant Resolution with respect to access and shared use of the Passive Infrastructure.

Legal Framework Applicable to the Deployment of Telecommunications Sites

In addition to the telecommunication legislation, in Mexico the deployment of Site Infrastructure is not regulated in any specific manner nationally. Rule on constructing and operating radio communication towers vary at the municipal, state and federal level.

Mexico has approximately 2,500 municipalities. The Constitution grants every municipality an independent power to draft and administrate its zoning and urban development plans. Therefore, the municipality is responsible authorizing, controlling and supervising the zoning and for determining the licenses and permits that are necessary for construction.

Municipal rules in most cases have not been drafted taking into consideration the needs to deploy infrastructure nor the existing relationship with the coverage and quality of the telecommunication services for the population.

On the other hand, the states could legislate in matters such as environmental or health that imply in certain cases the need for permits or authorizations as well as how these limit or prohibit the deployment of infrastructure in certain areas.

Finally, at a federal level, in addition to the powers concurrent with those of the states (for example, in terms of environmental and health issues) other issues exist that should be considered when constructing a tower. These include, for example, civil aeronautics (which establishes requirements for the obtaining of permits for the towers of certain dimensions) or those imposed by authorities in the field of anthropology and history.

Legislation in matters of telecommunication in force and effect until last year did not establish the specific provisions related to the construction of passive infrastructure similar to the one owned by our subsidiary, OPSIMEX. The new regulatory framework requires the collaboration between the municipal, state and federal level as well as facilities for the construction and the deployment of telecommunications infrastructure. Restrictions for these authorities is the imposition of undue administrative charges for these activities. We believe that legislative changes as well as the secondary regulation to be enacted for these purposes could have a favorable impact on the development and construction of the passive infrastructure similar to the one we develop.

Antitrust Investigations for TELESITES

Currently, TELESITES is not part of any antitrust procedure or investigation; nevertheless, we cannot guarantee that in the future it will not be subject to these type of procedures or investigations.

Tax Situation

Our subsidiary, OPSIMEX, is subject to paying Income Tax on the profits earned as a result of providing services related to the use and access of its Site Infrastructure at a 30% tax bracket. Also, the dividends that TELESITES pays to its shareholders who are persons who are Mexican or foreign residents could be subject to an income tax withholding of 10%. In the case of foreign residents, the withholding rate provided in the treaty on double taxation in question, provided that the applicable requirements have been fulfilled.

OPSIMEX will collect and pay the Value Added Tax generated by the party acquiring its services at a 16% rate over the value of the consideration that was agreed. In theory, the party acquiring the services may credit these taxes.

Additionally, the subsidiaries of the Issuer may be subject to state or municipal taxes, rates and/or government charges related to the use or exploitation of its Site Infrastructure.

vi) Human Resources

To December 31, 2016, the Issuer directly and indirectly (through its subsidiary) has a total of 207 employees, whereby 91 of them are unionized workers. Moreover, the Company in light of certain regional projects hires a certain number of temporary workers through an outsourcing company.

During the corporate year 2016, the Company has not had any dispute with the union representing its workers; moreover, the Company considers that it has a good relationship with all of its employees as well as with the union of its employees.

vii) Environmental Performance

We are subject to the laws and regulations related to environmental protection, health and human safety, including the laws and regulations on waste management and disposal of toxic material. We abide by certain policies and internal procedures to ensure the enforcement of the applicable laws, regulations and permits.

As the owner and operator of the properties and with respect to the actual use or the historical use of toxic materials at the facilities, we might incur in expenses, including cleaning expenses, fines and claims from third parties as a result of violations to the obligations established by the environmental, health and safety laws and regulations. We believe that our operation fully complies with said laws and regulations.

Currently, no judicial or administrative proceeding exist that is pending against us with respect to any environmental matter.

The issuer does not have (i) any environmental certificate or recognition granted by the competent authority or duly authorized entity, and (ii) a program or project for the restauration or defense of natural resources.

viii) Market Information

The service industry that provides access and shared use of Passive Infrastructure and related services in Mexico started over 14 years ago and has accelerated significantly in recent years by the sale of portfolios of towers by certain mobile telecommunications operators. We believe that in the next years we will face greater competition in the market to acquire and develop the Site Infrastructure including competition from international companies.

Some of our main competitors include, without limitation, those listed below:

- American Tower Corporation
- Mexico Tower Partners

We estimate that our market share is 51.5%, calculated based on the number of towers. American Tower is our main competitor with an approximate market share of 36%, calculated based on the number of towers. The rest of the market is comprised by minority participants. We have a portfolio of sites with ample national coverage, which we believe will be attractive for our potential clients in their process of expanding.

ix) Corporate Structure

The following table shows our subsidiaries and the percentage of direct and indirect participation to December 31, 2016:

	Name	Type	Shareholding Percentage
1.	TELESITES Internacional, S.A. de C.V.	Subcontroller	100%
2.	Operadora de Sites Mexicanos, S.A. de C.V.	Subsidiary	100%
3.	Demonsa, S.A. de C.V.	Subsidiary	99.99%
4.	TELESITES Costa Rica, S.A.	Subsidiary	100%
5.	TELESITES Colombia, S.A.S.	Subsidiary	100%

Moreover, it is important to mention that on March 17, 2016, through the general extraordinary shareholders' meetings, the merger of OPSIMEX was agreed. OPSIMEX would act as the merging company and PROMOTORA, as the merged Company. Its purpose is to avoid inefficient corporate structures for the Company.

x) Description of the Main Assets

Our main assets are the shares of capital stock of our direct and indirect subsidiaries, as described in the section "Corporate Structure".

Our Site Infrastructure is located in Mexico. It is distributed in 9 (nine) cellular regions defined by the telecommunication regulations with an estimated average useful life between 16 and 20 years, considering its current state and the maintenance programs that will be applied. Our headquarters are located in Mexico City. Presently, OPSIMEX does not own most of the properties where the Site Infrastructure it operates are located. These properties are on long-term leases, at market prices, generally for 10 (ten) years with certain renewal rights at the discretion of OPSIMEX. Moreover, OPSIMEX started to acquire some property to install the Site Infrastructure. In these case, it will analyze the profitability and permanence at the sites as part of its business strategy. Through our subsidiary in Costa Rica, we have begun to have Passive Infrastructure in that country.

Our subsidiaries and us have insurance coverage according to the terms that are accustomed for companies dedicated to similar activities in Mexico. These policies cover risks related to fire, natural disasters, civil liability, damage to client's equipment, transportation of equipment. We believe that this coverage is adequate to satisfy its needs and those of its subsidiaries.

xi) Judicial, Administrative or Arbitration Proceedings

Within the normal course of business, the Issuer is or could be involved in different legal proceedings, including civil, commercial, administrative, agrarian, labor or contractual claims actions. It is not possible to determine whether any of these proceedings or claims could become material. In the event of an unfavorable ruling for the Issuer, it could affect its activities or results.

To date, the Issuer is not facing any judicial, administrative or arbitration process that might represent a cost or benefit equivalent or greater than 10% of the value of its assets.

The Issuer does not fall under any of the premises established by Articles 9 and 10 of the Bankruptcy Law nor has been declared bankrupt.

xii) Shares of Capital Stock

As of the date of this Annual Report, the capital social of the Issuer totals $35´000,000.00 pesos (thirty-five MM Ps 00/100). It is represented by 4,774´486,209 (four billion, seven hundred and seventy-four million, four hundred and eighty-six thousand two hundred and nine) shares series B-1, which are ordinary, registered without par value and representative of the minimum fixed capital stock.

To December 31, 2016 and 2015, the capital stock is comprised as follows:

(The amount is shown in thousands of Mexican pesos)

		2016	
Series	**Capital**	**Shares**	**Amount**
B-1	Minimum, fixed	**4,774,486,209**	**$ 35,000**

		2015	
Series	**Capital**	Shares	Amount
A	Minimum, fixed	31,593,716	$ 232
AA	Minimum, fixed	1,169,231,633	8,571
L	Minimum, fixed	3,573,660,860	26,197
		4,774,486,209	$ 35,000

To December 31, 2016, the treasury of the Company has 1,474,486,209 shares series B-1 for repurchase (historical buyback), according to the terms of the Stock Market Law.

To date, we have no knowledge of the existence of open positions held in derivatives payable in kind whose underlying assets are TELESITES Shares.

xiii) Dividends

Since our incorporation, we have not paid dividends for our shares. During the annual ordinary shareholders' meeting, the Board of Director presents the shareholders, for their approval, our financial statements for the preceding year along with its report. Once these financial statements are approved, the shareholders will determine the manner in which the net profits earned by the Company during the preceding year will be allocated. If the shareholders approve the statement, amount and payment of dividends, they may only be paid from the profits that are withheld from accounts that are previously approved by our shareholders. The foregoing applies only if the legal reserves have been properly created and losses for the preceding tax years have been paid.

In July 2015, our subsidiary OPSIMEX placed and offered in Mexico and abroad stock certain certificates recorded in the RNV. As a result, it assumed along with the certificate holders certain affirmative and negative covenants, which include not being authorized to distribute dividends to its shareholders during a period of three (3) years as of the issuance date of the Stock Certificates in question. This obligation will be valid until OPSIMEX completely pays these Stock Certificates.

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3. FINANCIAL INFORMATION

A) SELECTED FINANCIAL INFORMATION

We have included below a sample of the Company's financial information

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES
CONSOLIDATED STATE OF FINANCIAL SITUATION
(Amounts in thousands of Mexican pesos)

	As at 31 December			
		2016		2015
Assets				
Current assets:				
Cash and cash equivalents	**Ps.**	**231,533**	Ps.	470,279
Accounts receivable		**3,779**		618
Related parties		**104,969**		10,593
Recoverable taxes		**165,715**		9,545
Other current assets		**144,528**		200,993
Total current assets		**650,524**		692,028
Non-current assets:				
Licenses and software		**8,755**		-
Property and equipment, net		**43,173,883**		38,687,768
Deferred tax assets		**28,492**		31,271
Other non-current assets		**190,001**		145,436
Total assets	**Ps.**	**44,051,655**	Ps.	39,556,503
Liabilities and equity				
Current liabilities:				
Short-term debt and interest	**Ps.**	**345,486**	Ps.	1,000,377
Interest payable on long-term debt		**476,492**		388,908
Accounts payable and accrued liabilities		**430,122**		264,899
Taxes and contributions payable		**77,363**		572,778
Related parties		**190,518**		205,823
Employee benefits		**7,505**		3,201
Total current liabilities		**1,527,486**		2,435,986
Non-current liabilities:				
Long-term debt		**21,520,659**		18,769,543
Deferred tax liabilities		**10,488,050**		9,886,089
Retirement benefits		**3,767**		1,199
Asset retirement obligation		**831,670**		732,990
Total liabilities		**34,371,632**		31,825,807
Equity:				
Share capital		**35,000**		35,000
Other components of equity	**(**	**16,228,640)**	(	16,228,640)
Surplus from revaluation of assets		**23,861,672**		22,446,129
Components of other comprehensive income		**616**		-
Retained earnings		**2,962,554**		1,411,023
Net (loss)/income for the year	**(**	**951,179)**		67,184
Total equity		**9,680,023**		7,730,696
Total liabilities and equity	**Ps.**	**44,051,655**	Ps.	39,556,503

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIAS
CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT
(Amounts in thousands of Mexican pesos)

	For the year ended 31 December 2016	For the period from 5 January to 31 December 2015
Operating revenue:		
Infrastructure rent	**Ps. 5,179,879**	Ps. 4,230,638
Revenue from alteration services	**214,778**	66,464
Other income (Note 2s)	**21,999**	438,124
	5,416,656	4,735,226
Operating costs and expenses:		
Depreciation (Note 7)	**2,557,196**	2,322,780
Leases (Note 11)	**1,734,151**	1,552,339
Alteration service costs	**201,062**	63,141
Operating expenses	**396,896**	242,912
Other expenses	**35,530**	211
	4,924,835	4,181,383
Operating income	**491,821**	553,843
Net financing cost:		
Accrued interest income	**38,250**	143,662
Accrued interest expense	**(1,349,273)**	(422,280)
Foreign exchange loss, net	**(235,494)**	(126,320)
	(1,546,517)	(404,938)
(Loss)/income before income tax	**(1,054,696)**	148,905
Income tax (Note 16)	**103,517**	(81,721)
Net (loss)/income for the year	**Ps.(951,179)**	Ps. 67,184
Components of other comprehensive income:		
Revaluation surplus, net of taxes	**Ps. 1,415,543**	Ps. 22,446,129
Labor obligations, net of taxes	**(86)**	-
Foreign currency translation reserve	**702**	-
Total other comprehensive income	**1,416,159**	22,446,129
Comprehensive income for the period	**Ps. 464,980**	Ps. 22,513,313
Weighted average number of outstanding shares (thousands of shares)	**3,300,000**	3,300,000
Net (loss)/income per share attributable to equity holders of the parent	**Ps. (0.28)**	Ps. 0.020

B) FINANCIAL INFORMATION BY LINE OF BUSINESS, GEOGRAPHICAL AREA AND EXPORTATION SALES

The Company has passive infrastructure installed in various states of Mexico. Its principal business activity is leasing this infrastructure. As of the date of the consolidated financial statements, the business sector of the Company is divided geographically into nine regions:

(Figures in thousands of Mexican pesos)

		2016				2015			
Region	**Mexican states**		**Infrastructure rental revenue**		**Lease expense**		Infrastructure rental revenue		Lease expense
1	Baja California Sur and Baja California	**Ps.**	**248,470**	**Ps.**	**98,714**	Ps.	210,285	Ps.	77,992
2	Sinaloa and Sonora		**371,751**		**117,017**		296,543		89,674
3	Chihuahua and Durango		**237,772**		**67,073**		197,337		54,447
4	Nuevo Leon, Tamaulipas and Coahuila		**615,434**		**196,537**		463,658		160,921
5	Jalisco, Michoacan, Colima and Nayarit		**605,630**		**210,763**		524,934		186,589
6	Queretaro, Guanajuato, San Luis Potosi, Aguascalientes and Zacatecas		**625,165**		**233,409**		516,889		201,963
7	Puebla, Veracruz, Oaxaca and Guerrero		**800,772**		**272,573**		665,997		229,571
8	Yucatan, Campeche, Tabasco, Chiapas and Quintana Roo		**554,804**		**171,545**		443,138		149,255
9	Hidalgo, Morelos and Mexico City		**1,080,988**		**350,212**		911,857		401,927
	Total	**Ps.**	**5,140,786**	**Ps.**	**1,717,843**	Ps.	4,230,638	Ps.	1,552,339

		2016				**2015**			
Region	**Other foreign locations**		**Infrastructure rental revenue**		**Lease expense**		Infrastructure rental revenue		Lease expense
1	Costa Rica	**Ps.**	**39,093**	**Ps.**	**16,308**	Ps.	-	Ps.	-
	Total foreign locations	**Ps.**	**39,093**	**Ps.**	**16,308**	Ps.	-	Ps.	-
	Total	**Ps.**	**5,179,879**	**Ps.**	**1,734,151**	Ps.	4,230,638	Ps.	1,552,339

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C) REPORT OF RELEVANT CREDITS

To date, the Issuer has not executed any credit agreement with financial institution. Nevertheless, our subsidiary, OPSIMEX, during the corporate year 2015 made a public offer and reopened Stock Certificate, taking into consideration that this last transactions were also carried out in 2016, recorded in the RNV, with the characteristics indicated below:

Securities that were issued	Interest Rate	Maturity	Total amount issued (thousands of pesos)
Stock Certificates	TIIE 28 days + 0.50%	Julio 29, 2020	$4,500,000
Stock Certificates	7.97% (Fixed Rate)	Julio 23, 2025	$9,710,000
Stock Certificates	4.75% (Actual Rate)	Julio 17, 2030	$7,366,196

The issuance of Share Certificates made by OPSIMEX in 2015 and 2016 are subject to the following affirmative and negative covenants.

(a) Restrictions on Dividend Payments

The Issuer may not pay dividends to its shareholders for a period of three (3) years from the date the Stock Certificates are issued.

(b) Restrictions on Liens

The Issuer may not and it will not permit any of its Restricted Subsidiaries (defined below) to create, incur or assume any lien over the Restricted Property (defined below) to guarantee debt, exclusively in cases in which this guaranteed debt plus the aggregate amount of the Attributed Debt (defined below) of the Issuer and of its Restricted Subsidiary related with Sales and Leaseback (defined below) carried out by the Issuer or any of its Restricted Subsidiaries exceed the equivalent of 15% of the Consolidated Net Tangible Assets (defined below) of the Issuer unless the aforementioned Share Certificates are issued in a similar manner or previously guaranteed by a secured loan in terms of these liens.

Nevertheless, this restriction does not apply to the following cases: (i) liens created on the Restricted Property existing on the purchase date of this property or that have been created over it after the purchase date, resulting from the contractual obligations acquired prior to the purchase; (ii) liens on the Restricted Property that guarantee debt incurred or assumed to finance the purchase, construction, improvement or maintenance of this property; provided that said liens (1) have been created within the next twelve (12) months following the purchase, construction, improvement or maintenance date; and (2) are not created on any other Restricted Property; (iii) existing liens have been created on the Restricted Property of any of the Restricted Subsidiaries prior to the date in which this subsidiary became a subsidiary of the Issuer or that have been created subsequently, derived from contractual commitments previously executed and that have not been executed prior to this event; (iv) liens on any Restricted Property in order to guarantee debt of any subsidiary of the Issuer provided that said creditor of this debt is the Issuer or any of its subsidiary; and (v) liens created as a result of refinancing, extension, renovation or reimbursement of the debt in question provided that (1) the aggregate amount of the capital is not increased; and (2) this lien does not extend to the additional Restricted Property.

“Consolidated Net Tangible Assets” mean the total consolidated assets minus (1) all of the existing liabilities; (2) goodwill; (3) all the commercial names, trademarks, patents and other intellectual property; and (4) all the licenses, according to the most recent general consolidated balance sheet of the Issuer drafted according to the Financial Information International Standards.

“Restricted Property” means (1) any Site Infrastructure (as defined in the placement prospectus for the program) whether owned by the Issuer on the date of the Stock Certificates are issued or acquired subsequently or belonging to any of its Restricted Subsidiaries; and (2) any share representing the capital stock of any Restricted Subsidiary

“Restricted Subsidiaries” means any subsidiary of the Issuer that owns the Restricted Property.

(c) Restrictions for Sales and Leasebacks. The Issuer may not, nor will it permit any of its Restricted Subsidiaries to execute Sale and Leaseback transactions without previously agreeing on the date or previously agreeing on the operation in question, the Stock Certificates subject to this issuance will be equal and proportionally guaranteed by the sale and leaseback, unless: (i) the aggregate amount of the capital of the entire debt is pending payment guaranteed by any lien on any Restricted Property that does not proportionally guarantee the Stock Certificates subject to this issuance (excluding any guaranteed debt permitted under the section below) in addition to the total amount of the debt attributed to the Issuer and the debt attributed to its Restricted Subsidiaries with respect to the sale and leaseback that are pending (other than sale and leaseback transactions) that are permitted according to the next paragraph), do not surpass an amount equivalent to 15% of the Consolidated Net Tangible Assets of the Issuer; or (ii) the Issuer or any of its Restricted Subsidiaries within the next twelve (12) months following the sale and leaseback transaction will withdraw the amount of the debt guaranteed for the Issuer that is not subordinated to the Stock Certificates subject of this issuance for an amount equivalent to the sum that is higher between (1) the net resources obtained from the sale or transfer or ownership or the other assets subject to the sale and leaseback transaction; and (2) the market price of the Restricted Property that was leased.

“Sale and Leaseback” mean a contract between the Issuer or any of its Restricted Subsidiaries and a bank, insurance company or another creditor or investor whereby the Issuer or any of its Restricted Subsidiaries lease a Restricted Property for an initial term of three (3) or more years, which was or will be sold by the Issuer or any of its Restricted Subsidiary to said creditor or investor for the sale price equivalent or greater than US $1,000,000.00

“Attributed Debt” means, with respect to any sale and leaseback, whichever is lesser between (1) the market price of the asset subject to the sale and leaseback in question and (2) the present value, discounting an annual rate equivalent to the discount rate of a lease obligation capitalized by a term according to the Financial Information International Standards ("IFRSs"), of the net payment obligations of the lessor during the lease term (excluding the amounts derived from maintenance, repairs, insurance, taxes and similar expenses).

To date, neither TELESITES nor its subsidiaries have any tax liabilities.

D) COMMENTS AND ANALYSIS OF THE ADMINISTRATION REGARDING THE OPERATING RESULTS AND FINANCIAL SITUATION OF THE ISSUER

The following comments are based on and should be read together with our consolidated financial statements on the financial situation and our consolidated profit and loss statement and other financial information included throughout this Annual Report. The analysis below contains forward-looking statements that reflect our plans, estimates and assumptions and involve certain risks, uncertainties and suppositions. Our eventual results could differ significantly from those that were analyzed in the forward-looking statements as a result of various factors, including those mentioned throughout this Annual Report, especially in the section on "Risk Factors".

To date, the Issuer has not identified any tendencies, commitments or events that are known or that might significantly affect its liquidity, operating results or financial situation.

i) Operating Results

Revenue

Through its subsidiary, OPSIMEX executed Master Agreements effective until December 31, 2017 with (i) Telcel, (ii) Grupo AT&T, and (iii) Telefónica, which establish the key terms and conditions for our commercial relationship. Based on these terms and conditions, we have entered into individual site agreements that establish the rates for their use, annual increments and fixed annual fees that allow these operators to place a predetermined set of our equipment at our sites and establish an increase to the payment rates if the capacity for their original use is exceeded.

Our revenue for the year ended December 31, 2016 was earned from the monthly payment of the rates for use according to the site agreements executed with Telcel, Grupo AT&T and Telefónica. Our rates vary depending on the space required by the client's equipment on site, the leasable space required by the client and the site location. Our revenue could be affected by cancelations or terminations of the current site agreements or if the site is damaged, destroyed or its use is decreased. In general, our new site agreements will have a duration of (10) ten mandatory years; however, a site agreement may be canceled or terminated subject to payment of the corresponding termination fee.

For the year ended December 31, 2016, the revenue earned by TELESITES totaled $5,416 MM Ps, whereby: $3,390 MM Ps (62.5%) correspond to the lease of the towers; $1,789 MM Ps (33.0%) to the lease of the floor y $237 MM Ps corresponds to non-operating income.

Operating fees and expenses of the Company mainly consist of the property leasing for our sites, which consists in the rent that we pay our landlords according to the lease agreement as well as the salaries, maintenance fees for the towers, administration fees and depreciation.

For the year ended December 31, 2016, the Operating Costs and Expenses totaled $4,924 MM Ps. Depreciation totaled $2,557 MM Ps and lease payments $1,734 MM Ps pesos comprise the main items within the Operating Costs and Expenses.

Profits from the operation for the year ended December 31, 2016, totaled $491 MM Ps.

Excluding the effect of the depreciation on the operation profits during this period, EBITDA for TELESITES totaled $3,049 MM Ps.

The Comprehensive Financing Result for the year ended December 31, 2016 represented an expense of $1.546 MM Ps. Moreover, taxes on net profits totaled $103 MM Ps, resulting from a tax generated in the sum of $535 MM Ps and a differed tax benefit of $638 MM Ps. The net profit for the year ended December 31, 2016 totaled $951 MM Ps.

Our revenue for the year ended December 31, 2016 was recurrent revenue that we expect to continue receiving in the foreseeable future. Most of our site agreements contain stipulations that increase the rate per annum based on the National Consumer Price Index. Additionally, our site agreements provide an additional fee to cover the cost of leasing the site.

The master agreement entered into by OPSIMEX and Telcel establishes the possibility of swiftly and efficiently executing new site agreement to deploy new equipment to our sites. We hope that OPSIMEX enter into master agreements with other telecommunications suppliers as new clients in the near future and we hope that these master agreements include terms and conditions that are similar to those stipulated in the mater agreement with Telcel.

Financial Measures Not Recognized by IFRS

We included, with the examination of operating results, discussions about profits prior to interests, taxes, depreciation and payment (hereinafter ""EBITDA"). EBITDA is not a financial indicator recognized by IFRS despite the fact that it is based on or derived from information contained in our unaudited pro forma financial statements. EBITDA should not be considered an alternative for net loss (as an indicator of our operating performance) or as an alternative to the operating cash flow (as a measure of our liquidity). EBITDA is presented in the manner we believe is useful, as an indicator of our current operating performance. We believe that this measure is useful for the investor to evaluate our operating performance because (1) it is a key measure used by our administrative team in the decision-making process and to examine our performance; (2) it is frequently used in the site industry to measure the operating performance since depreciation and payment may vary significantly between companies depending on their accounting methods and the useful life, particularly when acquisitions and non-operational factors are involved; (3) provides investors with a significant measure to evaluate our operating performance by eliminating elements that do not fall within its operating nature; and (4) provides investors with a useful measure to compare our operating results with those of other companies.

Nevertheless, our measure of EBITDA might not be completely comparable to similar measured used by other companies. The following table shows a reconciliation between the net profits with EBITDA, expressed in thousands of pesos.

For the year ended December 31, 2016
(Figures in thousands of Mexican pesos)

		2016		2015
Net Earnings	**$**	**(951,179)**	**$**	**67,184**
Plus:				
Tax on profits		(103,517)		81,721
Comprehensive financing cost		1,546,517		404,938
Depreciation	$	2,557,196	$	2,322,780
EBITDA	**$**	**3,049,017**	**$**	**2,876,623**

ii) Financial Situation, Liquidity and Capital Resources

Internal and External Sources of Liquidity

External sources of liquidity may be mainly provided by banking and securities financing.

The Issuer has short and long-term lines of credit, which might be available to cover their needs for work capital or investment. The Company may also opt to take out short-term securities financing. In any case, the Company and its subsidiaries will seek better sources of financing in terms of cost and term from both local and international sources.

On July 17, 2015, OPSIMEX was authorized to issue long-term stock certificates up to the amount of $22,000 MM Ps. Presently, the following issuances have been made under this program:

On August 5, 2015, Stock Certificates series OSM-15 in pesos with a value of $3,500 MM Ps that matured July 23, 2016 were placed. From their issuance date and until their payment, these Stock Certificates will generate a gross interest rate of 7.97% per annum.

On August 5, 2015, Stock Certificates series OSM-15-2 in pesos with a value of $4,500 MM Ps that matured July 29, 2016 were placed. From their issuance date and until their payment, these Stock Certificates will generate an annual gross interest rate of 0.50% plus 28 day TIIE.

On August 5, 2015, Stock Certificates series OSM-15U in UDIs with a value of $7,000 MM Ps (1,324,168,800 Udis) that matured July 17, 2030 were placed. From their issuance date and until their payment, these certificates will generate an annual gross interest rate of 4.75%.

On September 23, 2015, the series OSM-15 was reopened in the sum of $3,700 MM Ps that matured July 23, 2025. From its issuance date and until their payment, these stock certificates will generate an annual gross interest rate of 7.97%.

In February 2016, OPSIMEX carried out the second reopening of the series OSM-15 in the sum of $2,500 MM Ps. To date, the aggregate amount of this series totaled $9,710 MM Ps.

Stock certificates issued under the long-term program include a restriction on dividend payments; therefore, OPSIMEX cannot distributed dividends to its shareholders, including TELESITES, for a three (3) year period as of their issuance date.

On April 1, 2016, OPSIMEX was authorized by CNBV for a short-term stock certificate program of up to $3,000 MM Ps. To date, only three issuances have been made and paid out.

On October 27, 2015, Banco Santander S.A. (Santander) approved a loan for the Company in the sum of $400 MM Ps that matures on January 25, 2016. The loan generates ordinary interests payable on a monthly basis over the amount of the loan at a rate equivalent to applying the ordinary rate resulting from adding 0.45 base points to 28-day TIIE.

On October 27, 2015, BBVA Bancomer S.A. (Bancomer) approved a loan for the Company in the sum of $400 MM Ps that matures on January 26, 2016. The loan generates ordinary interests payable on a monthly basis over the amount of the loan at a rate equivalent to applying the ordinary rate resulting from adding 0.45 base points to 28-day TIIE.

On October 27, 2015, Banco Nacional de México, S.A. (Banamex) approved a loan for the Company in the sum of $200 MM Ps that matures on April 27, 2016. The loan generates ordinary interests payable on a monthly basis over the amount of the loan at a rate equivalent to applying the ordinary rate resulting from adding 0.45 base points to 28-day TIIE.

During the corporate year 2016, the Company liquidated all of the bank debt it had taken out with Santander, Bancomer and Banamex for a total of $400 MM Ps, $400 MM Ps and $200 MM Ps, respectively.

On December 9, 2016, Bank of América, N.A. (BOFA) approved a loan for the Company in the sum of $14.1 MM USD ($219 MM Ps) that matures on February 28, 2017. The loan generates ordinary interests payable on a monthly basis over the amount of the loan at a rate equivalent to applying the ordinary rate resulting from adding 1.6250% of the Libor Rate.

On November 30, 2016, BOFA approved a loan for the Company in the sum of $1.3 MM USD ($27 MM Ps) that matures on February 28, 2017. The loan generates ordinary interests payable on a monthly basis over the amount of the loan at a rate equivalent to applying the ordinary rate resulting from adding 1.6250% of the Libor Rate.

On December 28, 2016, BOFA approved a loan for the Company in the sum of $1.3 MM USD ($27 MM Ps) that matures on February 28, 2017. The loan generates ordinary interests payable on a monthly basis over the amount of the loan at a rate equivalent to applying the ordinary rate resulting from adding 1.6250% of the Libor Rate.

Internal Sources of Liquidity will be provided by the Company's own cash flow.

To December 31, 2016, all the assets of the Company totaled $44,052 MM Ps, whereby $43,174 MM Ps corresponds to property and equipment. To December 31, 2016, the total liabilities of TELESITES summed $34,372 MM Ps, whereby $21,866 MM Ps represent the interest-bearing debt. The net debt at the end of the year totaled $21,634 MM Ps, equivalent to 7.0 of EBITDA for the corporate year. The net worth of the Company to December 31, 2015 totaled $9,680 MM Ps.

Surplus for Revaluation of Properties and Equipment, Net

Upon concluding the Spin-off from Telcel, we recognized and registered our properties and equipment at their historical cost. After this initial recognition, we adopted the revaluation model provided by rule IAS 16 (Properties, Plant and Equipment) and, according thereto, we recognized these assets at their revaluated amount, whereby its fair value as of the date of the revaluation date, the revaluation determined with the support of the independent appraisers

If the results of the revaluation reflect an increase in the value of an assets, this increase is credited as capital, net of taxes differed through the comprehensive profit as surplus for the revaluation of properties and equipment.

For the year ended on December 31, 2016, a net movement was presented for Differed Income Tax in the surplus for asset revaluation totaling $1,416 MM Ps.

Treasury

The Company's treasury policies are consistent with its financial commitments and the needs of its operations. It has financial resources invested in instruments that are highly liquid, non- speculative and low-risk. Similarly, and due to its recent creation, the Issuer is working jointly with its management bodies to draft a policy manual to govern its treasury. The treasury mainly keeps pesos because it is the currency in which the Company receives the income derived from its operations.

Adjustments beyond its Balance

To date, TELESITES has not made any adjustment beyond the balance.

iii) Internal Control

The activities of TELESITES expose it to various financial risks, such as market risks (including risks from interest rates in cash flow), credit risks and liquidity risks. The administration of the Company focuses on mitigating these potential adverse effects in its financial performance.

The risk administration is managed by the Internal Audit Department under the supervision of the Board of Directors. The Internal Audit Department is entrusted with identifying, evaluating and mitigating financial risks in coordination with the Operations Department, according to the general standards with respect to management of financial risk and certain procedures related to specific risks, such as credit risk and/or risk related to investment of surplus cash flow.

iv) Operations with Derivatives

To date, the Company has not taken out financial derivative instrument; however, it may do so in the future if it considers this measure advisable.

E) ESTIMATES, PROVISIONS OR CRITICAL ACCOUNTING RESERVES

Properties, Civil Works and Towers

General

This heading is appraised at its revaluated amount, to December 31, 2016; however, it does not surpass the value corresponding to its use. Market value was determined by expert appraisers independent from the market values current as of this date.

Depreciation calculation

Depreciation is determined based on the useful life remaining for the assets subject to leasing and according to the straight-line method of its reevaluated amount. In the case of the Company, the estimated useful life of the assets fluctuates between 16 and 20 years. This estimated useful life takes into account aspects such as the useful life granted by the market to these assets, the maintenance of this infrastructure, changes to technology as well as their use.

This heading is represented by the passive infrastructure, mainly towers and civil works, which were spun-off at their historical cost. Subsequent to the initial recognition, the Company adopted the reevaluation model permitted by the International Accounting Standard 16 “Properties, Plant and Equipment”; therefore this heading was entered into the accounting records by its reevaluated value based on the calculations made by independent appraisers.

Provisions to Withdraw Assets

This provision represents the estimate of future costs incurred by the Company when changing, modifying or cancelling the sites in operation. These costs are updated to their present value taking into consideration an appropriate discount rate determined by the Company.

Liabilities from provisions are recognized (i) in the event of a present obligation (legal or assumed) as a result of a past event; (ii) if financial resources are likely to be needed to liquidate this obligation; and (iii) the obligation may be reasonably estimated.

When the effect of the cash value through time is significant, the amount of the provision is the present value of the disbursement that is expected to be necessary to liquidate the obligation. The discount rate applied is determined before taxes and reflects the market conditions on the date of the consolidated statement of financial situation and, when applicable, the specific risk of the corresponding liability. In these cases, an increase in the provision is recognized as a financial expense.

Provisions for contingent liabilities are recognized when it the withdrawal of resources for its extinction is likely. Moreover, contingencies will only be recognized when they generate a loss.

This provision is made for future removals, and rearrangements of sites. It is determined by taking into consideration the following factors:

a) The cost of transporting certain materials;

b) Labor cost for relocating sites and for construction;

c) Cost of materials for the new civil works;

d) Inflation; and

e) Periods estimated to relocate the sites.

To December 31, 2016 and 2015, the provision for retirement savings is comprised as follows:
(Figures in thousands of Mexican pesos)

	2016	2015
Balance to January 5, 2015	**$ -**	$ 1,480,919
Balance to January 1, 2016	**732,990**	
Review of the cash flow estimate and discount rate:		
Effect on property and equipment	**-**	(341,567)
Effect on the results for the period	**-**	(434,722)
	-	(776,289)
Increase for registration of passive infrastructure	**98,680**	28,360
Applications	**-**	-
Balances to December 31	**$ 831,670**	$ 732,990

Review of cash flow and discount rate during the year ended December 31, 2016 did not result in a change of these variables with respect to the preceding period. The review of the cash flow estimate and discount rate for the period from January 5 thru December 31, 2015 mainly refers to a reduction in the cost for dismantling expected per asset as well as an increase in the discount rate and the expected long-term inflation.

Differed Taxes

Provisions for differed taxes correspond to the future payable estimates for the taxes generated, mainly by the difference between the accounting value of the property and equipment that is registered at its reevaluated value and its fiscal cost.

General

The estimates and considerations used by the Company to prepare its financial statements are evaluated continuously and are based on past experience and other factors, including forward-looking statements that are considered reasonable under present circumstances.

To the date of the issuance of the consolidated statements on the financial situation and the comprehensive profit and loss statements that are attached hereto, no additional estimate, provision or accounting reserve has been identified that needs to be described.

To date, the Issuer does not foresee a significant change in the estimates, provisions or reserves. In the event of a significant change, depending on its nature, the corresponding Financial Information could be affected.

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4. ADMINISTRATION

A) EXTERNAL AUDITORS

The Board of Directors held a meeting on October 19, 2016 and approved, subject to the recommendation from the Audit and Corporate Practices Committee of the Issuer, to ratify retaining the services of the firm Mancera, S.C., member of Ernst & Young Global Limited ("Mancera"), as the external auditor of the Company and its Subsidiaries. They were also hired to prepare the audited consolidated financial statements to December 31, 2016. Moreover, at the meeting held on the same date, the Audit and Corporate Practices Committee of the Issuer recommended to the Board of Directors of the Issuer to retain the services of Mancera as the external auditor of the Company and its Subsidiaries.

The designation or ratification of the external auditors will always be made as provided by the LMV, the Sole Circular and other applicable provisions, which currently establish that external auditors will be selected by the Board of Directors of the Company with the prior favorable opinion from the Audit and Corporate Practices Committee. This committee will verify that the external auditors are independent and will approve the terms of contracting its respective services and the fees to be paid for the audit.

To contract external auditors, the Company will follow this procedure:

a) The Audit Committee will analyze several options and will recommend to the Board of Directors the candidates for external auditors of the Company, including the scope of their powers and the conditions for their hiring for the purpose of auditing the accounting records of the Company every corporate year;

b) The Audit Committee will interview the external auditors of the Company to verify that they fulfill the requirements of independence and have the personnel necessary to fulfill their obligation of rotating personnel; and

c) Based on the foregoing, the Company will designate or ratify the contracting of the external auditor each year.

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B) OPERATIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST

The principle client of OPSIMEX is its affiliate, Telcel. During the normal course of its operations, the Company foresees executing a wide range of commercial and financial transactions with related parties such as subsidiaries and associates of América Móvil, Grupo Financiero Inbursa, S.A.B. de C.V., Carso Infraestructura and Construcción, S.A. de C.V., Telmex, Grupo Carso, S.A.B. de C.V. and Operadora CICSA, S.A. de C.V., among others.

So, we have included a description of certain operations performed with related parties:

América Móvil and our subsidiary OPSIMEX have related operations in their respective markets. As a result, these Companies have ongoing relations among themselves, in light of the pre-existing active infrastructure of Telcel in the Site Infrastructure. These include services to access and use the Site Infrastructure that will be provided by our subsidiary OPSIMEX to Telcel as well as other licensees of public telecommunications networks. Telcel is our main client, which is expected to vary according to our business plans and the market conditions.

With respect to certain previous services, Telcel and OPSIMEX have executed Master Agreements and site agreements under similar terms as those contained in the Tower Reference Offer 2016 – 2017.

Similarly, OPSIMEX has entered into a service agreement with Operadora CICSA, S.A. de C.V., to construct sites under similar conditions as the rest of the service providers that OPSIMEX has contacted for the same purpose.

TELESITES and its subsidiaries may also receive various financial services from subsidiaries of Grupo Financiero Inbursa, S.A.B. de C.V., including the opening of checking and investment accounts, granting credits, taking out insurance policies and bonds and/or executing stock brokerage agreements.

All of the operations executed with related parties are performed at market conditions and prices in order to comply with the provisions of the applicable legislation.

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C) ADMINISTRATORS AND SHAREHOLDERS

The management of the Company is entrusted to a Board of Directors, which is comprised of a total of six (6) directors without designating substitutes. According to our bylaws, the Board of Directors should be comprised by at least five and no more than twenty-one directors and up to the same number of substitutes. Directors need not be shareholders, although most directors and substitutes should be Mexican and must be appointed by the Mexican shareholders.

The appointment or reelection of the directors and substitutes is carried out during the annual general shareholders' meeting. According to the LMV, the shareholders' meetings should rate the independence of the directors; however, the CNBV may object to this rating. According to our bylaws and the LMV, at least 25% of the directors should be independent. Presently, our percentage is nearly 70% of independent directors. This significantly surpasses the percentage required by the legal provisions. In order of the Board of Directors to validly hold a meeting, most of its members should be present.

Our bylaws also provide that board members should be appointed to occupy their position for one year. However, according to the LGSM, board members will remain in office for up to thirty (30) days after their appointment has ended when their substitutes have not been designated or those who have been designated have not taken office. In certain cases provided by the LMV, the Board of Directors should appoint provisional directors and the shareholders' meeting may ratify these appointments or designate the corresponding substitutes.

The list below indicates the name of the current board members for TELESITES, their position, experience in the business, including other experiences as board members:

Name	Position | Type of Director
Juan Rodríguez Torres	Chairman | Independent
Gerardo Kuri Kaufmann	Director | Non-Independent
Daniel Goñi Díaz	Director | Independent
Daniel Díaz Díaz	Director | Independent
Víctor Adrián Pandal González	Director | Non-Independent
Luis Ramos Lignan	Director | Independent

Ms. Verónica Ramírez Villela is currently the Secretary of the Board of Directors of TELESITES, but she is not a member of the governance board.

The general information of the board members of the Company is included below:

Juan Rodríguez Torres.- is a Civil Engineer with a master's degree in Operation Planning and Research from the National Autonomous University of Mexico. He is 77 years old. He is a board member of Procorp, S.A. de C.V., Sociedad de Inversión de Capitales, Grupo Sanborns, S.A.B. de C.V., Elementia, S.A. de C.V. and President of its Audit Committee, he is a board member of Minera Frisco, S.A.B. de C.V. and President of its Audit Committee. He also serves as a consultant board member of Grupo Financiero Banamex. Mr. Rodriguez is also on the board of directors of the following Spanish companies: Fomento de Construcciones and Contratas, S.A. and a committee member, board member of Cementos Portland Valderribas, S.A. and a committee member, non-executive member of the real-estate Company, REALIA Business, S.A. He is a founder of several companies dedicated to the real-estate and shoe business.

Daniel Díaz Díaz.- is a Civil Engineer from the National Autonomous University of Mexico. He is 82 years old. As a public servant, he occupied the office of Undersecretary of Infrastructure and Secretary of the Ministry of Communications and Transportation. From 1990-1997, he was a member of the governance board of the National Autonomous University of Mexico. Mr. Díaz was the Director of the Mexican Institute of Transportation and from 2000-2001 he served as the Director of the Federal Roadways and Bridges in the sector of Revenue and Related Services. From 2003-2005, he served as an advisor in infrastructure projects for Fundación del Centro Histórico de the Ciudad de Mexico, A.C. Presently, he is a board member of Carso Infraestructura and Construcción, S.A. de C.V. and Impulsora del Desarrollo and the Empleo en América Latina, S.A.B. de C.V.

Luis Ramos Lignan.- is a Civil Engineer with a master's degree in Hydraulics from the National Autonomous University of Mexico. He is 77 years old. Mr. Ramos has served as President of the College of Civil Engineers of Mexico and of the National Chamber of Consulting Companies. Presently, he is the CEO of Ingeniería and Procesamiento Electrónico, S.A. de C.V. and Chairman of the Instituto Mexicano de Auditoría Técnica, A.C.

***Daniel Goñi Díaz*.-** is a Lawyer from the National Autonomous University of Mexico. He is 65 years old. He is a Notary Public 80 of the State of Mexico and has served as Secretary, Vice President and President of the National Red Cross on several occasions. Moreover, he has also severed as the Civil Commissioner of the State Electoral Commission of the State of Mexico.

***Víctor Adrián Pandal González*.-** studied Business Administration in the Universidad Iberamericana. He is 43 years old. He also has a MBA degree from the University of Boston. From April 2002 to the present date he has served as the President of the foundation, Fundación del Centro Histórico de the Ciudad de Mexico, A.C.

Gerardo Kuri Kaufmann.- is an Industrial Engineer from the Universidad Anáhuac. He is 33 years old. From 2008-2010, Mr. Kuri has served as purchasing manager of Carso Infraestructura and Construcción, S.A. de C.V. After the incorporation of Inmuebles Carso, S.A.B. de C.V., he was appointed as the President. Additionally, he serves on the board of directors of Minera Frisco, S.A.B. de C.V., Elementia, S.A. de C.V., Fomento de Construcciones and Contratos, S.A. and Cementos Portland Valderrivas, S.A.

The board members and senior officers of the Company are not related by blood or by marriage.

Board members will receive the sum of $32,000.00 (Thirty-One Thousand pesos 00/100) as remuneration for each board meeting that they assist during the corporate year 2017. Board members will also be members of the Audit and Corporate Practice Committee and will receive an additional remuneration of $10,500.00 (Ten Thousand Five Hundred pesos 00/100) for each committee meeting that they assist during the corporate year.

Pension, retirement or similar plans do not exist for board members of the Issuer nor for senior officers or any individual acting its related parties.

Audit and Corporate Practice Committee

The LMV provides that it is mandatory for companies to have an audit committee, which must be comprised by at least three independent members appointed by the Board of Directors (except in the cases of companies controlled by a person or business group holding 50% or more of the capital stock, in which case most of the members of the Audit and Corporate Practice Committee should be independent). The Audit Committee (along with the Board of Directors, who have additional obligations) substitute the statutory auditor that was previously required according to LGSM.

Specifically, the duties of the Audit and Corporate Practice Committee are:

- Provide an opinion to the Board of Directors about the issues within its purview according to the LMV;
- Call shareholders' meetings and instruct that relevant issues be inserted on the agenda;
- Inform the Board of Directors about the status of the internal control system, including the aspects that require improvement;
- Select auditors for the Company, preliminary review and approve the scope and terms for their hiring and determine their remunerations;
- Supervise the actions taken by the auditors and revise the terms for their hiring;

- Recommend certain procedures to prepare the financial statements and internal controls;

- Supervise compliance of internal controls and the manner of entering certain items in the accounting records;

- Recommend certain procedures on how to prepare the internal financial statements that are consistent with the published financial statements;

- Provide support to the Board of Directors when drafting the reports requested under the LMV;

- Discuss with the auditors the annual financial statements and the accounting principles that were applied therein and in the financial statements for partial periods; and, based on these discussions, recommend the approval of these financial statements by the Board of Directors;

- Resolve any difference of opinion between the Board of Directors and the auditors with respect to the financial statements;

- Request the opinion of independent experts whenever necessary or as required by law;

- Approve of the services provided by the auditors or establish the policies and procedures to approve of these services;

- Obtain a report from the auditors that includes an explanation about the key accounting policies used by the Company, with respect to any optional treatment regarding the most important entries discussed between management and the auditors and any other communications in writing between the auditors and the Board of Directors;

- Present to the Board of Directors a report about its activities;

- Develop procedures to receive, withhold and process claims regarding the accounting, controls and matters related to the audit, including procedures to file confidential reports about these matters by employees;

- Examine the performance of the external auditors;

- Review and discuss the financials statements of the Company and inform the Board of Directors about the recommendations of the committee with respect to the approval of these financial statements;

- Receive and analyze the observations made by shareholders, directors and senior officers; and take any action deemed necessary with respect to these observations;

- Recommend to the Board of Directors procedures for the selection and substitution of the CEO and the rest of the senior officers of the Company;

- Suggest criteria to evaluate the performance of the senior officers;

- Analyze the proposals by the CEO with respect to the structure and the amount of the remunerations of the senior officers;

- Review any new remuneration programs of senior officers and how the existing programs function;

- Establish hiring policies to avoid excessive payments for senior officers;

- Provide support to the Board of Directors to implement of appropriate personnel policies; and

- Take any other actions that are entrusted by the Board of Directors

The following persons (all of them are independent directors as provided by the LMV) comprise the Audit and Corporate Practice Committee of the Company:

Name	Position | Type of Director
Daniel Díaz Díaz	President | Independent
Juan Rodríguez Torres	Member | Independent
Daniel Goñi Díaz	Member | Independent

All of the members of the Audit and Corporate Practice Committee are financial experts because they have a vast professional trajectory as entrepreneurs, public servants or within the private sector. Many of them are or have been board members in various companies within the financial or securities sectors in addition to having served in the Federal Administration and decentralized agencies.

Senior Officers

The following persons are senior officers of TELESITES:

CEO: Gerardo Kuri Kaufmann
CFO: Jesús Granillo Rodríguez
General Counsel: Eriván Urióstegui Hernández

Stock Ownership of Directors, Senior Officers and the Principal Shareholders of the Issuer

With respect to the stock ownership of (i) the directors and senior officers of the Company whose equity is more than 1% of the Shares of Capital Stock, (ii) the person or group of persons or principal shareholders who exercise control, power or significant influence; (iii) the individuals or companies who are beneficial shareholders of 5% or more of each series of shares entitled to vote of the Company; and (iv) the 10 largest shareholders of the Company, although their individual equity might not reach the aforementioned percentage, as well as the identity of the principal shareholders who are individuals or companies who are beneficial shareholders of over 10% of the shares of the Company. Nevertheless, according to the information provided to the Company under Articles 49 bis 2 and 49 bis 3 of the Sole Circular received after the date of distribution of TELESITES Shares, it is clear that:

1. 7 members of the Slim family are the principal shareholders of TELESITES because they are the beneficiaries, either directly or indirectly of 61% of the capital stock;

2. The Control Trust and Inversora Carso, S.A. de C.V. together with its subsidiary are each direct shareholders of over 10% of the capital stock of TELESITES.

It is important to state that the members of the Slim family are individuals with Mexican citizenship; therefore, the Company is a holding company controlled predominantly by Mexicans and as a result is not controlled, directly or indirectly, by another company or foreign government.

The Issuer is not aware of any commitment that could signify a change of control of its shares. Furthermore, the Issuer has not executed any agreement that could involve employees in the capital stock of the Issuer.

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D) BYLAWS AND OTHER AGREEMENTS

A brief summary of the most important provisions of TELESITES' bylaws and Mexican legislation are included below. This summary is not intended to be exhaustive and is subject to the express provisions of the bylaws of the Company that are effective as of the date of this Annual Report.

Incorporation and Registration

TELESITES, S.A.B. de C.V., is a stock company with variable capital that was incorporated by instrument 55,433 on October 19, 2015, certified by Patricio Garza Bandala, Notary Public 18 of Mexico City, acting as an associate of Ana Patricia Bandala Tolentino, Notary Public 195 of Mexico City. Its first official transcript was recorded in the Public Registry of Property and Commerce of Mexico City under commercial folio 548205-1 on December 10, 2015.

The general extraordinary shareholders' meeting of the Issuer held on April 28, 2018 approved to convert the shares representing the capital stock. In other words, shares series-L with limited votes and shares series-A and AA will be exchanged for ordinary shares of series B-1 and the bylaws will be amended.

Purpose

According to clause three of our bylaws, our corporate purpose is to promote, create, organize, exploit, acquire and own capital stock or equity in all kinds of corporations or civil partnerships, associations or companies, whether industrial, commercial, service or any other kind, both national or foreign, as well as participating in their administration or liquidation.

Shares of Capital Stock

According to TELESITES' bylaws, the capital stock is variable. Its minimum fixed capital is $35,000,000.00 (Thirty-Five Million pesos 00/100), represented by a total of 4,774'486,209 (Forty-Four Billion Seven Hundred and Seventy-Four Million Four Hundred and Eighty-Six Thousand Two Hundred and Nine) shares divided into shares series-B1 that are ordinary, registered, without par value and totally paid-in. The variable portion of the capital stock is represented by the number of shares contained in series-B1 that are ordinary, registered, without par value as determined by the General Shareholders' Meeting that approves its issuance.

Shareholders' Meetings

General Shareholders' Meetings may be Ordinary or Extraordinary. Both meetings will be held at the corporate headquarters, except in the case of an act of providence and force majeure.

General Ordinary Shareholders' Meeting will address any matter that the law or these bylaws do not reserve for the General Extraordinary Shareholders' Meeting. General Ordinary Shareholders' Meeting will meet at least once a year within the four months after concluding the corresponding corporate year. It will also address the issues on the Agenda, which are listed in Article 181 of the General Law of Business Corporations.

In addition to the provisions of the General Ordinary Shareholders' Meeting, General Ordinary Shareholders' Meeting will meet to:

a) Approve the operations that, as the case may be, the Company or its subsidiaries intends to carry out during the corporate year when these represent 20% (twenty percent) or more of the consolidated assets of the Company based on the figures corresponding to the close of the previous quarter, regardless of the manner in which these are executed, simultaneously or successively, but due to their nature could be considered as a single operation. Shareholders with voting rights, including limited or restricted, may vote at the meeting; and

b) Comply with any other obligations that, as the case may be, may be required legally. General Extraordinary Shareholders' Meeting will meet to address one or more of the issues established by Article 182 of the General Law of Business Corporations.

Shareholders' meetings may be called by the Board of Directors, the Chairman of the Board of Directors, the Secretary, the President of the Audit and Corporate Practices Committee or by a competent judge. The Chairman of the Board of Directors or the President of the Audit and Corporate Practices Committee should call a meeting at the request of the shareholders owning at least 10% of the capital stock. Calls to meetings should be published online in the system set by the Ministry of the Economy at least 15 calendar days prior to the date set for the meeting. In order to be entitled to attend meetings, shareholders should deposit their shares in the office of the Secretary, at a Mexican or foreign credit institution or at a Mexican brokerage firm.

Restrictions applicable to the Cancelation of the Registration of the Shares in the RNV

Pursuant to the LMV and the CUE, the Company's shares are registered in the RNV.

In the event that the Company decides to cancel this registrations, or if it is cancelled by the CNBV, the Company is obligated to make a public buyback offer of all of the outstanding shares before proceeding with the cancelation. This offer will only be extended to persons who do not belong to the group of shareholders exercising control over the Company and that have been shareholders or holders of other securities representing shares of the Company (i) from the date established by the CNBV if the registration is canceled by resolution of the latter; or (ii) from the date of general extraordinary shareholders' meeting that adopted the respective resolution, if the registration is cancelled voluntarily.

The Company's bylaws provide that if after concluding a public buyback offer certain shares continue in the hands of investors, TELESITES is obligated to create a trust with a duration of six months and to provide resources to this trust in order to buyback the shares from investors that have not been sold as a result of the offer at the same price as the public offer.

Unless the CNBV authorizes otherwise, subject to the prior authorization of the Board of Directors (taking into account the opinion of the Audit and Corporate Practice Committee), the offer price should be the result of the highest between (i) the average between the closing price of the shares in the BMV for the last 30 days of trading; and (ii) the book value of these shares that was reported in the last quarterly report presented before the CNBV and the BMV.

A voluntary cancelation of its registration is subject to (i) the prior authorization of the CNBV; and (ii) the authorization of at least 95% of the Shares of Capital Stock, gathered at a general extraordinary shareholders' meeting.

Other Provisions

Variable Capital

The Company is authorized to issue shares representing its fixed capital and shares representing its variable capital. Presently, all of the Shares of Capital Stock of the Company correspond to the fixed capital.

Loss of Shares

As provided by the applicable laws of Mexico, the Company's bylaws establish that "any foreigner that during incorporation or thereafter acquires equity or stock ownership in the Company will be considered by this mere fact as a Mexican national with respect to said equity or stock ownership. It will be understood that said foreigner has agreed not to invoke the protection of its government under penalty in the event of a breach of forfeiting said equity or stock ownership in benefit of the Nation." Accordingly, a foreign shareholder will be considered to have agreed not to invoke the protection of its government by requesting that said government file a diplomatic claim against the Mexican government with respect to its rights as a shareholder, but will not be considered to have waived any other rights that it may have with respect to its investment in TELESITES. In the event that a shareholder invokes the protection of its government in breach of this agreement, then it may forfeit its shares in favor of the Mexican government. Mexican law require this provision to be included in the bylaws of every Mexican company whose bylaws do not include a foreigners exclusion clause.

Exclusive Jurisdiction

The Company's bylaws provide that legal procedures related with the execution, interpretation or performance of the bylaws may only be filed before the Mexican court system.

Duration

According to its bylaws, the duration of the Company is indefinite.

Share Buyback

According to its bylaws, at any moment the Company may buyback its own shares in the BMV at their market price. This purchase must abide by the guidelines established by the Board of Directors and the amount should be allocated to the share buyback approved by the general ordinary shareholders' meeting. While the shares that bought back belong to the Company, neither their ownership rights nor votes may not be exercised. These shares are not considered outstanding for the purposes of calculating the quorum and votes at the shareholders' meetings that are held during this period.

Conflicts of Interest

Every shareholder who votes with respect to an operation in which it has a conflict of interest with the Company could be liable for the damage caused, provided that the operation had not been approved without the vote of this shareholder.

5. STOCK MARKET

a) Shareholding Structure

To date, the number and series of shares comprising the structure of our capital is the following:

Series	Capital	Shares
B-1	Minimum, fixed	**4,774,486,209**

To December 31, 2016, the treasury of the Company has 1,474,486,209 shares series B-1 for repurchase (historical buyback) as provided by the Stock Market Law.

b) Share Performance in the Stock Market

The table below contains information about the performance of the shares in the BMV as of March 31, 2017.

Series	Periodicity	Date	Last Price	Low Price	High Price	Volume
SITES B1	Annual	2016	11.24	10.22	12.77	374,320,000
	Quarterly	1Q17	12.14	10.91	12.70	131,180,000
		4Q16	11.24	10.22	12.77	196,910,000
	Monthly	mar-17	12.14	11.11	12.34	40,780,000
		feb-17	11.50	11.02	12.70	67,870,000
		ene-17	12.17	10.91	12.70	22,530,000
		dic-16	11.24	10.96	12.77	23,860,000
		nov-16	12.02	10.22	12.09	129,470,000
		oct-16	10.92	10.86	12.00	43,580,000

Series	Periodicity	Date	Last Price	Low Price	High Price	Volume
SITES A	Annual	2015	12.85	11.5	13.25	109,224,000

Series	Periodicity	Date	Last Price	Low Price	High Price	Volume
SITES L	Annual	2015	11.21	10.52	13.38	304,102,269

c) Market Maker

To date, the Issuer has not received any market making services.

6. RESPONSIBLE PARTIES

"The undersigned state under oath that within our purview we have prepared the information with respect to the Issuer contained in this Annual Report, which to the best of our knowledge reasonably reflects our situation. Moreover, we state that we have no knowledge about relevant information that has been omitted or distorted in this annual report or that it contains information that could mislead to the investors."

Mexico City, April 28, 2017

Gerardo Kuri Kaufmann
CEO

Jesús Granillo Rodríguez
CFO

Eriván Urióstegui Hernández
General Counsel

External Auditor

7. ANNEXES

a) Consolidated and audited financial statements of TELESITES, S.A.B. de C.V. and subsidiaries to December 31, 2016 and Report by the External Auditor.

b) Consolidated and audited financial statements of TELESITES, S.A.B. de C.V. and subsidiaries to December 31, 2015 *International Accounting Standards Board* and Report by the External Auditor.

c) Annual Report of the Audit Committee of TELESITES for the corporate years 2016 and 2015

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Financial Statements

31 December 2016 and 2015
with Report of Independent Auditors

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Financial Statements

31 December 2016 and 2015

Contents:

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REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the accompanying consolidated financial statements of Operadora de Sites Mexicanos, S.A. de C.V. and subsidiary ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Operadora de Sites Mexicanos, S.A. de C.V. and subsidiary as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

Key audit matters

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

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

1. Property and Equipment

Description of key audit matter

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

How we addressed key audit matter

We evaluated the assumptions used to measure and recognize property and equipment on the basis of a fair value review that we performed in accordance with International Accounting Standard (IAS) 27. For this review, we considered and evaluated the reconciliation of the beginning and ending balances of property and equipment. Based on audit samples, we analyzed the increases reflected in property and equipment accounts by reviewing and comparing significant items to their respective support documentation. We tested asset depreciation by verifying the mathematical calculations underlying the depreciation and we carried out substantive analytical procedures as well. To determine the existence of potential indicators of impairment, we sought assistance from specialists and we assessed the Company's presentation and disclosure of passive infrastructure in accordance with IFRS.

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

2. Current and deferred income tax

Description of key audit matter

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

How we addressed key audit matter

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

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

3. Short-term and long-term debt

Description of key audit matter

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

How we addressed key audit matter

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

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

4. Asset retirement obligation

Description of key audit matter

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

How we addressed key audit matter

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

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

5. Revenue Recognition

Description of key audit matter

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

How we addressed key audit matter

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

Jose Andres Marin

Mexico City
5 April 2017

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Financial Position

(Amounts in thousands of Mexican pesos)

	As at 31 December 2016		As at 31 December 2015	
Assets				
Current assets:				
Cash and cash equivalents (Note 4)	Ps.	231,533	Ps.	470,279
Accounts receivable		3,779		618
Related parties (Note 6)		104,969		10,593
Recoverable taxes		165,715		9,545
Other current assets (Note 5)		144,528		200,993
Total current assets		650,524		692,028
Non-current assets:				
Licenses and software		8,755		-
Property and equipment, net (Note 7)		43,173,883		38,687,768
Deferred tax assets (Note 16)		28,492		31,271
Other non-current assets (Note 5)		190,001		145,436
Total assets	Ps.	44,051,655	Ps.	39,556,503
Liabilities and equity				
Current liabilities:				
Short-term debt and interest (Note 9)	Ps.	345,486	Ps.	1,000,377
Interest payable on long-term debt (Note 9)		476,492		388,908
Accounts payable and accrued liabilities (Note 14)		430,122		264,899
Taxes and contributions payable		77,363		572,778
Related parties (Note 6)		190,518		205,823
Employee benefits (Note 13)		7,505		3,201
Total current liabilities		1,527,486		2,435,986
Non-current liabilities:				
Long-term debt (Note 9)		21,520,659		18,769,543
Deferred tax liabilities (Note 16)		10,488,050		9,886,089
Retirement benefits (Note 12)		3,767		1,199
Asset retirement obligation (Note 8)		831,670		732,990
Total liabilities		34,371,632		31,825,807
Equity (Note 15):				
Share capital		35,000		35,000
Other components of equity		(16,228,640)		(16,228,640)
Surplus from revaluation of assets		23,861,672		22,446,129
Components of other comprehensive income		616		-
Retained earnings		2,962,554		1,411,023
Net (loss)/income for the year		(951,179)		67,184
Total equity		9,680,023		7,730,696
Total liabilities and equity	Ps.	44,051,655	Ps.	39,556,503

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

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Amounts in thousands of Mexican pesos)

	For the year ended 31 December 2016	For the period from 5 January to 31 December 2015
Operating revenue:		
Infrastructure rent	Ps. 5,179,879	Ps. 4,230,638
Revenue from alteration services	214,778	66,464
Other income (Note 2s)	21,999	438,124
	5,416,656	4,735,226
Operating costs and expenses:		
Depreciation (Note 7)	2,557,196	2,322,780
Leases (Note 11)	1,734,151	1,552,339
Alteration service costs	201,062	63,141
Operating expenses	396,896	242,912
Other expenses	35,530	211
	4,924,835	4,181,383
Operating income	491,821	553,843
Net financing cost:		
Accrued interest income	38,250	143,662
Accrued interest expense	(1,349,273)	(422,280)
Foreign exchange loss, net	(235,494)	(126,320)
	(1,546,517)	(404,938)
(Loss)/income before income tax	(1,054,696)	148,905
Income tax (Note 16)	103,517	(81,721)
Net (loss)/income for the year	Ps. (951,179)	Ps. 67,184
Components of other comprehensive income:		
Revaluation surplus, net of taxes	Ps. 1,415,543	Ps. 22,446,129
Labor obligations, net of taxes	(86)	-
Foreign currency translation reserve	702	-
Total other comprehensive income	1,416,159	22,446,129
Comprehensive income for the period	Ps. 464,980	Ps. 22,513,313
Weighted average number of outstanding shares (thousands of shares)	3,300,000	3,300,000
Net (loss)/income per share attributable to equity holders of the parent	Ps. (0.28)	Ps. 0.020

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

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Year Ended 31 December 2016
and the Period from 5 January to 31 December 2015

(Amounts in thousands of Mexican pesos)

(Note 15)

			Retained earnings			Other comprehensive income				
	Share capital	Other components of equity	Legal reserve	Unapplied income	Total	Effect of labor obligations	Foreign currency translation reserve	Revaluation surplus	Comprehensive income	Total equity
Spin-off balances as at 5 January 2016 (Note 1)	Ps. 35,000	Ps. (16,228,640)	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. (16,193,640)
Revaluation surplus, net of taxes	-	-	-	-	-	-	-	23,857,152	23,857,152	23,857,152
Allocation effect of surplus, net of taxes	-	-	-	1,411,023	1,411,023	-	-	(1,411,023)	(1,411,023)	-
Net income of the period	-	-	-	67,184	67,184	-	-	-	67,184	67,184
Comprehensive income for the period	-	-	-	-	-	-	-	-	Ps. 22,513,313	
Balance as at 31 December 2015	35,000	(16,228,640)	-	1,478,207	1,476,207	-	-	22,446,129		7,730,696
Creation of legal reserve	-	-	3,359	(3,359)	-	-	-	-	-	-
Foreign currency translation effect	-	-	-	-	-	-	702	-	702	702
Retirement benefits, net of taxes	-	-	-	-	-	(86)	-	-	(86)	(86)
Revaluation surplus, net of taxes	-	-	-	-	-	-	-	2,899,890	2,899,890	2,899,890
Allocation effect of surplus, net of taxes	-	-	-	1,484,347	1,484,347	-	-	(1,484,347)	(1,484,347)	-
Net loss of the year	-	-	-	(951,179)	(951,179)	-	-	-	(951,179)	(951,179)
Comprehensive income for the year	-	-	-	-	-	-	-	-	Ps. 464,980	
Balance as at 31 December 2016	Ps. 35,000	Ps. (16,228,640)	Ps. 3,359	Ps. 2,008,016	Ps. 2,011,375	Ps. (86)	Ps. 702	Ps. 23,861,672		Ps. 9,680,023

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

TELESITES, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Amounts in thousands of Mexican pesos)

	For the year ended 31 December 2016	For the period from 5 January to 31 December 2015
Operating activities		
(Loss)/income before income tax	Ps. (1,054,696)	Ps. 148,905
Items not affecting cash flows:		
Depreciation	2,557,196	2,322,780
Interest income	(38,250)	(143,662)
Interest expense	1,349,273	422,280
Foreign exchange loss, net	235,494	126,320
Net periodic benefit cost	617	1,199
	3,049,634	2,877,822
Changes in operating assets and liabilities:		
Accounts receivable	(3,161)	(618)
Related parties	(109,681)	195,230
Other current and non-current assets	11,900	(346,429)
Accounts payable and accrued liabilities	178,948	321,252
Asset retirement obligation	-	419,783
Taxes and contributions payable	(1,186,101)	111,836
Net cash flows from operating activities	1,941,539	3,578,876
Investing activities		
Interest received	38,250	143,662
Licenses and software	(8,755)	-
Property and equipment	(2,801,931)	(6,615,695)
Net cash flows used in investing activities	(2,772,436)	(6,472,033)
Financing activities		
Payment of short-term debt	(1,000,000)	-
Short-term debt	344,963	1,000,377
Issuance of short-term debt	2,500,000	18,642,058
Structured note premium	3,156	-
Interest paid on short-term debt	(9,575)	(6,422)
Interest paid on short-term debt	(1,246,393)	(70,227)
Loans from related party spin-offs	-	21,000,000
Loans repaid to related parties	-	(21,000,000)
Interest paid to related parties	-	(8,710)
Spun off share capital	-	35,000
Other components of equity	-	(16,228,640)
Net cash flows from financing activities	592,151	3,363,436
Net (decrease)/increase in cash and cash equivalents	(238,746)	470,279
Cash and cash equivalents at beginning of period	470,279	-
Cash and cash equivalents at end of period	Ps. 231,533	Ps. 470,279

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

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

1. Description of the Business and Relevant Events

I. Description of the Business

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

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

The Company's head offices are located in Mexico City, at Lago Zurich No. 245, Edificio Presa Falcón, 14th floor, Ampliación Granada, Miguel Hidalgo, postal code 11529.

On 5 April 2017, the Company's Board of Directors authorized the issue of the accompanying consolidated financial statements.

II. Relevant Events

a) Spin-off

At an ordinary shareholders meeting held in April 2015, the shareholders of AMX agreed to spin off Telesites, from AMX. As a result of the spin-off, certain assets and liabilities of AMX were transferred to the newly created company. An analysis of the consolidated effects of the spin-off are as follows:

		As at 5 January 2015
Assets		
Current assets:		
Cash and cash equivalents	Ps.	216,626
Recoverable taxes		4,422
Other current assets		37,952
Total current assets		259,000

		As at 5 January 2015
Non-current assets:		
Property and equipment, net	Ps.	6,239,999
Other non-current assets		77,653
Prepaid expenses		27,634
Total assets	Ps.	6,604,286
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	Ps.	191,067
Related parties		21,000,000
Total current liabilities		21,191,067
Non-current liabilities:		
Asset retirement obligation		1,480,919
Deferred tax		125,940
Total liabilities		22,797,926
Equity:		
Share capital		35,000
Accumulated deficit		(16,228,640)
Total equity		(16,193,640)
Total liabilities and equity	Ps.	6,604,286

b) New entities

Telesites, S.A.B. de C.V.

After receiving approval from the Federal Telecommunications Institute (IFT) and the Tax Administration Service (SAT) to be spun off from AMX, Telesites was incorporated on 19 October 2015 to be the group's controlling company.

Promotora de Sites, S.A. de C.V.

After receiving approval from the IFT and the SAT to be spun off from Sercotel, S.A. de C.V. (Sercotel), Promotora de Sites, S.A. de C.V. (Promotora) was incorporated on 19 October 2015 to be an intermediate holding company of the group.

Telesites Internacional, S.A. de C.V.

Telesites Internacional, S.A. de C.V. (Teleint) was incorporated on 5 November 2015 as an intermediate holding company of foreign related parties.

Operadora de Sites Mexicanos, S.A. de C.V.

Operadora de Sites Mexicanos, S.A. de C.V. (Opsimex) was incorporated on 5 January 2015 as a result of its spin-off from Radiomóvil Dipsa, S.A. de C.V. (Telcel) and it is primarily engaged in leasing towers and physical space for passive mobile telecommunications infrastructure to mobile carriers in Mexico.

Demonsa, S.A. de C.V.

Demonsa, S.A. de C.V. (Demonsa) was incorporated on 10 December 2014 and is primarily engaged in providing personnel services to Opsimex.

Telesites Costa Rica, S.A.

Telesites Costa Rica, S.A. (TLC) was incorporated on 14 December 2015 and this entity is primarily engaged in leasing towers and physical space for installations of passive mobile telecommunications infrastructure to mobile carriers in Costa Rica.

Telesites Colombia, S.A.S.

Telesites Colombia, S.A.S. (Teleco) was incorporated on 5 January 2016 and this entitiy is primarily engaged in leasing towers and physical space for installations of passive mobile telecommunications infrastructure to mobile carriers in Colombia. Teleco had no operations during the year ended 31 December 2016.

c) Merger

At an extraordinary shareholders' meeting held on 17 March 2016, the Company's shareholders agreed to merge Promotora into Opsimex. As a result of this merger, certain assets and liabilities of Promotora were transferred to Opsimex.

2. Basis of Preparation of the Consolidated Financial Statements and Summary of Significant Accounting Policies

a) Basis of preparation

The accompanying financial statements have been prepared in accordance with the IFRS, effective as at 31 December 2016, as issued by the IASB.

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

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

b) Consolidation

The accompanying consolidated financial statements include the accounts of Telesites and those of the subsidiaries over which the Company exercises significant control. The financial statements of the subsidiaries have been prepared for the same reporting period and following the same accounting policies as those of the Company. All companies operate in the telecommunications sector or provide services to companies related to these activities. All intercompany balances and transactions have been eliminated on consolidation.

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

A description of the Company's main investments in its subsidiaries as at 31 December 2016 and 2015 is as follows:

	% equity interest as at 31 December				
Company name	2016	2015	Country	Date of first consolidation	Type of operations
Intermediate holding company					
Promotora de Sites, S.A. de C.V.	-	99.99%	Mexico	October 2015	Intermediate holding company
Telesites Internacional, S.A. de C.V.	100.00%	100.00%	Mexico	November 2015	Intermediate holding company
Infrastructure					
Operadora de Sites Mexicanos, S.A. de C.V.	100.00%	99.99%	Mexico	January 2015	Infrastructure
Telesites Costa Rica, S.A.	100.00%	-	Costa Rica	January 2016	Infrastructure
Services					
Demonsa, S.A. de C.V.	99.99%	99.99%	Mexico	January 2015	Services

c) Revenue recognition

Rental income

The Company recognizes its revenue from passive infrastructure rentals as it accrues based on the terms of each lease agreement. Rent charged for infrastructure is reviewed and increased based on the National Consumer Price Index (NCPI) and the amount of rent is generally determined based on the specific characteristics of the location of the leased passive infrastructure.

d) Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions in certain areas. Actual results could differ from these estimates. The Company based its assumptions and estimates on the best available information at the time the consolidated financial statements were prepared. However, the existing circumstances and assumptions about future events may change due to changes in the market or circumstances that are beyond the Company's control. Such changes are reflected in the estimates and their effects are shown in the financial statements as they occur.

These assumptions mostly refer to:

- Useful life estimates of items of property and equipment
- Allowance for doubtful accounts
- Impairment in the value of long-lived assets
- Fair value measurement of financial instruments
- Employee benefits

e) Financial assets and liabilities

Financial assets and liabilities that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* generally include investments in financial instruments, debt and equity instruments, accounts receivable and other accounts receivable, loans and financing, accounts payable and accrued liabilities.

Financial assets and liabilities are initially measured at fair value, plus directly attributable transaction costs, except for those designated upon initial recognition at fair value through profit or loss. Financial assets and liabilities are subsequently measured based on their classification into one of the following categories: (i) at fair value through profit or loss; (ii) held-to-maturity or available-for-sale; or (iii) loans and receivables.

The Company's financial assets consist of cash and cash equivalents, accounts receivable and other assets.

The Company's financial liabilities are classified as either: i) financial liabilities measured at fair value through profit or loss, or ii) financial liabilities measured at amortized cost.

The Company's financial liabilities consist of short- and long-term debt, accounts payable and accrued liabilities, and related party payables. The Company's debt under its issuances of structured notes is recognized as a financial liability measured at amortized cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, (i) there is a currently enforceable legal right to offset the recognized amounts; and (ii) there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Assets and liabilities measured at fair value on a recurring basis

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

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

The hierarchy used for determining fair values is as follows:

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

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

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

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

f) Cash and cash equivalents

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

g) Property and equipment, net

The Company's property includes passive infrastructure, which includes non-electronic components used in telecommunications networks, including masts, towers and poles. These fixed assets are measured at fair value using the revaluation model specified in IAS 16 *Property, Plant and Equipment*. Company management periodically reviews the stated amounts of the Company's fixed assets whenever it believes that there is a significant difference between the carrying amount of an asset and its fair value. Depreciation is determined on fair values on a straight-line basis over the estimated useful lives of the assets starting at the time the assets are available for use.

The Company's equipment is carried at cost, net of accumulated depreciation, in accordance with IAS 16 *Property, Plant and Equipment*. Depreciation is determined on carrying amounts on a straight-line basis over the estimated useful lives of the assets starting in the first month after they are available for use.

The Company periodically reviews the residual values, useful lives and depreciation methods of its fixed assets and adjusts them prospectively where appropriate at the end of each reporting period, in accordance with IFRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income or other operating expenses when the asset is derecognized.

Depreciation rates are as follows:

Passive infrastructure	6.25% and 5%
Automotive equipment	25%
Other equipment	10%

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

As at 31 December 2016 and 2015, there were no indicators of impairment in the values of the Company's fixed assets.

h) Licenses and software

The licenses and software acquired by the Company are classified as intangible assets with finite useful lives that are recognized at cost. Amortization of these intangible assets is calculated on the assets' carrying amounts on a straight-line basis based on the estimated useful lives of the assets.

The annual amortization rate for acquired licenses is 15%.

i) Impairment in the value of long-lived assets

The Company assesses at each reporting date whether there is an indication that its long-lived assets may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired, and its carrying amount is written down to its recoverable amount, and the loss is immediately recognized in profit or loss.

The depreciation and amortization expense for future periods is adjusted to the new carrying amount during the remaining useful life of the related assets. Recoverable amounts are determined for each individual asset, unless the asset generates cash inflows that are closely dependent on the cash flows generated by other assets or group of assets (cash generating units).

j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset or assets.

- Operating leases

Leases in which the Company does not transfer substantially all of the risks and rewards inherent to the ownership of the asset are classified as operating leases. Payments made under operating lease agreements are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

k) Provisions, contingent liabilities and commitments

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provision amounts are determined as the present value of the expected outflow of resources to settle the obligation. The provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Also, contingencies are recognized only when they generate a loss.

l) Asset retirement obligation

The Company records a reserve for the decommissioning costs associated with the sites where its passive infrastructure is located. Decommissioning costs are measured at the estimated fair values of the asset costs expected to be incurred to settle the Company's obligation to decommission the assets. These fair values are determined on the basis of the estimated cash flows associated with the method of settlement. Asset retirement costs are capitalized as part of the carrying amounts of the related assets. For purposes of this calculation, cash flows are discounted at a pre-tax rate that reflects the risks associated with the asset retirement obligation. Reversals of previous discount rates are recognized in profit or loss as a financing cost as incurred. Estimated future decommissioning costs are reviewed annually and are revised where needed. Changes in future cost estimates or discount rates are recognized as an increase or a decrease in the carrying amount of the asset.

m) Employee benefits

The Company annually recognizes the liability for seniority premiums based on independent actuarial calculations applying the projected unit credit method, using financial assumptions net of inflation. The latest actuarial calculation was prepared on 31 December 2016.

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

n) Employee profit sharing (EPS)

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

o) Income tax

Current income tax is recognized as a current liability, net of prepayments made during the year.

Deferred income tax is calculated using the asset and liability method established in IAS 12 *Income Taxes*.

Deferred income tax is calculated using the asset and liability method, based on the temporary differences between financial reporting and tax values of assets and liabilities at the reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

p) Earnings per share

Earnings per share are determined by dividing net income for the year by the weighted-average number of shares outstanding attributable to ordinary equity holders of the parent during the year.

q) Statement of cash flows

The statement of cash flows reports the cash generated and used by the Company during the year. It first shows the Company's (loss)/income before income tax, followed by its cash flows resulting from operating activities, then its cash flows resulting from investing activities, and lastly its cash flows resulting from financing activities.

For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, the statement of cash flows was prepared using the indirect method.

r) Concentration of risk

The main financial instruments used to fund the Company's operations are comprised of bank loans, lines of credit, accounts payable and related party payables. The Company holds several financial assets, such as cash and cash equivalents, accounts receivable, related party receivables and other current assets that are directly related to its business.

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

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

Financial assets which potentially subject the Company to concentrations of credit risk are cash and cash equivalents, short-term deposits and debt instruments. The Company's policy is designed to not restrict its exposure to any one financial institution.

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

s) Statement of comprehensive income presentation

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

Operating income is recognized in the consolidated statement of comprehensive income, since it is an important indicator used for evaluating the Company's operating results. Operating income consists of ordinary revenues and operating costs and expenses.

An analysis of the Company's other income is as follows:

		2016		2015
Reversal of provisions from prior years	Ps.	14,676	Ps.	-
Sale of automotive equipment		7,244		-
Sale of scrap		79		3,402
Changes in estimates underlying the asset retirement obligation		-		434,722
	Ps.	21,999	Ps.	438,124

3. New Accounting Pronouncements

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

IFRS 9 *Financial Instruments: Classification and Measurement*

This standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2016.

IFRS 15 *Revenue from Contracts with Customers*

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

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Company does not expect this standard to have significant effects, primarily due to the fact that revenue recognition of rent is restricted to monthly periods established in the contracts with customers.

IFRS 16 *Leases*

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases (i.e., lease agreements with terms of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right to use the asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company expects the adoption of this standard to have significant effect on its financial information due primarily to the high number of leases that the Company has and which it currently accounts for as operating leases, since the accounting treatment of these leases may need to be modified after the Company adopts IFRS 16.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

Annual improvements 2012-2014 Cycle

These improvements include:

IFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts

The amendments clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment will be applied retrospectively.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms and at the same time as the interim financial statements. The amendment must be applied retrospectively.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, the existing IAS 1 requirements.

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss
- Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments do not have any impact on the Company.

4. Cash and Cash Equivalents

An analysis of cash and cash equivalents as at 31 December 2016 and 2015 is as follows:

	2016	2015
Cash	Ps. 52	Ps. 45
Banks	216,836	469,716
Readily marketable securities	14,645	518
	Ps. 231,533	Ps. 470,279

5. Other Current and Non-current Assets

An analysis of this caption as at 31 December 2016 and 2015 is as follows:

		2016		2015
Advances to supplier	Ps.	83,623	Ps.	132,808
Value Added Tax payable, net		59,012		68,185
Prepaid insurance		1,893		-
Total other current assets	Ps.	144,528	Ps.	200,993
Security deposits	Ps.	97,388	Ps.	85,758
Rent paid in advance		92,613		59,678
Total other non-current assets	Ps.	190,001	Ps.	145,436

6. Related Parties

a) An analysis of balances due from and to the Company's related parties as at 31 December 2016 and 2015 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.

		2016		2015
Receivables:				
Radiomóvil Dipsa, S.A. de C.V. (i)	Ps.	104,969	Ps.	10,593
Payables:				
Operadora Cicsa, S.A. de C.V. (ii)	Ps.	185,847	Ps.	97,526
Radiomóvil Dipsa, S.A. de C.V. (iv)		-		106,167
PC Industrial, S.A. de C.V. (vi)		4,300		-
Other related parties		371		2,130
	Ps.	190,518	Ps.	205,823

b) During the years ended 31 December 2016 and 2015, the Company had the following transactions with its related parties:

			2016		2015
Revenue:					
Radiomóvil Dipsa, S.A. de C.V.	Leasing (i)	Ps.	5,013,831	Ps.	4,229,915
	Alteration services (i)		214,778		66,464
Expenses:					
Operadora Cicsa, S.A. de C.V.	Construction (ii)	Ps.	160,213	Ps.	553,458
Seguros Inbursa, S.A., Grupo Financiero Inbursa	Insurance (iii)		30,410		15,902
Radiomóvil Dipsa, S.A. de C.V.	Leasing (iv)		271,392		124,389
PC Industrial, S.A. de C.V.	Maintenance (vi)		3,707		-
Carso Global Telecom, S.A. de C.V.	Interest (v)		-		4,923
Empresas y Controles en Comunicaciones, S.A de C.V.	Interest (v)		-		3,787

(i) On 23 March 2015, the Company entered into a five-year agreement with Telcel to lease its passive infrastructure and to provide alteration services to the related party. Leased passive infrastructure is comprised of non-electronic components used in telecommunications networks, including masts, towers, posts, sites, land and physical space. Alteration services refer to the modifications that the Company makes to passive infrastructure as requested by Telcel. For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, revenue earned from these passive infrastructure leasing and alteration services totaled Ps.5,228,609 and Ps.4,296,379, respectively. The account receivable due from Telcel as at 31 December 2016 and 2015 is Ps.104,969 and Ps.10,593, respectively.

(ii) During 2016 and the period from 5 January to 31 December 2015, the Company had transactions related to the construction of passive infrastructure with Operadora Cicsa, S.A. de C.V. (CICSA). Maintenance expense under operating leases was Ps.160,213 and Ps.553,458, respectively. The account payable due to CICSA as at 31 December 2016 and 2015 is Ps.185,847 and Ps.97,526, respectively.

(iii) During 2016 and the period from 5 January to 31 December 2015, the Company entered into insurance agreements, as required under its passive infrastructure lease agreements, with Seguros Inbursa, S.A., Grupo Financiero Inbursa (Inbursa). The Company's total insurance expense was Ps.30,410 and Ps.15,902, respectively. As at 31 December 2016 and 2015, the Company has no account payable to Inbursa.

(iv) For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, revenue earned from leases of locations and land for passive infrastructure with Telcel totaled Ps.271,392 and Ps.124,389, respectively. As at 31 December 2016, the Company has no account payable to Telcel. As at 31 December 2015, the account payable to Telcel is Ps.106,167.

(v) During the period from 5 January to 31 December 2015, as a result of the spin-off, the Company had a loan of Ps.10,000,000 that is received from Empresas y Controles en Comunicaciones, S.A. de C.V. (ECC), which bears annual interest of 7.322%, and two loans that it received from Carso Global Telecom, S.A. de C.V. (Telecom) of Ps.8,000,000 and Ps.3,000,000, which bear annual interest of 7.322% and 6.254%, respectively. For the period from 5 January to 31 December 2015, the Company's interest expense under these loans was Ps.3,787 and Ps.4,923, respectively. As at 31 December 2015, the loans payable to ECC and Telecom have been repaid in full.

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

7. Property and Equipment, net

The Company has two main types of towers: rooftop towers and greenfield towers, which are located in open areas. Most of the Company's greenfield towers can accommodate up to three customers, except for towers that are more than 45 meters high, which can accommodate up to five customers. Rooftop towers equipped with additional masts can accommodate more customers, provided that there is sufficient floor space available on-site to install the additional masts. As at 31 December 2016, the Company's passive infrastructure is comprised of 14,302 towers (12,346 towers as at 31 December 2015).

The Company's passive infrastructure is located in Mexico, distributed across nine cellular regions as defined by telecommunications sector rules and regulations. As at 31 December 2016, the Company has 166 towers in Costa Rica.

An analysis of property and equipment as at 31 December 2016 and 2015 is as follows:

Item	Passive infrastructure	Automotive equipment	Other equipment	Construction in process	Land	Total
Investment:						
As at 5 January 2015	Ps. 5,235,866	Ps. 4,403	Ps. 456	Ps. 348,395	Ps. -	Ps. 5,589,120
Revaluation gain (Note 2g)	32,994,758	-	-	-	-	32,994,758
Additions	1,048,265	573	6,333	994,494	711	2,050,376
Additions from revaluation surplus (Note 2g)	1,086,887	-	-	-	-	1,086,887
Disposals	-	-	-	(1,048,265)	-	(1,048,265)
As at 31 December 2015	40,365,776	4,976	6,789	294,624	711	40,672,876
Additions	2,954,276	6,703	6,198	2,758,066	33,326	5,758,569
Additions from revaluation surplus (Note 2g)	4,142,701	-	-		-	4,142,701
Disposals	-	(4,848)	-	(2,954,276)	-	(2,959,124)
As at 31 December 2016	Ps. 47,462,753	Ps. 6,831	Ps. 12,987	Ps. 98,414	Ps. 34,037	Ps. 47,615,022
Depreciation:						
As at 5 January 2015	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -	Ps. -
Depreciation for the period	2,320,279	2,042	459	-	-	2,322,780
Disposals	-	-	-	-	-	-
As at 31 December 2015	2,320,279	2,042	459	-	-	2,322,780
Depreciation for the year	2,527,229	1,717	1,718	-	-	2,530,664
Disposals	-	(2,485)	-	-	-	(2,485)
As at 31 December 2016	Ps. 4,847,508	Ps. 1,274	Ps. 2,177	Ps. -	Ps. -	Ps. 4,850,959
Asset retirement obligation:						
As at 5 January 2015	Ps. 650,879	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 650,879
Cancellations	(341,567)	-	-	-	-	(341,567)
Increase for the year	28,360	-	-	-	-	28,360
As at 31 December 2015	337,672	-	-	-	-	337,672
Cancellations	-	-	-	-	-	-
Amortization	(26,532)	-	-	-	-	(26,532)
Increase for the year	98,680	-	-	-	-	98,680
As at 31 December 2016	Ps. 409,820	Ps. -	Ps. -	Ps. -	Ps. -	Ps. 409,820
Carrying amount:						
As at 31 December 2016	Ps. 43,025,065	Ps. 5,557	Ps. 10,810	Ps. 98,414	Ps. 34,037	Ps. 43,173,883
As at 31 December 2015	Ps. 38,383,169	Ps. 2,934	Ps. 6,330	Ps. 294,624	Ps. 711	Ps. 38,687,768

Depreciation expense for the period ended 31 December 2016 and 2015 was Ps.2,557,196 and Ps.2,322,780, respectively.

8. Asset Retirement Obligation

An analysis of the Company's asset retirement obligation as at 31 December 2016 and 2015 is as follows:

	2016	2015
Balance as at 5 January 2015	Ps. -	Ps. 1,480,919
Balance as at 1 January 2016	732,990	-
Effects of changes to cash flow estimates and discount rates:		
Effect on property and equipment	-	(341,567)
Effect on net earnings for the year	-	(434,722)
	-	(776,289)
Increase for additions of passive infrastructure	98,680	28,360
Charges	-	-
Balance as at 31 December	Ps. 831,670	Ps. 732,990

As at 31 December 2016, the review of the cash flow estimates and discount rates gave rise to no changes in these variables compared to the prior year. The review of the cash flow estimates and discount rates for the period from 5 January to 31 December 2015 primarily resulted in a reduction in expected decommissioning costs on a per-asset basis, and an increase in both the discount rate and the expected long-term inflation rate.

9. Short- and Long-term Debt

Breakdown of debt		2016	2015
Bank loans	Short-term	Ps. 345,486	Ps. 1,000,377
Issue of structured notes	Long- term	21,576,196	18,835,584
Amortized cost		(55,537)	(66,041)
		21,520,659	18,769,543
Interest payable on structured notes	Short-term	476,492	388,908
Total debt		Ps. 22,342,637	Ps. 20,158,828

a) Issue of structured notes

On 17 July 2015, as part of its structured note placement program through Inversora Bursátil, S.A. de C.V., Casa de Bolsa Grupo Financiero Inbursa (Inversora), Opsimex was authorized to issue five-year structured notes of up to Ps.22,000,000, or its equivalent in UDIs (investment units). Opsimex issued the following structured notes under this program:

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

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

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

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

v) On 18 February 2016, Opsimex reissued its series 1 OSM-15 2R Mexican peso structured notes for a total issue of Ps.2,500,000, and with a maturity date of 23 July 2025. These structured notes bear annual gross interest of 7.97%.

An analysis of the historical amounts and the outstanding accrued interest under the structured notes of Opsimex as at 31 December 2016 is as follows:

Series	Maturity date	Long-term debt	Interest payable
OSM-15 Mexican pesos series 1	23 July 2025	Ps. 3,500,000	Ps. 116,229
OSM-15R Mexican pesos series 1	23 July 2025	3,710,000	123,203
OSM-15 2R Mexican pesos series 1	23 July 2025	2,500,000	83,021
OSM-152 Mexican pesos series 2	29 July 2020	4,500,000	8,250
OSM-15U UDIs series 3	17 July 2030	7,366,196	145,789
		Ps. 21,576,196	Ps. 476,492

An analysis of the historical amounts and the outstanding accrued interest under the structured notes of Opsimex as at 31 December 2015 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. 114,679
OSM-15R Mexican pesos series 1	23 July 2025	3,710,000	131,083
OSM-152 Mexican pesos series 2	29 July 2020	4,500,000	4,000
OSM-15U UDIs series 3	17 July 2030	7,125,584	139,146
		Ps. 18,835,584	Ps. 388,908

As at 31 December 2016 and 2015, the value of one UDI was Ps.5.5628 pesos and Ps.5.3812 pesos, respectively. As at 5 April 2017, the date of the audit report on these financial statements, the value of the UDI was Ps.5.7294 pesos per UDI.

Redemptions

The Series 1 (OSM-15, OSM-15R, OSM- 15 2R), Series 2 (OSM-152) Mexican peso structured notes and Series 3 (OSM-15U) structured notes in UDIs of Opsimex do not stipulate early redemptions during their lifetimes, and principal is repayable to noteholders at maturity.

b) Bank loans

An analysis of the Company's short-term bank loans as at 31 December 2016 is as follows:

Currency	Lender	Rate	Maturity date	Short-term debt		Interest	
Mexican pesos:	Bank of America, N.A. (iv)	1.625%+Libor	28 February 2017	Ps.	290,734	Ps.	458
	Bank of America, N.A. (v)	1.625%+Libor	28 February 2017		27,424		60
	Bank of America, N.A. (vi)	1.625%+Libor	28 February 2017		26,805		5
	Total debt			Ps.	344,963	Ps.	523

An analysis of the Company's short-term bank loans as at 31 December 2015 is as follows:

Currency	Lender	Rate	Maturity date	Short-term debt		Interest payable	
Mexican pesos:	Banco Santander, S.A. (i)	0.45%+TIIE	25 January 2016	Ps.	400,000	Ps.	177
	BBVA Bancomer, S.A. (ii)	0.45%+TIIE	26 January 2016		400,000		133
	Banco Nacional de Mexico S.A. (iii)	0.45%+TIIE	27 April 2016		200,000		67
	Total debt			Ps.	1,000,000	Ps.	377

(i) On 27 October 2015, the Company obtained a loan of Ps.400,000, from Banco Santander S.A. (Santander) which matures on 25 January 2016. The loan bears annual interest equal to 0.45 basis points plus the 28-day Mexican Weighted Interbank Rate (TIIE), which is payable monthly.

(ii) On 27 October 2015, the Company obtained a loan of Ps.400,000, from BBVA Bancomer, S.A. (Bancomer) which matures on 26 January 2016. The loan bears annual interest equal to 0.45 basis points plus the 28-day TIIE, which is payable monthly.

(iii) On 27 October 2015, the Company obtained a loan of Ps.200,000, from Banco Nacional de México, S.A. (Banamex), which matures on 27 April 2016. The loan bears annual interest equal to 0.45 basis points plus the 28-day TIIE, which is payable monthly.

In 2016, the Company repaid in full its loans received from Santander, Bancomer and Banamex of Ps.400,000, Ps.400,000 and Ps.200,000, respectively.

(iv) On 9 December 2016, the Company obtained a line of credit of USD 14,100,000 (Ps.290,734) from Bank of América, N.A. (BOFA) which matures on 28 February 2017. The loan bears annual interest equal to 1.6250% basis points plus the London Interbank Offered Rate (LIBOR), which is payable monthly.

(v) On 30 November 2016, the Company obtained a line of credit of USD 1,330,000 (Ps.27,424) from BOFA which matures on 28 February 2017. The loan bears annual interest equal to 1.6250% basis points plus the LIBOR, which is payable monthly.

(vi) On 28 December 2016, the Company obtained a line of credit of USD 1,300,000 (Ps.26,805) from BOFA which matures on 28 February 2017. The loan bears annual interest equal to 1.6250% basis points plus the LIBOR, which is payable monthly.

10. Financial Assets and Financial Liabilities

An analysis of the Company's financial assets and financial liabilities as at 31 December 2016 and 2015 is as follows:

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt	Ps. 21,520,659	Ps. 21,231,322	Ps. 18,769,543	Ps. 18,761,287

The fair values of financial assets and financial liabilities are equal to the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Cash and cash equivalents, trade receivables, trade payables and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

11. Leases

The Company has entered into various operating lease agreements for the properties where its passive infrastructure is located. The agreements are for periods ranging from five to ten years, and the minimum annual lease payments are adjusted for inflation each year based on the NCPI. An analysis of the Company's future minimum lease payments for the next five years is as follows:

	2016
2017	Ps. 1,792,423
2018	1,852,654
2019	1,914,908
2020	1,979,254
2021	2,045,762
Total	Ps. 9,585,001

For the year ended 31 December 2016 and the period from 5 January to 31 December 2015, rent under operating leases was Ps.1,734,151 and Ps.1,552,339, respectively.

12. Retirement Benefits

An analysis of the net periodic benefit cost, the net defined benefit liability and plan assets associated with the Company's post-employment benefits (pension plan, seniority premiums and termination benefit plan) as at and for the years ended 31 December 2016 and 2015 is as follows:

a) Net periodic benefit cost

	2016		
	Retirement benefits	Termination benefits	Total
Analysis of net periodic benefit cost:			
Current year service cost	Ps. 240	Ps. 132	Ps. 372
Net interest on net defined benefit liability	159	86	245
Net periodic benefit cost	Ps. 399	Ps. 218	Ps. 617

	2015		
	Retirement benefits	Termination benefits	Total
Analysis of net periodic benefit cost			
Current year service cost	Ps. 80	Ps. -	Ps. 80
Interest cost	50	-	50
Net periodic benefit cost	Ps. 130	Ps. -	Ps. 130

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

	Retirement benefits	Termination benefits	Total
Net defined benefit liability:			
Net defined benefit liability as at 5 January 2015	Ps. 988	Ps. -	Ps. 988
Current year service cost	80	-	80
Interest cost	50	-	50
Actuarial loss on defined benefit obligation	81	-	81
Net defined benefit liability as at 31 December 2015	1,199	-	1,199
Remeasurements of net defined benefit liability	-	2,182	2,182
Current year service cost	132	240	372
Interest cost	86	159	245
Benefits paid	(108)	-	(108)
Actuarial (gain)/loss	8	(131)	(123)
Net defined benefit liability as at 31 December 2016	Ps. 1,317	Ps. 2,450	Ps. 3,767

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

	2016					
	Retirement benefits		Termination benefits		Total	
Provisions for:						
Vested benefit obligation	Ps.	1,317	Ps.	2,450	Ps.	3,767
Defined benefit liability	Ps.	1,317	Ps.	2,450	Ps.	3,767

	2015					
	Retirement benefits		Termination benefits		Total	
Provisions for:						
Vested benefit obligation	Ps.	1,199	Ps.	-	Ps.	1,199
Defined benefit liability	Ps.	1,199	Ps.	-	Ps.	1,199

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

	2016	2015
Financial assumptions:		
Discount rate	7.64%	7.31%
Expected salary increase rate	4.00%	4.00%
Inflation rate	3.50	3.50%
Biometric assumptions:		
Mortality rate	EMSSA 2009	EMSSA 2009
Disability	IMSS - 97	IMSS - 97

e) In 2015, the Company assumed the employer obligations of the technical personnel transferred to it from Telcel. These employees are distributed across the nine geographic regions where the Company's passive infrastructure is located.

As at 31 December 2016 and 2015, the Company does not have any material contingent liabilities for employee benefits.

13. Employee Benefits

As at 31 December 2016 and 2015, the Company has recognized accrued liabilities for short-term employee benefits. An analysis is as follows:

	Balance as at 31 December 2015		Increases for the year		Charges		Balance as at 31 December 2016	
Paid annual leave	Ps.	1,194	Ps.	207	Ps.	91	Ps.	1,310
Vacation premium		2,007		5,317		4,916		2,408
Employee profit sharing payable		-		3,787		-		3,787
	Ps.	3,201	Ps.	9,311	Ps.	5,007	Ps.	7,505

The Company has no employee profit sharing payable, since in accordance with Article 126 of the Mexican Labor Law, newly incorporated companies are exempt from paying employee profit sharing in their first year of operations. The Company determined the amount of its employee profit sharing payable for 2016.

14. Accounts Payable and Accrued Liabilities

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

		2016		2015
Suppliers and accounts payable	Ps.	319,974	Ps.	122,646
Rent payable		92,684		122,763
Provisions and accrued liabilities		17,464		19,490
Total	Ps.	430,122	Ps.	264,899

The above-mentioned provisions represent expenses incurred in 2016 and 2015 or services contracted during these years that are to be paid in the following year. There is uncertainty as to both the final amounts payable and the timing of the Company's cash outlay and thus, the amounts shown above may vary.

15. Equity

a) An analysis of the Company's share capital as at 31 December 2016 and 2015 is as follows:

		2016		
Series	**Share capital**	**Shares**		**Amount**
B-1	Fixed minimum	4,774,486,209	Ps.	35,000

		2015		
Series	**Share capital**	Shares		Amount
A	Fixed minimum	31,593,716	Ps.	232
AA	Fixed minimum	1,169,231,633		8,571
L	Fixed minimum	3,573,660,860		26,197
		4,774,486,209	Ps.	35,000

b) The Company's share capital is variable, with an authorized fixed minimum of Ps.35,000, represented by 4,774,486,209 common registered shares with no par value; all of the Company's shares are issued and outstanding.

c) As at 31 December 2016, the Company had treasury shares comprised of 1,474,486,209 Series B-1 shares for subsequent reissuance in terms of the Mexican Securities Trading Act.

d) At an extraordinary shareholders' meeting held on 28 April 2016, the shareholders approved the conversion of all of the Company's common registered Series "L" shares with limited voting rights and common registered Series "A" and "AA" shares, all with no par value, into common registered Series "B-1" shares with no par value. The shareholders received one Series "B-1" share for every Series "L", "A" or "AA" share that they redeemed.

e) In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. The legal reserve is recognized as part of retained earnings. As at 31 December 2016, the Company's legal reserve is Ps.3,359, and as at 31 December 2015, the Company has not created such a reserve.

f) Earnings distributed in excess of the Net taxed profits account (CUFIN) balance will be subject to the payment of corporate income tax at the statutory rate at that time. The payment of this tax may be credited against the Company's current income tax.

g) As a result of the 2014 Mexican Tax Reform, dividends paid to foreign individuals and corporations from earnings generated as of 1 January 2014 shall be subject to an additional 10% withholding tax.

16. Income Tax

a) Income tax

The Mexican Income Tax Law (MITL) establishes a corporate income tax rate for Mexico of 30% for 2016.

b) An analysis of income tax recognized in the statement of comprehensive income for the year ended 31 December 2016 and for the period from 5 January to 31 December 2015 is as follows:

	2016	2015
Current year income tax	Ps. 534,516	Ps. 577,336
Deferred income tax	(638,033)	(495,615)
Total income tax	Ps. (103,517)	Ps. 81,721

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

	2016	2015
As at 5 January 2015	Ps. -	Ps. (125,940)
As at 1 January 2016	(9,854,818)	-
Deferred income tax recognized in the income statements	638,033	495,615
Deferred income tax recognized in other comprehensive income	(606,624)	(9,619,769)
Deferred income tax reclassified to retained earnings	(636,149)	(604,724)
As at 31 December	Ps. (10,459,558)	Ps. (9,854,818)

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

	2016	2015
Statutory income tax rate	30%	30%
Effect of reconciled items:		
Taxable effects of inflation	(25)	(15)
Property and equipment, net	7	126
Non-deductible items	(1)	5
Non-taxable revenue	-	(88)
Other items	(1)	2
Effect of spun-off balances	-	(85)
Tax losses not expected to be carried forward	-	80
Effective income tax rate	10%	55%

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

	2016	2015
Deferred tax assets:		
Provisions and accrued liabilities	Ps. 5,959	Ps. 6,020
Rent payable to individuals	16,716	23,931
Amortized cost	2,372	-
Employee benefits	2,252	960
Retirement benefits	1,130	360
Tax losses	63	-
Total deferred tax assets	28,492	31,271
Deferred tax liabilities:		
Property and equipment, net	233,080	247,813
Surplus from revaluation of assets	10,226,431	9,619,769
Rent paid in advance	27,451	17,904
Prepaid expenses	1,088	-
Amortized cost	-	603
Total deferred tax liabilities	10,488,050	9,886,089
Deferred tax liability, net	Ps. 10,459,558	Ps. 9,854,818

f) For the years ended 31 December 2016 and 2015, the Company reported taxable income of Ps.1,781,720 and Ps.1,924,452, respectively, on which income tax payable was Ps.534,516 and Ps.577,336, respectively.

g) As at 31 December 2016 and 2015, the Company had the following tax balances:

	2016	2015
Restated contributed capital account (CUCA)	Ps. 36,708	Ps. 35,514
Net taxed profits account (CUFIN)	10,329	4,294

17. Contingencies and Commitments

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

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

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

In March 2014, the IFT issued a ruling (the Ruling) through which it declared that America Movil and Telcel, together with others market participants, represented an "economic interest group" that is a so-called "preponderant economic agent" in the telecommunications sector. The IFT ordered America Movil and Telcel to take specific actions to force both companies to grant access to and to share their passive infrastructure with other carriers. Telcel's passive infrastructure includes new tower space, as well as space on towers where telecommunications equipment is already installed.

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

Reference Offer

As per the Ruling and in terms of the new regulatory framework, Telcel was ordered to create a reference offer and submit it to the IFT for approval. Telcel submitted this reference to the IFT and the IFT approved its offer for shared access to its passive infrastructure, which was valid until 31 December 2015. As a result, Opsimex, as the transferee of Telcel and owner of the passive infrastructure, is subject to the terms of the Ruling.

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. Although the terms and conditions of these agreements will vary, they must all be for a minimum term of ten years, except when the associated property lease agreement is for a longer term. The term of the Company's first reference offer expired on 31 December 2015, and a new reference offer was approved by the IFT on November 2015. The term of the new reference offer is from 1 January 2016 to 31 December 2017. In accordance with the new regulations, 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 1 January of the following year, although operators may agree on reference offers with longer terms than their current reference offers.

Customers who sign the general agreement may choose to use available spaces at the site or they may choose one of the options set forth in the reference offer.

Towers and Antennas

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

18. Segment Information

The Company has passive infrastructure installed throughout Mexico and in various points abroad. Its principal business segment is leasing this infrastructure. At the reporting date, the Company's business is geographically divided into the following nine regions:

		2016		2015	
Region	Mexican states	Infrastructure rental revenue	Lease expense	Infrastructure rental revenue	Lease expense
1	Baja California Sur and Baja California	Ps. 248,470	Ps. 98,714	Ps. 210,285	Ps. 77,992
2	Sinaloa and Sonora	371,751	117,017	296,543	89,674
3	Chihuahua and Durango	237,772	67,073	197,337	54,447
4	Nuevo Leon, Tamaulipas and Coahuila	615,434	196,537	463,658	160,921
5	Jalisco, Michoacan, Colima and Nayarit	605,630	210,763	524,934	186,589
6	Queretaro, Guanajuato, San Luis Potosi, Aguascalientes and Zacatecas	625,165	233,409	516,889	201,963
7	Puebla, Veracruz, Oaxaca and Guerrero	800,772	272,573	665,997	229,571
8	Yucatan, Campeche, Tabasco, Chiapas and Quintana Roo	554,804	171,545	443,138	149,255
9	Hidalgo, Morelos and Mexico City	1,080,988	350,212	911,857	401,927
	Total	Ps. 5,140,786	Ps. 1,717,843	Ps. 4,230,638	Ps. 1,552,339

Region	Other foreign locations	2016 Infrastructure rental revenue		2016 Lease expense		2015 Infrastructure rental revenue		2015 Lease expense	
1	Costa Rica	Ps.	39,093	Ps.	16,308	Ps.	-	Ps.	-
	Total foreign locations	Ps.	39,093	Ps.	16,308	Ps.	-	Ps.	-
	Total	Ps.	5,179,879	Ps.	1,734,151	Ps.	4,230,638	Ps.	1,552,339

19. Subsequent Events

a) Short and long-term debt

I. On 31 January 2017, the Company issued short-term structured notes of Ps.505,000 under ticker symbol OSM 00117. These instruments matured on 28 February 2017 and they were paid in full at maturity.

II. On 28 February 2017, the Company issued short-term structured notes of Ps.350,000 under ticker symbol OSM 00217. These instruments matured on 28 March 2017 and they were paid in full at maturity.

III. In January, February and March 2017, the Company paid interest of Ps.391,243, Ps.71,050, and Ps.178,748, respectively, on its Series 1 OSM-15 and Series 2 OSM-152 Mexican-peso structured notes and its Series 3 OSM-15U UDI-denominated structured notes, respectively.

IV. On 28 February 2017, the Company renewed its short-term debt for the full amount of the three bank loans obtained from BOFA of USD 16,730,000. The new maturity date of this debt is 26 May 2017.

b) On 8 March 2017, the Company entered into an amending agreement to the Framework Agreement for passive infrastructure leasing and adaptation services entered into with Telcel on 23 March 2015. The amending agreement establishes an extension to the term of the original Framework Agreement to 10 years with a maturity date of 4 January 2025.

c) On 17 February 2017, Altán Redes, S.A.P.I. de C.V. (Altán), the Company that won the bid to operate the 700 megahertz (MHz) shared network in Mexico, entered into a Framework Service Agreement with Opsimex for access and shared use of passive infrastructure. This agreement will expire on 31 December 2017.