THE FUTURE AT YOUR FINGERTIPS

MEGACABLE®

2018 Annual Report

Contents

MEGACABLE IN 2018

58,819 km
cable network

2,942,403
internet subscribers

7,957,468
revenue generating units (RGUs); 2.21 RGUs per unique subscriber

1,812,881
telephony subscribers

3,202,184
video subscribers

3,593,392
unique subscribers

Ps. 19.53
billion in sales

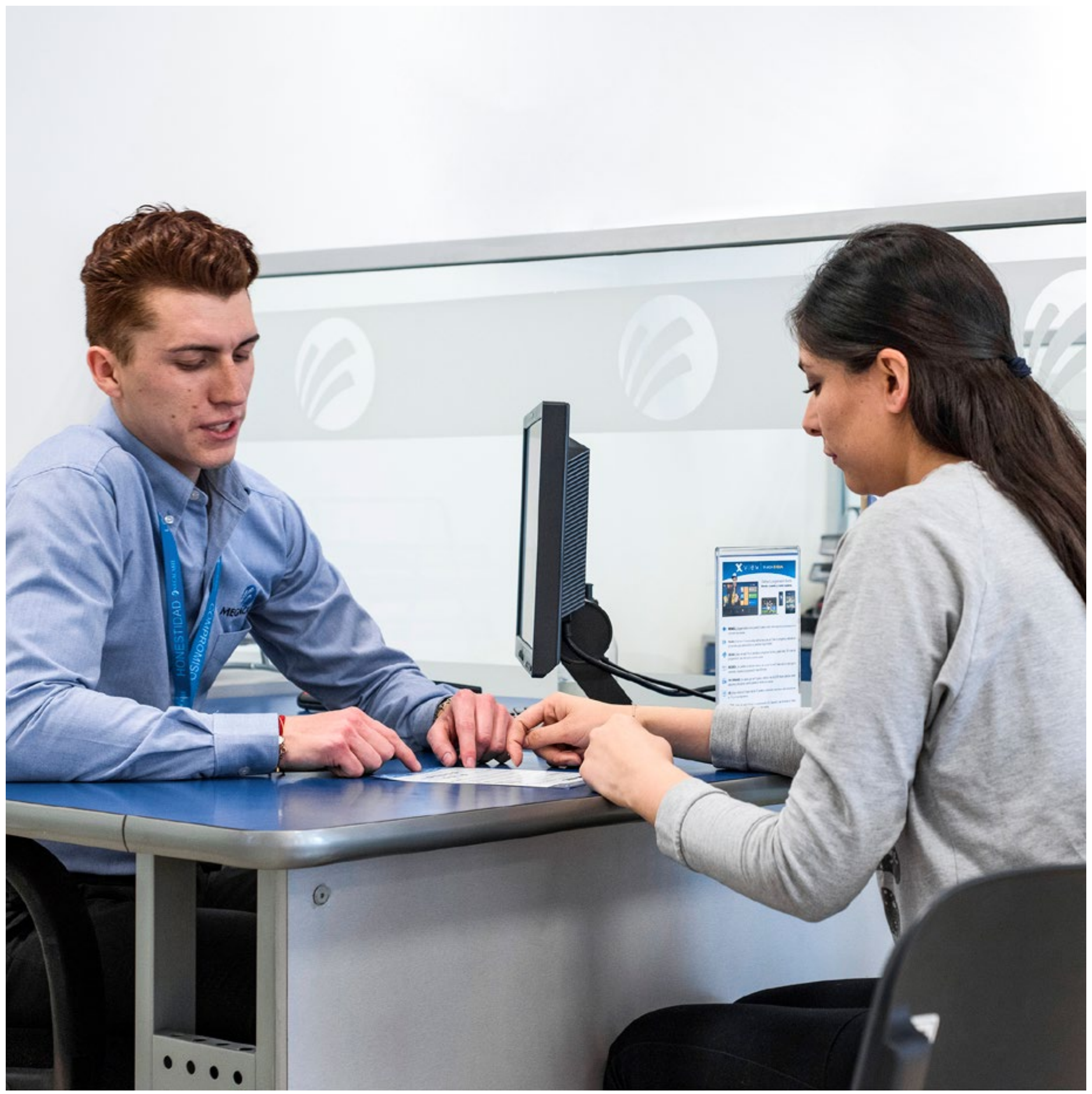
+Ps. 3.10
billion in Corporate Telecom segment revenues

+19,500
employees

Ps. 4.54
billion in net income

Highlights

(as of December 31)



Audited Consolidated Financial Results	2017	2018	2017 vs 2018
Service Revenue	$17,238	$19,534	13.3%
Service Costs	4,811	5,044	4.8%
OPEX	7,278	8,363	14.9%
Consolidated EBITDA	$7,643	$9,422	23.3%
Consolidated EBITDA Margin	44.3%	48.2%	8.8%
Adjusted EBITDA for Cable Operations	7,149	8,920	24.8%
Adjusted EBITDA Margin for Cable Operations	46.5%	50.6%	8.7%
Net Profit	3,800	4,542	19.5%
Total Assets	35,978	39,596	10.1%
Cash and Cash Equivalents	3,168	3,330	5.1%
Total Liabilities	10,198	10,955	7.4%
Stockholders' Equity	25,781	28,641	11.1%

Operating Results			
Homes Passed	8,135,428	8,427,917	3.6%
Network Kilometers	56,287	58,819	4.5%
Two-Way Network Percentage	98%	98%	
Cable Subscribers	3,040,278	3,202,184	5.3%
Digital Cable Subscribers	2,355,939	2,586,603	9.8%
Cable Penetration Rate/Homes Passed	37.4%	38.0%	
HSD Internet Subscribers	2,625,041	2,942,403	12.1%
Penetration Rate/Cable Subscribers	86.3%	91.9%	
Telephony Subscribers	1,466,535	1,812,881	23.6%
Penetration Rate/Cable Subscribers	48.2%	56.6%	
Unique Subscribers	3,404,800	3,593,392	5.5%
Revenue Generating Units	7,131,854	7,957,468	11.6%
RGUs per Unique Subscriber	2.09	2.21	5.7%

Letter from the Chairman of the Board

To the Megacable Holdings S.A.B. de C.V. General Ordinary Shareholders Meeting

Dear shareholders,

The 2018 period was marked by a complicated economic and social environment that resulted mainly from elections in Mexico, and to a lesser extent, the prospects for Nafta renegotiation. However, Mexico proved to be resilient and achieved economic growth compared to the previous year.

Despite this challenging environment, at Megacable we continue to make solid strides toward realizing our vision of becoming the best telecommunications company by offering the best products at the best prices.

The positive results we achieved for the year were made possible by Megacable's solid strategy, the differentiator that allows us to retain customers and capture new ones, who often migrate to us from the competition. Through optimum bundling of services for each segment, we effectively confront the permanent challenge of improving our value proposition, making it the most competitive and attractive in the market.

This integrated value offering makes it possible for Megacable to continue to deliver sustained growth in the Video, Internet and Telephony segments surpassing the 2018 industry average.

Megacable stands out for centering our efforts on creating innovative products, which allow us to remain at the forefront of the industry. An example of the aforementioned is Xview –a product launched in 2017, but whose value added materialized in 2018– a service whose importance resides in being the interactive platform that adds relevance to our video service, and which allows us to adapt to the latest trends, habits and customs; in short, to the new ways to watch television.

Similarly, during 2018 we focused our efforts on increasing Internet connection speeds and offering a more reliable service with which to address our customers' needs and satisfy their expectations. We are totally confident that our value proposition improved not only thanks to competitive pricing but also due to the range of attractive conditions we are determined to offer our subscribers.

We continue to make solid strides toward our vision of becoming the best telecommunications company.

Today we are the industry leader in the cities where we are present.

Moreover, we have achieved our market penetration by communicating our value proposal through both major campaigns directed at diverse generations of users and, of course, the efforts of our more than 19,800 employees.

In line with our innovation focus, we at Megacable maintain a strong commitment to evolve in line with global trends. To that end, we have set two important goals for the coming years to enriching our offering. I am referring, on the one hand, to the launch of a new version of Xview with Android TV™ that will integrate a broad array of television applications in order to expand our customers' options. On the other hand, we will be working to enhance our Internet service's speed and stability by expanding its reach, always with the goal of providing the user with the best and total home wireless experience.

As a tenacious Company, even in the complex industry environment we navigated, and despite the cyber-attack we were subjected to in November, in 2018 we achieved solid growth in revenue generating units, bolstering operating efficiency through lowering costs and expanding into new markets, all the while outpacing the industry. This allowed us to record an exceptional operating margin and profitability and positioned ourselves as an increasingly relevant player. All of this was reflected in our share price, which showed the second strongest growth of any stock on the MSE during 2018.

I thank our investors for their invaluable trust; to our Board of Directors and the senior management team for their guidance toward excellence; to our employees and sales force, for their commitment, enthusiasm and dedication in the search for innovation, as well as embodying Megacable values. Today we are the industry leader in the cities where we are present. Thanks for being an essential part of a quest to achieve our vision.

Sincerely,

Francisco Javier R. Bours Castelo
CHAIRMAN OF THE BOARD OF DIRECTORS

Manuel Urquijo Beltrán
SECRETARY OF THE BOARD OF DIRECTORS

Letter from the CEO

To the Megacable Holdings S.A.B. de C.V. Ordinary Annual Shareholders' Meeting

Dear Shareholders and Members of the Board of Directors,

I am very pleased to present you with Megacable's results for 2018, an important year for both the Company and the country amid challenging circumstances characterized primarily by the uncertainty that surrounded the year's elections, which delayed both public and private investment decisions.

This period signified for Megacable a consolidation phase. Leveraging our strengths –an innovation-focused culture, efficient investment, an experienced management team and values deeply rooted in the organization that provides our Company its unique identity– we managed to sustain our pace of growth and demonstrate stability despite the adversities encountered over the course of the year, thereby allowing us to continue posting positive results.

One highlight of our operating performance was to achieve 8 million revenue generating units (RGUs) during 2018. This marks a significant increase from the previous year, which we accomplished by growing the number of subscribers in all three mass-market segments. As a result, we reached 2.21 RGUs per unique subscriber.

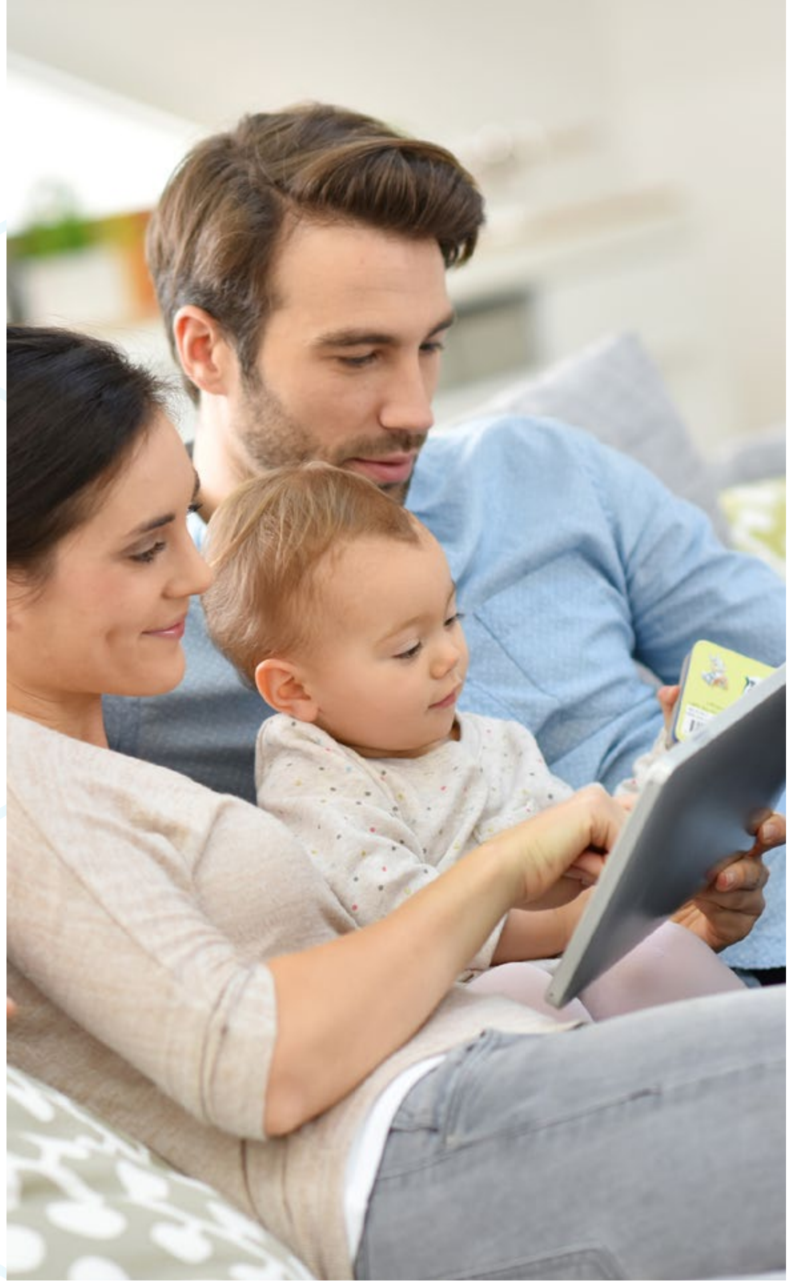
2018 also proved to be a year of solid financial results in which we achieved double-digit growth in a number of key indicators. We met our revenue target with more than Ps. 19.5 billion in sales, a 13% increase compared to the previous year. Consolidated EBITDA totaled Ps. 9.4 billion, also a 13% improvement over 2017.

One of our main competitive advantages at Megacable is the efficiency with which we apply technology and innovation. We are constantly striving to remain at the industry's forefront and to make our technology a distinctive and authentic hallmark. We are characterized by the best technological development, operated by an unsurpassed team of specialists whose knowledge, and know-how in terms of innovation add great value.

In 2018 we centered our efforts on consolidating our services, expanding capacities and partitioning nodes in order to bolster the technological capacities of our network, which can now handle HFC technology and evolving HFC as well as transitioning to DCCAP and, of course, GPON. Given our experience in efficiently managing these technologies, we achieved continuity in our goal of becoming the market's best option, offering competitive rates and reliable service that exceed our subscribers' expectations.

Another strength that allows us to act efficiently is the experience of the Company's leadership, both within the Board of Directors and our senior management team. Such maturity allows Megacable to be alert to, and prepared for the evolving context arising out of market changes, and translates into decision-making agility and diligence, and strategies that guarantee continuous improvement.

We managed to sustain our pace of growth and demonstrate stability.



We are very proud to report that we continued to achieve solid growth in our various segments during 2018, derived from our high operating efficiency:

Video

The Video segment reached 3'202,184 subscribers by the end of 2018, a net increase of 5% or 162,000 customers compared to 2017. By year's end, we had digitalized 81% of our subscriber base with 4.9 million set top boxes (STB).

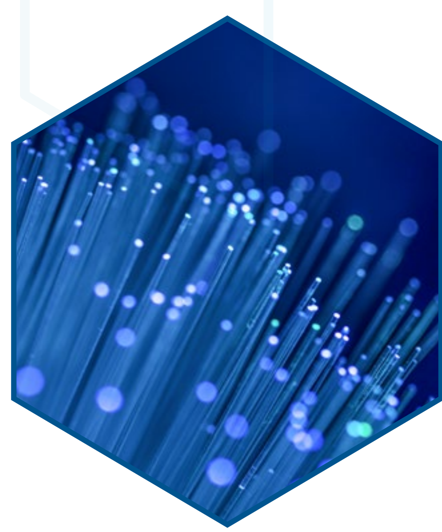
We have consolidated our Xview product, which is present in much of the country and integrates innovative content with a high degree of efficiency. Xview ended the year with 443,000 subscribers, a 273,000 increase for 2018. We remain focused on cutting edge technology and continuous improvement, with the goal of expanding our offer and content availability as well as optimizing this interactive platform's performance while satisfying our subscribers' needs in light of new trends.

We reached more than 3.2 million Video segment subscribers during 2018, 5% more than a year earlier.

Internet

This segment sustained its subscriber growth trend reaching 2'942,403 or 12% more than a year prior. Moreover, with the aim of assuring our adaptation to current trends and the emergence of new ways to consume content, combined with our innovation and modernity focus, we introduced new bandwidth technologies, maintaining our network at the forefront with spare capacities for operating at the needed speeds for our subscribers to enjoy streaming content.

In 2018, we reached more than 2.9 million subscribers in the Internet segment.



Telephony

In light of the fixed telephony market's marginal pace of growth, we are very proud that Megacable concluded 2018 with 1'812,881 subscribers in this segment, a net 346,000 increase over the course of the year. This result represents a significant 24% rise that is, to a large extent, the result of our successful strategy of bundling value products at competitive prices.

We ended 2018 with more than 1.8 million subscribers in the Telephony segment.

Telecom Corporate segment

This segment sustained its growth trend and continued to deliver excellent results with 34% revenue growth compared to the previous year. To a large extent we achieved this on the strength of an outstanding performance by MetroCarrier, which grew sales 64% while ho1a and MCM grew 12% and 15%, respectively, excluding revenues from the ho1a project with the CFE electric power utility from 2017.

These accomplishments derive from expanding MetroCarrier's product and solutions portfolio, as well as strong progress in constructing metropolitan rings –a strategy we have implemented in Monterrey, Cancun and Mexico City, among other cities– and in which MetroCarrier and ho1a have expanded their presence and created a diversified client base. In addition, growth was also a product of centralizing MetroCarrier and ho1a management so they can present a united front and in the process capture greater synergies and customer confidence.

The Telecom Corporate segment's revenues surpassed Ps. 3 billion, a 65% improvement over the previous year.

We reaffirm our commitment to the country, leading us to accelerate our investments in Mexico.

Megacable is known for maintaining a conservative and robust balance sheet, which sustains our financial structure. We know how to take prudent and efficient advantage of the opportunities provided by each of our assets, as evidenced by the low debt with which we concluded the fourth quarter of 2018.

We reaffirm our commitment to the country, which leads us to accelerate our investments in Mexico. Most of this investment is going toward expanding our network's capacity, updating and building new kilometers of network, and acquiring subscriber terminal equipment. The aforementioned with special emphasis on cities such as Monterrey, Cancun, Juarez and Mexico City, where the investments made in metropolitan rings will serve as the basis for growing our corporate segment in these markets.

The Company's excellent results were reflected in our share price's market performance, as we achieved the second most pronounced stock price increase of any company during the year. Thus consolidating ourselves as a component of the Mexican Stock Market's IPC index, and joining the MSCI emerging markets index, confirming the Company's financial maturity and generating greater exposure to foreign investors.

These strong results are due in large part to the efforts of our talented team. We respond to their unrivaled commitment by establishing strategies with which to promote their development and reinforce the sense of pride in being part of Megacable. So much so that in 2018, we strengthened and thoroughly revised our training plans to assure they have at their disposal the necessary tools through high-level training. We also conducted a detailed analysis of our operating structures and our office of organizational development. Moreover, we focused on our life and career plan, assuring the efficiency in tandem with a proper compensation plan providing our employees with greater benefits in terms of profitability and productivity.

Our Company is characterized by its resilience in light of the challenges we encounter, applying the lessons learned in past years to specific measures that allow us to remain on the path to realizing our vision. That was the case with the cyber-attack directed at Megacable in November 2018, which did not affect our service delivery, but did have a temporary effect on some of our systems that slowed the pace of sales and collections. That contingency prompted us to optimize, correct and strengthen our information security system. The Company emerged stronger, minimizing the impact and accelerating the resumption of normal operations.

Without a doubt, 2018 was a year characterized by consolidation as we displayed the necessary stability despite a turbulent period. The telecommunications market is increasingly challenging and, Megacable stands out for its proven success in staying one step ahead of the industry. Our goals are centered on consolidating ourselves as the telecommunications industry

Our goals are focused on consolidating ourselves as the leading telecommunications company in Mexico.

We have an accurate outlook, and both the capacities and experience needed to bring it to fruition.

leader, building a reliable network with the greatest availability and performance for the user. We will work to provide the client with the most efficient systems, guaranteeing high quality and meeting their expectations.

We are a Company committed to delivering results and that will remain our strategic orientation for generating value for our shareholders, employees and clients. We will achieve it through a permanent focus on employee development, strengthening procedures, automating processes, and applying cutting edge technologies as well as the network redundancy and availability necessary for assuring our business continuity.

I am deeply grateful to the members of our Board of Directors and Senior Management team, who with their broad knowledge and experience they direct us along a successful path. To our shareholders, suppliers and clients, for the trust they have placed in Megacable; and, of course, I extend these sincere thanks to all our employees, the force powering our Company as much of our positive performance was achieved through their efforts and dedication.

Sincerely,

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Manuel Urquijo Beltrán
SECRETARY OF THE BOARD OF DIRECTORS

Corporate Information

Mission

To provide the best entertainment and telecommunications services, and logistical solutions to both residential and corporate segments, making sure they exceed customer expectations.

Vision

To be the country's best telecommunications company.

Organizational Structure

MEGACABLE®

MCM TELECOM

PCTV

METROCARRIER COMUNICAMOS TU EMPRESA

ho1a Logra más de TI

Values

Honesty

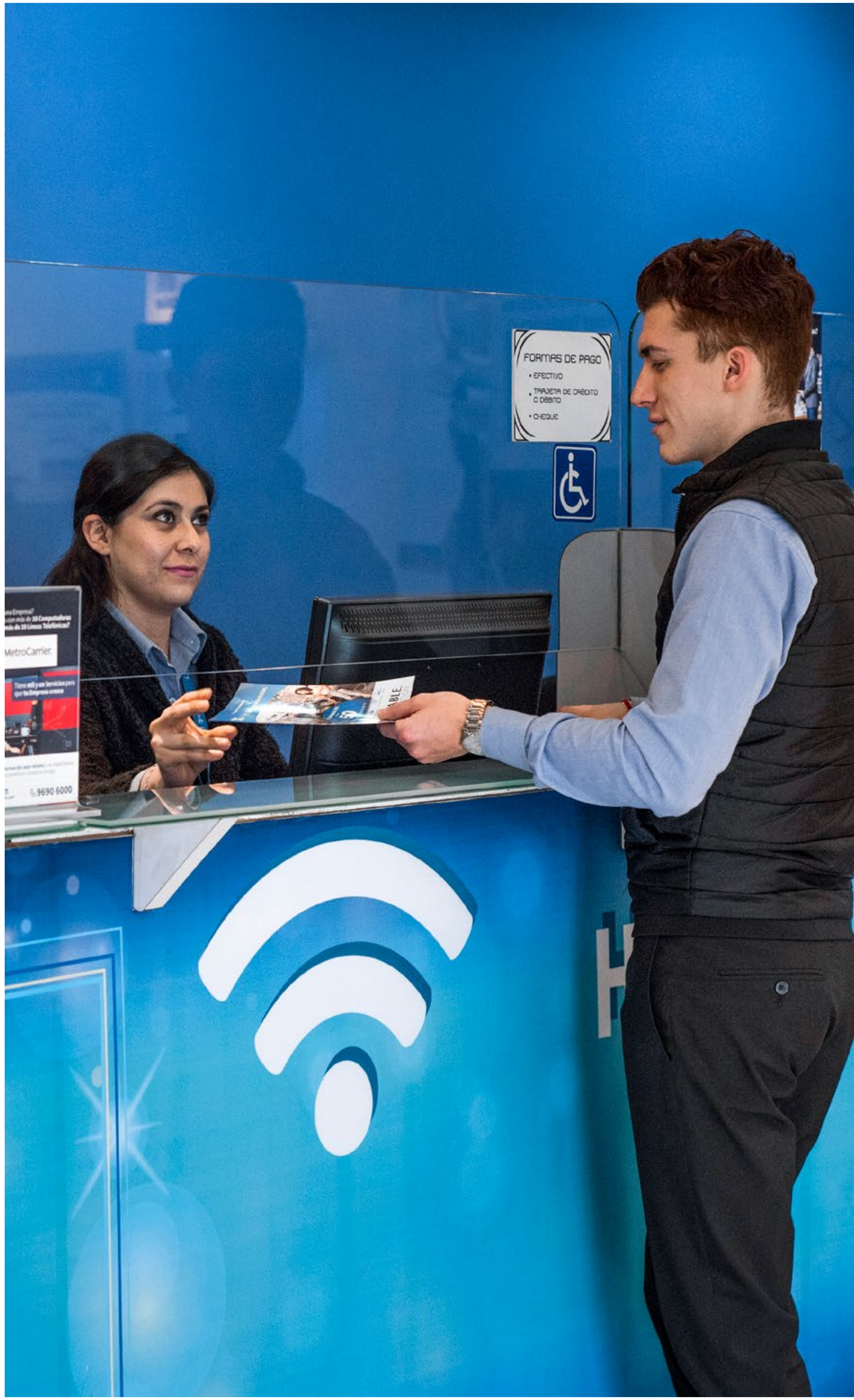
Commitment to work

An attitude of service

Respect for the people

Efficiency in the use of resources

Loyalty



Board of Directors and Senior Management

The Board of Directors is comprised of eleven board members, three of whom are independents. Members of the Board are designated by the General Shareholders Meeting.

Francisco Javier Robinson Bours Castelo
CHAIRMAN OF THE BOARD

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Manuel Urquijo Beltrán
BOARD SECRETARY

Sergio Jesús Mazón Rubio
MEMBER

Jesús Enrique Robinson Bours Muñoz
MEMBER

Juan Bours Martínez
MEMBER

Arturo Bours Griffith
MEMBER

José Gerardo Robinson Bours Castelo
MEMBER

Mario Laborín Gómez
INDEPENDENT MEMBER

Nicolás Olea Osuna
INDEPENDENT MEMBER

Pablo Rión Santisteban
INDEPENDENT MEMBER

Board of Director's Committees

The Company has two Board of Directors Committees:

Best Corporate Practices Committee

Comprised of three independent board members:

Nicolás Olea Osuna
CHAIRMAN

Mario Laborín Gómez
MEMBER

Pablo Rión Santisteban
MEMBER

Audit Committee

Comprised of three independent board members:

Pablo Rión Santisteban
CHAIRMAN

Mario Laborín Gómez
MEMBER

Nicolás Olea Osuna
MEMBER

Management Team

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Raymundo Fernández Pendones
DEPUTY GENERAL DIRECTOR

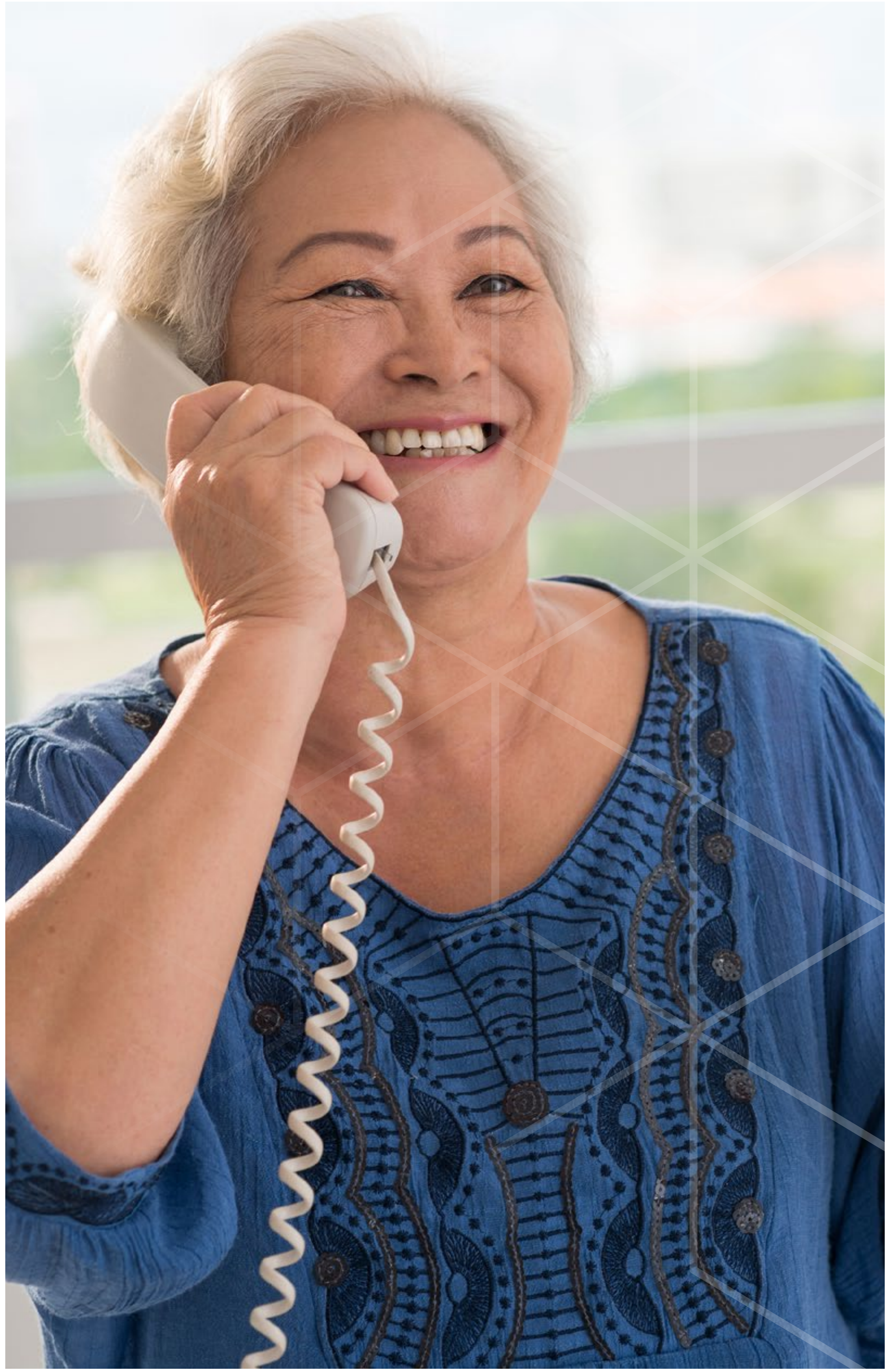
Luis Antonio Zetter Zermeño
CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER

MEGACABLE HOLDINGS, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2018 and 2017

Contents:



Report of Independent Auditors

To the Shareholders and Directors of
Megable Holdings, S. A. B. de C. V. and subsidiaries.

Opinion

We have audited the consolidated financial statements of Megacable Holdings, S. A. B. de C. V. and its subsidiaries (the Company), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Ethics Standards of Mexican Institute of Public accountants together with other requirements applicable to our audits of consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with those requirements and standards. 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.

Key audit matter	How the matter was approached during our audit
Recognition of revenue from mass market As mentioned in Note 2.1.1 to the consolidated financial statements, the Company adopted IFRS 15 "Revenue from Ordinary Activities from Contracts with Clients" effective as of January 1, 2018 for the recognition of its revenue. The adoption of this standard implied to evaluate the Company's revenue in two markets: mass and corporate. No relevant impacts were identified by this adoption. The mass market comprises the revenue from cable, telephone and internet services that are rendered, either individually or in packages of 2 or 3 services to the general public, better known as subscribers, this revenue is recognized over time during the period in which the service is rendered and as separated performance obligations. The corporate market comprises the fulfillment of an integral performance obligation that refers to Company's revenue from the provision of services of integral communications packages in telephony and internet, designed according to the specifications and needs of each client and these are recognized over time during the period in which the service is rendered. We have focused on the revenue from mass market during our audit mainly due to the importance of revenue from the cable, telephony and internet segments ($15,886,550 at December 31, 2018), and due to exists the risks that revenue is not recognized in the correct period due to the involvement of high number of transactions and because there are certain procedures and manual records in the process to recognize this revenue over time during the period in which the performance obligations are satisfied. In particular, we have concentrated our audit efforts on: the services collected in advance and the period covered for the related contracts and the effective date of payment and the amounts collected after the services are rendered.	We evaluated and considered the design and operation of the controls related to revenue recognition associated to mass market which comprise the revenue for the segments of cable, telephony and internet and the related to the report "Status by subscribers", which includes information about: i) total collection received in the period, ii) advanced payments from the subscribers for the services not rendered yet, iii) revenue rendered not collected in the current month as well as the reconciliation performed by the Management of these lists against the revenue that was recorded. Through a sample selection, we assessed the information contained in the aforementioned lists as follows: • Amount of the services collected in advance and effective date of payment are checked against the billing and collection system that determines and records automatically this information and from which we have evaluated the general computer controls and automatic controls. • The period for which the services have not been rendered in relation to the amount paid in advance by the subscriber, we recalculated based on the beginning and completion dates of each subscriber's contract. • The period for which the service have been rendered is checked against the contract of each subscriber and the amount subsequently collected and the date of payment against the receipt of payment from the subscriber. • We checked the collections received against the movements in the bank statements. We compared the amounts considered in the reconciliation of revenue against the book balances and those obtained from the aforementioned lists, at the end of each year.

Key audit matter	How the matter was approached during our audit
Assessment of goodwill impairment As mentioned in Note 4.1.3 of the consolidated financial statements "Accounting estimations and judgments", the Company annually estimates the recovery value of its cash-generating units (UGE from its acronym in Spanish) to determine whether or not its goodwill is impaired. We have focused on this financial statement line mainly due to the significance of the carrying value of goodwill ($4,378,397 at December 31, 2018) and because the Company's Management must make significant judgments to determine the recovery value of the Group's UGE, (in where the most relevant are Bajío, Occidente, Centro, Pacífico, Sureste and Michoacán), which involves estimations of future business results and the discount rate applied to related future cash flow forecasts. In particular, we focused our audit efforts on relevant premises such as the discount rate, percentages of sales growth, pretax results, interest, depreciation and amortization (EBITDA) and the capital structure.	We evaluated and considered future cash flow projections prepared by Company's Management, and the processes used to prepare them, comparing the same against the business plans approved by Management of the Company. We considered and assessed, with our experts' support, the projections provided by Company's Management, according to the historical figures and expectations for growth of the industry in which the Company operates. Moreover, we assessed and checked whether all relevant UGE were identified, including allocation of goodwill among them. We compared the actual results for the current year with the budgeted figures for the year and the prior year, to determine whether any of the assumptions included in the projections could be considered very optimistic. We also obtained and discussed with Company's Management, for all relevant UGE, the calculations of sensitization exercises under the income approach, which is used by the Management of the Company to determine the recovery value and we considered the related disclosures in the notes. Likewise, we have compared, with the support of valuation experts: - The discount rate used with market rates according to information pertaining to public companies in the industry. - The sales growth percentage, EBITDA and capital structure with information pertaining to the telecommunications industry market.

Key audit matter	How the matter was approached during our audit

Key audit matter

Estimation for credit losses in accounts receivable in accordance with IFRS 9

As described in Notes 2.1.1 and 6 on the financial statements, the accounts receivable amounting to $1,968,423, arise from goods and services purchased on credit by customers mainly from the Group's corporate segment. The recoverability of accounts receivable is periodically assessed based on the new model, which requires the recognition of impairment estimates based on expected credit losses, in accordance with the provisions of the new IFRS 9 "Financial instruments" effective as of January 1, 2018. This model involves identifying, for the client portfolio, the probability of non-compliance in payments, the severity of the loss and the exposure to default.

During our audit we focused on this financial statement line mainly due to its significance and because from the beginning of this period the applicable standard was modified to determine this provision, which requires applying significant judgments by the Management.

In particular, we concentrated our audit efforts on:

1) the methodology used by the Management, 2) the key input data considered: segmentation of the client portfolio by origin of the credit, payment history of the clients of each segment of the portfolio and balance receivable at the date of calculation and 3) the expected evolution of the identified parameters that affect the ability of clients to pay: percentage of industry growth and national consumer price index.

How the matter was approached during our audit

As part of our audit, we perform the following procedures:

- With the support of our systems specialists, we understood and assessed the design and operation of the controls implemented by the Management in the revenue and accounts receivable cycle by type of portfolio, as well as the credit system; mainly those related to the accuracy and integrity of the key input data used to calculate this provision.

- We assessed the methodology used by the Management for the calculation of the provision for credit losses considering the new model and the historical trends of non-payment and severity of the loss of each segment of the portfolio obtained from the audited accounting records of previous years and, comparing them with the percentages considered by the Company.

- Through a sample selection, we assessed the key input data, as follows:

    - Segmentation of the client portfolio by origin of the credit (mass market, corporate market and others) we checked against the credit system that automatically determines and records this information and from which we have assessed the general computer controls and automatic controls. Payment history of the clients of each segment of the portfolio, we compared this against the movements in the bank statements.

    - Balance receivable at the date of calculation, we checked against the credit system and the confirmations received from clients.

    - We compared the percentage growth of the industry and the national consumer price index against public and recognized sources in this industry.

- We reperformed the calculation of the provision for credit losses considering the input data indicated above.

- We checked the consistency of the disclosures made by the Company, in the notes to the financial statements, with the information obtained.

Other Information

Management is responsible for the other information presented. The other information comprises the annual report presented to Comisión Nacional Bancaria y de Valores (CNBV) and the annual information presented to shareholders, but does not include the consolidated financial statements or this auditor's independent report thereon.

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

However, in connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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 for other circumstances and issue the report required by the CNBV over the annual report. If, based on the work we have performed, we conclude that there is a material misstatement on this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, we will issue the report required by the CNBV and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

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

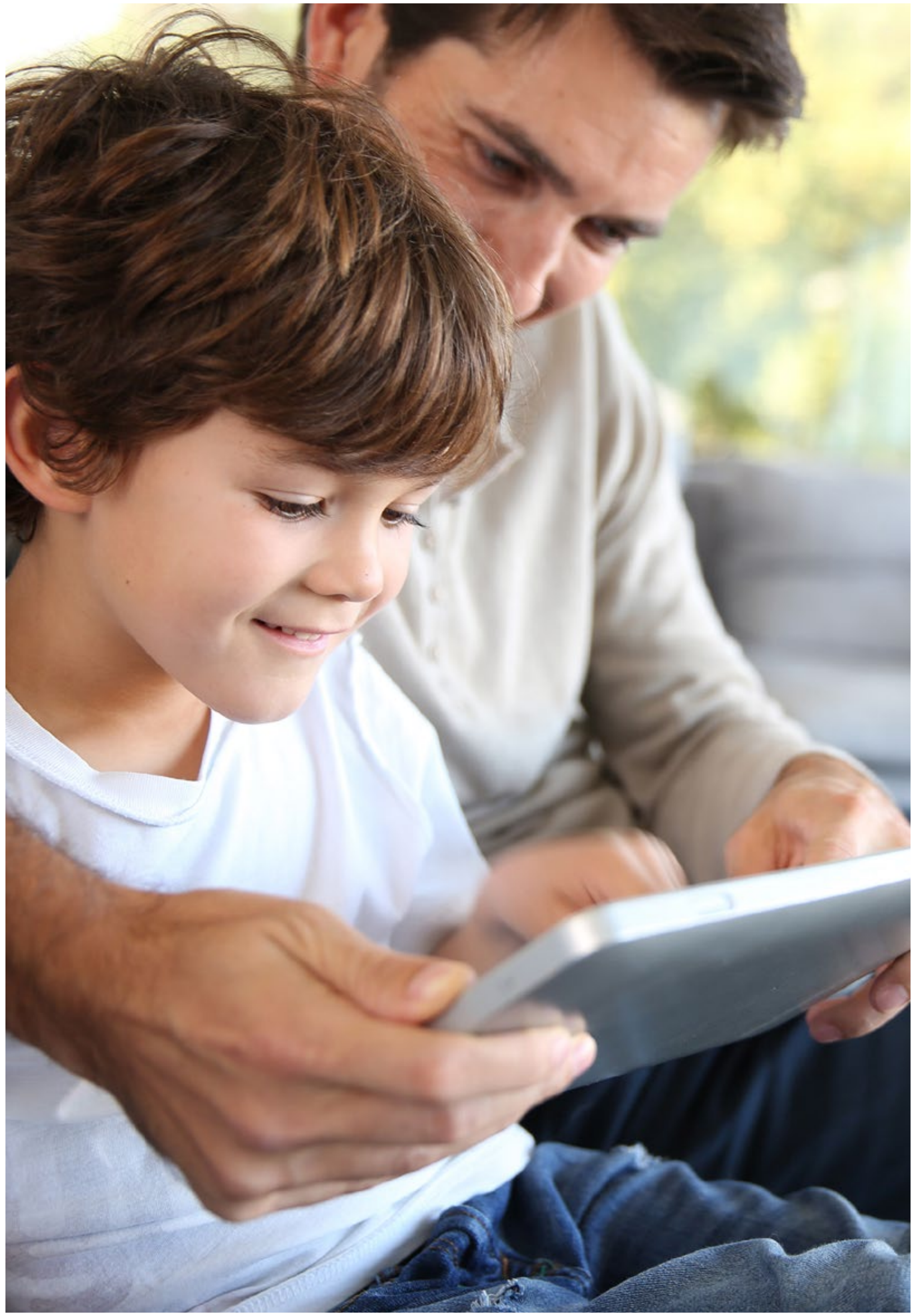
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement,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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to facts 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 related disclosures included in the notes, and whether the consolidated financial statements represent the underlying transactions and events.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. 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 is stated below.

PricewaterhouseCoopers, S.C.

C. P. A. Oscar A. Barrera Godínez
AUDIT PARTNER

Guadalajara, Jalisco, April 26, 2019

Consolidated Statements of Financial Position

(Figures in thousands of pesos)

	Note		December 31, 2018		2017
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	2.5 and 5	$	3,330,216	$	3,167,661
Accounts receivable, net	2.7 and 6		1,968,423		1,434,811
Value added tax and others			408,995		613,873
Inventories	2.11 and 7		603,100		426,960
Total current assets			6,310,734		5,643,305
Properties, networks and equipment, net	2.12 and 9		27,124,459		24,378,696
Goodwill	2.13 and 10		4,378,397		4,378,397
Other intangible assets, net	2.13 and 11		71,248		160,815
Related parties	24		1,185,076		1,027,123
Investments in shares in joint business	2.2 and 8		-		-
Deferred taxes on profits	2.18 and 19		5,183		44,780
Other assets	25		520,786		345,113
Total non-current assets			33,285,149		30,334,924
Total assets		$	39,595,883	$	35,978,229

	Note		December 31, 2018		2017
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank loans	2.16 and 13	$	3,778,569	$	131,833
Suppliers	2.15		1,913,552		1,561,165
Related parties	24		412,321		350,624
Income taxes	2.18 and 19		1,002,684		933,033
Other accounts payable and provisions	2.15 and 14		980,445		902,129
Total current liabilities			8,087,571		3,878,784
NON-CURRENT LIABILITIES:					
Bank loans	2.16 and 13		124,782		3,926,777
Related parties	24		661,561		603,608
Employee benefits	2.19 and 15		226,163		218,928
Deferred taxes on profits	2.18 and 19		1,855,185		1,569,587
Total non-current liabilities			2,867,691		6,318,900
Total liabilities			10,955,262		10,197,684
STOCKHOLDERS' EQUITY:					
Capital stock	2.20 and 17		910,244		910,244
Net premium on placement of shares	2.20 and 17		2,117,560		2,117,560
Retained earnings	2.20 and 17		23,462,826		20,833,016
Reserve for the repurchase of shares	2.20 and 17		294,612		272,789
Legal reserve	2.20 and 17		488,832		488,832
Other comprehensive income	2.20 and 17		21,520		5,848
Total stockholders' equity - controlling interest			27,295,594		24,628,289
Non-controlling interest			1,345,027		1,152,256
Total stockholders' equity			28,640,621		25,780,545
Total liabilities and stockholders' equity		$	39,595,883	$	35,978,229

The accompanying notes are in integral part of these consolidated financial statements.

Enrique Yamuni Robles
CEO

Luis Antonio Zetter Zermeño
CFO

Consolidated Statements of Comprehensive Income

(Figures in thousands of pesos)

	Note	Year ended December 31, 2018	2017
Revenue from services	2.23 and 27	$ 19,534,214	$ 17,238,095
Cost of services	20	7,819,383	6,949,346
Gross profit		11,714,831	10,288,749
Sale expenses	20	5,116,426	4,715,236
Administrative expenses	20	471,325	423,655
		5,587,751	5,138,891
Other income - Net	21	48,193	95,655
Operating profit		6,175,273	5,245,513
Financial income	22 and 24	341,827	343,569
Financial expense	22	(444,132)	(345,529)
		(102,305)	(1,960)
Equity in the results of joint business	8	-	-
Profit before income tax		6,072,968	5,243,553
Income tax	2.18 and 19	(1,354,219)	(1,270,523)
Net profit of the period		4,718,749	3,973,030

	Note	Year ended December 31, 2018	2017
Other comprehensive items:			
Items that will not subsequently be reclassified to income			
Remeasurement of employee's benefits obligations		15,672	5,848
Comprehensive income for the year		$ 4,734,421	$ 3,978,878
Comprehensive income attributable to:			
Controlling interest		$ 4,557,613	$ 3,806,209
Non-controlling interest		176,808	172,669
Net profit attributable to:			
Controlling interest		$ 4,541,941	$ 3,800,361
Non-controlling interest		176,808	172,669
Earnings per basic and diluted share:			
Attributable earnings per common share of the controlling company	2.26 and 18	$ 2.65	$ 2.22
Profit per CPO	2.26 and 18	$ 5.31	$ 4.47

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

Enrique Yamuni Robles
CEO

Luis Antonio Zetter Zermeño
CFO

Consolidated Statements of Changes in Stockholders' Equity

(Figures in thousands of pesos)

	Note	Capital stock	Net premium on placement of shares	Reserve for repurchase of shares	Retained earnings	Legal reserve	Other comprehensive income	Total stockholders' equity controlling interest	Non-controlling interest	Total stockholders' equity
Balance at January 1, 2017		$ 910,244	$ 2,117,560	$ 161,845	$ 18,423,613	$ 488,832	$ –	$ 22,102,094	$ 1,075,069	$ 23,177,163
Transactions with stockholders:										
Net sales of own shares	17	–	–	110,944	–	–	–	110,944	–	110,944
Dividends declared	17	–	–	–	(1,390,958)	–	–	(1,390,958)	(95,482)	(1,486,440)
Total transactions with stockholders		910,244	2,117,560	272,789	17,032,655	488,832	–	20,822,080	979,587	21,801,667
Net profit		–	–	–	3,800,361	–	–	3,800,361	172,669	3,973,030
Total other items of comprehensive income of the year		–	–	–	–	–	5,848	5,848	–	5,848
Comprehensive income		–	–	–	3,800,361	–	5,848	3,806,209	172,669	3,978,878
Balance at December 31, 2017		910,244	2,117,560	272,789	20,833,016	488,832	5,848	24,628,289	1,152,256	25,780,545
Transactions with stockholders:										
Net sales of own shares	17	–	–	21,823	–	–	–	21,823	–	21,823
Acquisition minority share Ho1a		–	–	–	(383,316)	–	–	(383,316)	(49,117)	(432,433)
Contribution of minority shareholders		–	–	–	–	–	–	–	126,030	126,030
Dividends declared	17	–	–	–	(1,531,087)	–	–	(1,531,087)	(60,950)	(1,592,037)
Total transactions with stockholders		910,244	2,117,560	294,612	18,918,613	488,832	5,848	22,735,709	1,168,219	23,903,928
Net effect of adoption of new Standards (IFRS 15)		–	–	–	2,272	–	–	2,272	–	2,272
Net profit		–	–	–	4,541,941	–	–	4,541,941	176,808	4,718,749
Total other items of comprehensive income of the year		–	–	–	–	–	15,672	15,672	–	15,672
Comprehensive income		–	–	–	4,541,941	–	15,672	4,557,613	176,808	4,734,421
Balance at December 31, 2018		**$ 910,244**	**$ 2,117,560**	**$ 294,612**	**$ 23,462,826**	**$ 488,832**	**$ 21,520**	**$ 27,295,594**	**$ 1,345,027**	**$ 28,640,621**

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

Enrique Yamuni Robles
CEO

Luis Antonio Zetter Zermeño
CFO

Consolidated Statements of Cash Flows

(Figures in thousands of pesos)

	Note	Year ended December 31, 2018	2017
Cash flows from operating activities:			
Profit before income tax		$ 6,072,968	$ 5,243,553
Cost for the period of employee benefits	15	7,235	14,913
Estimation for impairment of accounts receivable	20	53,725	57,274
Depreciation	9	3,083,821	2,375,584
Amortization	11	211,022	118,604
(Profit) loss on the sale of property, systems and equipment	21	5,263	(8,608)
Interest receivable	22	(341,827)	(260,694)
Allowance for obsolete inventories	20	6,410	1,666
Interest payable	22	426,119	345,529
Exchange fluctuation not realized	22	18,013	(82,875)
		9,542,749	7,804,946
Changes in working capital:			
(Increase) decrease in accounts receivable	6	(583,852)	907,922
Decrease in recoverable income tax		–	30,862
Decrease in value added tax and others		204,878	408,530
Increase in related parties	24	521,658	237,891
(Increase) decrease in inventories	7	(182,550)	104,414
(Increase) decrease in other assets		(1,275)	44,107
Decrease in suppliers	2.15	(369,406)	(734,629)
Increase (decrease) in other accounts payable	14	186,886	(429,298)
		9,319,088	8,374,745
Income tax paid		(1,123,490)	(770,897)
Net cash flows from operating activities		8,195,598	7,603,848

	Note	Year ended December 31, 2018	2017
Cash flows from investment activities:			
Interest collected	22	341,827	260,694
Loan to related parties	24	(208,784)	(122,710)
Amounts collected on loans to related parties	24	98,872	105,893
Acquisition of properties, networks and equipment		(5,348,933)	(4,271,016)
Other non-current assets	8	(338,262)	(290,756)
Decrease in intangible assets	11	42,411	78,912
Net cash flows used in investing activities		(5,412,869)	(4,238,983)
Cash flows from financing activities:			
Interest paid	22	(426,119)	(345,529)
Bank loans received	13	–	1,862,205
Acquisition of minority share in the subsidiary Ho1a		(432,433)	–
Bank loans paid	13	(123,730)	(1,504,308)
Financial leasing paid	16	(212,146)	(125,886)
Payment of dividends	17	(1,592,037)	(1,486,440)
Contribution of minority shareholders	17	126,030	–
Purchase and sale of own shares	17	21,823	110,945
Net cash flows used in investing activities		(2,638,612)	(1,489,013)
Increase in cash and cash equivalents		144,117	1,875,852
Cash and cash equivalents at beginning of year		3,167,661	1,148,139
Exchange fluctuations non realized of cash and cash equivalents		18,438	143,670
Cash and cash equivalents at end of year		$ 3,330,216	$ 3,167,661

At December 31, 2018 and 2017, there were acquisitions amounting to $237,903 and $275,701, respectively, related to networks and equipment that did not require the use of cash, as they were acquired through financial leasing.

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

Enrique Yamuni Robles
CEO

Luis Antonio Zetter Zermeño
CFO

Notes to the Financial Statements

December 31, 2018 and 2017

(Figures stated in thousands of pesos, unless another denomination is indicated)

Note 1 – Group's Information:

When these notes make reference to Megacable Holdings, S. A. B. de C. V and its subsidiary Mega Cable, S. A. de C. V. (Mega Cable), the term Group is used. The Group is indirectly controlled by the Bours and Mazon families and the trust managed by Nacional Financiera, S.N.C. Institución de Banca de Desarrollo. Likewise the subsidiary Mega Cable is the holding company for a group of companies engaged in the installation, operation, maintenance and exploitation of telephone, internet and television cable signal distribution systems, as well as providing business solutions for the corporate segment. The Group is registered at the Mexican Stock Exchange and has presence in more than 26 states in Mexico. The Group has determined that its regular operating cycle is to be from January 1 to December 31 of each year.

The Group's head office is located at Av. Lázaro Cárdenas 1694, Col. Del Fresno, C.P. 44900, Guadalajara, Jalisco, México.

The accompanying consolidated financial statements show Group figures (see Note 2.2), including those for joint ventures and associates at December 31, 2018 and 2017, in which the Company exercises significant influence and control, respectively.

Telecommunications Reform

On June 11, 2013, the Decree amending and adding various disposition in articles 60, 70, 27, 28, 73, 78, 95 and 105 of the "Mexican Constitution" related to telecommunication sector, was published in the Official Gazette, which establishes the obligation to the Congress to issue an unique Legal Ordinance that regulates in a convergent manner the use and exploitation of the radio electric spectrum, telecommunications networks and the rendering of the radio broadcasting and telecommunications services as well as.

The Federal Telecommunications Institute was created on September 10, 2013, and the July 14, 2014 Official Gazette carried the decree containing the Federal Telecommunications and Radio Broadcasting Law, in which various provisions on Telecommunications and Radio Fusion are reformed and repealed, coming into effect on August 13, 2014.

The new Federal Telecommunications Law (the Law) establishes measures for Predominant Economic Agents in the telecommunications and radio-broadcasting sectors, respectively, of which the measure to charge no interconnection rate on calls ending in the network of the Economic Telecommunications Agent TELMEX/TELNOR had an asymmetric impact on the Group.

However, there were other new provisions such as the public offer for wholesale link services and infrastructure sharing, which MEGA CABLE has disputed since 2015, arguing for higher rates in the services offered, as well as use of TELMEX's available infrastructure.

Moreover, in January 2016, MEGA CABLE was granted a sole concession title, whose content considers national coverage, for a 30 year term, enabling the Group to provide any type of telecommunications service technically feasible for its infrastructure (only having to request the necessary radio-electric spectrum) anywhere in the country; this model establishes obligations such as: registering the services to be rendered; the information pertaining to the passive and active infrastructure, broadcasting media and rights of way; coverage programs, investment, quality and coverage commitments; no discrimination; establishing and publishing its Code of Commercial Practices; refraining from transmitting information that affects the sound development of programs aimed at children and teenagers; providing the IFT with information and allowing inspection of its facilities; submitting audited financial statements.

Juridical-Regulatory Framework - Interconnection of networks with other operators 2018

Since 2015, the dispute of interconnection rates has been mechanical and with prior knowledge of the terms of the resolution issued by the Federal Telecommunications Institute (the Institute) due to in December of each year the Institute publishes the interconnection rates applicable for the following year, as a result of which, the applicable rates were established for the interconnection discounts between operators during 2018 and 2017:

Operators other than the Predominant Operator

Item	2018 Rate	2017 Rate
For termination of local service to mobile users as per the "the caller pays" modality.	$ 0.112799MXN	$ 0.1906MXN
For termination of short messages by mobile users	$ 0.017355MXN	$ 0.0250MXN
For termination of local service used by fixed users	$ 0.002836MXN	$ 0.003094MXM
For origination services pertaining to local service		
For origination services pertaining to local service for fixed users	$ 0.003092MXN	$ 0.004386MXN
For transit services	$ 0.003809MXN	$ 0.004550MXN

In 2017, the obligation remained for TELMEX, TELNOR and TELCEL, as long as they continue with the preponderance declaration, not to charge the Group for call-ending services in the Predominant Agent's network.

However, TELCEL filed for injunction before the Supreme Court of Justice (SCJN from Spanish), which ruled that IFT is entitled to determine the asymmetric regime related to interconnection rates for ending traffic in the Predominant Economic Agent's (AEP from its acronym in Spanish) mobile network, based on a cost model consistent with international best practices. As a result, IFT determined the following rates for 2018 (published in November 2017):

- For termination in the AEP's mobile network for Local Services in users under the "el que llama paga" modality: $0.028562 pesos per minute of interconnection.
- For termination of short messages (SMS) by mobile users: $0.007269 pesos per message.
- For origination pertaining to local service for fixed users: $0.003092 pesos per minute of interconnection.
- For transit services: $0.003809 pesos per minute.

The operators that have requested the IFT to resolve disputes regarding interconnection rates for 2017 with MEGA CABLE are:

TELMEX, TELNOR, TELCEL, ALESTRA, AVANTEL, MAXCOM, MARCATEL, GTM, PEGASO, AXTEL, IUSACELL.

These disputes on the matter of obtaining interconnection rates are founded in article 129 of the Law, which establishes that at the latest by July 15 each year, the concessionaires must file to the Institute the dispute corresponding to the interconnection rates applicable to the following year; otherwise, the rates resulting from the resolution for the following year cannot be applied.

The Institute settled the rates applicable for 2017 based on the cost models used to determine the restatement, taking into account information pertaining to the demand of services, the prices of supplies used, the cost of the weighted average capital, the exchange rate and inflation based on the average expected for 2017, which resulted in an impact for the Group as a result of the economic increase with regard to the consideration for interconnection services paid by MEGA CABLE for operators challenging said rates for that year, as set out in the above paragraph, as the latter ends a larger number of minutes in the networks of other concessionaires, given its large number of subscribers. The aforementioned impact will depend on the number of minutes per month that MEGA CABLE ends in the network of each concessionaire during 2017. Among the operators other than the Predominant Economic Agent, with respect to the marginal cost of termination rates, there are no significant changes in terms of income or expenses. As for the AEP, the termination rate will continue to be free.

There were disputes over the 2017 rates with the Telecommunications operators listed below; the Institute resolved that the company was entitled to apply the above-mentioned rates as from January 1, 2017.

TELMEX, TELNOR, ALESTRA, AVANTEL, GTM, PEGASO, BESTPHONE, TOTAL PLAY, AXTEL, GRUPO AT&T, IENTC, VAOSA, STARSATEL, TELCEL

In order to obtain access to the rates settled by the Institute, a resolution by this authority must be secured, to support the rate for the year related to, in the understanding that said resolution is subject to tax, i.e. that it generates the obligation for the concessionaires to apply and comply with the legal provisions set out in article 129 of the law regarding the interconnection rates, which sets out the mechanics of the dispute process and the terms for the Institute to resolve them.

For as long as they continue with the preponderance declaration, TELMEX and TELNOR will not charge the company for termination of calls in the Predominant Agent's network and for TELCEL, the rates determined in the resolution issued by the SCJN with regard to the asymmetric interconnection rates in the AEP's mobile net for 2018 will be applied.

SIGNAL RETRANSMISSION

The obligation and right remain in place to retransmit TELEVISA and TVAZTECA open signal channels free of charge in the MEGA CABLE within its areas of coverage, with the latter required to retransmit said channels, as well as the signals of Federal Public Institutions.

In multiprogrammed signals, the obligation is only to retransmit the ones with the highest audience, with the exception of the Federal Public Institutions, since in this case its retransmission is applicable.

With respect to all of the processes described in the above paragraphs, it is concluded that at the date of issuance of the financial statements, there has not been relevant impact on the financial situation.

Note 2 – Summary of significant accounting policies:

Following is a summary of the most significant accounting policies used in preparing the consolidated financial statements, which have been applied consistently in the years presented, unless otherwise specified.

2.1 Basis for preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations thereof (IFRIC) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) on the historical cost basis of accounting.

IFRS require certain critical accounting estimations to be made when preparing the financial statements. They also require management to apply judgment in determining the accounting policies to be applied by the Group. The financial statements lines involving a greater degree of judgment or complexity or the areas in which the assumptions and estimates are significant for the consolidated financial statements are described in Note 4.

The individual financial statements for statutory purposes prepared as per Financial Reporting Standards are the basis for the payment of dividends.

2.1.1 Changes in accounting policies and disclosures

a. New standards, amendments to standards and interpretations adopted by the Group

The Group has adopted the following standards for the first time for the period started on January 1, 2018:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from Contracts with Clients and modifications associated with other standards

The Group's evaluation of the effects of these new standards and interpretations effective on January 1, 2018 is shown below:

IFRS 9 – Financial Instruments

Nature of the change

IFRS 9 addresses the classification, measurement and disposal of financial assets and financial liabilities; it introduces new rules for hedge accounting of impairment for financial assets.

As part of the changes in IFRS 9, it was included a change in the methodology for modification of financial instruments. In July 2017, the IASB confirmed the book recording of changes in financial liabilities as per IFRS 9. This means that when a financial liability measured at its amortized cost is modified, without this leading to its de-recognition, a gain or loss must be applied to income. The gain or loss is calculated as the difference between the cash flows of the original contract and the modified cash flows discounted at the effective original interest rate. During 2018, the company did not restructure its financial liabilities, nor in previous years.

Adoption of IFRS 9

The Group conducted an in-depth evaluation of the classification and measurement of financial assets and does not expect the new guidelines to have a significant impact on the classification and measurement of financial assets.

There was not any impact on the accounting treatment of the Group's financial liabilities, since the new requirements affect only accounting for financial liabilities designated at fair value through profit or loss and the Group do not have any type of this liability.

The new rules for hedge accounting will align the accounting for hedge instruments by making them more compatible to the Group's risk management practices. As a general rule, more hedging relations might be eligible for hedge accounting as the standard introduces a focus more based on principles.

At present, the Group does not apply hedge accounting and thus does not expect a significant impact following adoption of IFRS 9, moreover, the Group does not expect a significant impact on the book recording of its hedge relations, given the fact that at December 31, 2018, the Group has not contracted any.

The new impairment model requires recognition of impairment estimations based on expected losses rather than incurred credit losses under IAS 39. It is applied to financial assets classified at amortized cost, debt instruments measured at VRORI, contractual assets arising from contracts with clients in accordance with IFRS 15, accounts receivable from leasing, loan commitments and certain financial guarantee agreements. The Company applied the modified retrospective method of IFRS 9 to measure expected credit losses, which uses a provision for expected loss over the life of the instrument. The Group has conducted an in-depth evaluation of how its impairment estimations could be affected by the new model, determining an additional effect of $20,028 for impairment with respect to the previous model.

i. Classification and measurement

- On January 1, 2018, the Group's Management evaluated the business models to be applied for the financial assets held by the Company and classified its financial instruments in the appropriate categories in accordance with IFRS 9. The Group maintains the client portfolio with the objective of collecting cash flows.
- Financial liabilities are measured at amortized cost, so the new standard did not have an effect, for these additionally, no item of fair value was assigned to profit or loss.

ii. Impairment of financial assets

The Group has financial assets subject to the new expected credit loss model of IFRS 9 represented by accounts receivable from clients for the rendering of services. The Group required to review its impairment methodology in accordance with IFRS 9 for this class of assets.

As a result of the analysis carried out by the Group, it was decided to recognize the impairment of its accounts receivable from clients applying the simplified approach permitted by IFRS 9 "Financial Instruments", recognizing the expected credit losses since the creation of the account receivable.

iii. Accounts receivable from clients

To measure the expected credit losses, these assets are grouped according to the characteristics of credit risk and the days past due.

The Group identified the following groups within its accounts receivable from clients:

- Corporate market clients
- Advertising clients
- Mass market clients
- Others

The expected loss rates are based on the payment profiles of the sales in a period of 36 months before December 31, 2018 or January 1, 2018, respectively, and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect the current and prospective information of macroeconomic factors that could affect the ability of customers to settle accounts receivable.

On this basis, the provision for losses as of December 31, 2018 and January 1, 2018 (in the adoption of IFRS 9) was determined as follows:

Accounts receivable December 31 2018	0 to 180 days	from 181 to 365 past due days	over 365 past due days	Total
Loss rate expected	1%	11%	76%	
Loan portfolio	1,269,624	120,905	229,084	1,619,612
Provision for credit losses	9,424	13,850	173,259	196,532

Accounts receivable January 1st 2018	0 to 180 days	from 181 to 365 past due days	over 365 past due days	Total
Loss rate expected	1%	13%	76%	
Loan portfolio	579,791	233,951	183,092	996,833
Provision for credit loss	4,304	31,489	138,475	174,267

The Company has decided to apply the limited exemption in IFRS 9 paragraph 7.2.15 related to the transition for classification and measurement and impairment, and consequently has not restated comparative periods in the year of initial application, the impact determined by the adoption of IFRS 9 as of January 1, 2018 was $21,064, which the Group decided to recognize as part of the other comprehensive income or loss of the year due its little importance.

Although cash and cash equivalents, sundry debtors, related parties receivable and other assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

IFRS credit risk

Accounts receivable and assets by contract are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the fact that the debtor does not suggest a payment plan with the Group and the impossibility of making contractual payments for a period exceeding 3 years past due.

Losses for impairment of accounts receivable and assets for contracts are presented as net impairment losses within the operating result. Subsequent recoveries of previously canceled amounts are credited against the same line.

Previous accounting policy for impairment of accounts receivable

The Group evaluated at the end of each year if there was objective evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and whenever the event of loss (or events) has an impact. on estimated future cash flows derived from the financial asset or group of financial assets that can be estimated reliably.

IFRS 15 Revenue from contracts with clients

Nature of change

The IASB has issued a new standard for revenue recognition. This standard will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts.

With respect to standard IFRS 15 Revenue from Regular Operations Arising from Contracts with Clients, which provides the principles to be applied for reporting useful information on the amount, timing of recognition and uncertainties related to income and cash flows stemming from its contracts to provide goods and services to its clients. The main principles of this standard is to recognize the revenue in a way that these represents the transfer of control of goods and services to clients and on amounts that reflect the consideration which the Company expects to have the right to receive in exchange, implying greater judgments and estimations for its application.

IFRS 15 presents a model based on 5 steps for identifying, measuring and recognizing revenue from contracts with clients; these steps are as follows:

Step 1: Identifying the contract with the client
Certain criteria must be met in order for a contract to be recorded by the five-step model; i.e. an entity must evaluate whether or not is it likely lot collect the amounts it is entitled to prior to applying the guidelines contained in IFRS 15. Guidelines are introduced for the combination of contracts for accounting purposes, and for recording the effects of changes to existing contracts.

Step 2: Identification of performance obligations
The performance obligation is the analysis and recording unit of this five-step model, and represents all promises or commitments made that imply the transfer to the client of goods or services (or group of goods or services) that is different or a series of different goods or services that are substantially the same and that have the same pattern of transfer to the client.

Step 3: Determining the price of the transaction
The transaction price is the consideration that an entity expects to receive in exchange for providing goods or services to a client. Several factors must be assessed to determine the transaction price, including the existence of variable considerations, significant financing components, non-monetary considerations or payments made to the client.

Step 4: Assigning the price of the transactions involved in each performance obligation
The price of the transaction must be assigned to the different performance obligations in the contract according to their independent sale prices, maximizing the use of information observable in the market.

Step 5: Revenue recognition
Revenue is recognized when (or the extent to which) control of the performance obligations under the contract is transferred. This can occur at one point in time or over time, according to certain specific criteria.

IFRS 15 was effective for the annual periods beginning on January 1, 2018, allowing entities to apply one of two transition criteria: the complete retrospective method or the modified retrospective method. At January 1, 2018, the Group applied the IFRS 15 using the modified retrospective method for transition; this method implies retrospective application of IFRS 15 only to contracts still in effect at January 1, 2018, recognizing at that date any impact of adoption to retained earnings, whereby, revenue corresponding to 2017 is presented under IAS 18.

The complete retrospective method would imply that, retroactively, IFRS 15 would be applied to each period for presentation of the financial statements at December 31, 2018 and 2017, in accordance to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors; however, the Group considers that the modified retrospective method meets the needs of its stockholders and other users of financial information.

In this regard, the Group has opted to apply the new standard only to contracts not yet completed at January 1, 2018; that is to say, only those contracts that are not completed as of January 1, 2018.

The new standard defines a not-yet-completed contract as one where the goods and/or services that are part of the contract under IAS 18 have not been transferred.

Impact

At January 1, 2018, the Companies that form part of the Group have completed the diagnosis to evaluate the potential impact of adoption of IFRS 15, covering as part of this, all types of transactions and contracts with clients for which it recognizes revenue for ordinary activities. As a result of this process, a series of impacts have been determined at some of the companies within the group, following quantification of which, it was determined that they are not significant with respect to the consolidated figures.

For the assessment of the impact for the adoption, the group used a portfolio approach, as many of its contracts are similar and share the same characteristics, as a result of which, the Group determined that the effect of applying this approach to a group of contracts do not differ significantly, if each contract is considered separately.

b. New standards, modifications to standards and interpretations issued but whose adoption is not yet mandatory, and which were not adopted by the Group.

IFRS 16 Leases

Nature of the change

IFRS 16, Leases, replaces IAS 17, Leases, and related interpretations. This new standard incorporates the majority of leases in the statement of financial position for lessees under a single model, eliminating the distinction between operating and financial leases, while the model for lessors remains unchanged. IFRS 16 is effective as of January 1, 2019 and the Group decided to adopt it with the recognition of all the effects at that date, without modifying previous periods.

Under this norm, the lessee will recognize an asset by right of use and the corresponding lease liability. The right to use will depreciate according to the contractual term or in some cases, in its economic useful life. On the other hand, the financial liability will be measured in its initial recognition, discounting at present value the future minimum leasing payments according to a term, using a discount rate that represents the cost of funding the lease; subsequently, the liability accrues interest until its maturity.

According to the new standard, an asset is recognized (the right to use the leased asset) and a financial liability to pay rent. The only exceptions are short-term and insignificant value leases.

The lessors' accounts will not change significantly.

Impact

The standard will mainly affect the accounting of the operating leases of the group. As of the reporting date, the Group has non-cancellable operating lease commitments for $523,952 (nominal value) (Note 16).

The Group will apply the exemptions for not recognizing an asset and a liability as previously described, for lease agreements with a term of less than 12 months (provided that they do not contain purchase or renewal options) and for those contracts in the that the acquisition of an individual asset of the contract was less than US$5,000 (five thousand dollars).

Therefore, payments for such leases will continue to be recognized as expenses within operating profit.

The Group adopted IFRS 16 on January 1, 2019, for which it recognized a right-of-use asset and a lease liability of $355,079 (at present value).

Additionally, the Group adopted and applied the following practical guidance provided by IFRS 16:

- Accounting as a lease the payments made in conjunction with the rent and that represent services (for example, maintenance and insurance).
- Create portfolios of similar contracts in term, economic environment and characteristics of assets, and use a portfolio funding rate to measure leases.
- For leases classified as financial as of December 31, 2018 and without components of restatement minimum payments for inflation, maintain on the date of adoption of IFRS 16 the balance of the asset for right of use and its corresponding liability for lease.
- Do not revisit the conclusions that were reached for service contracts that were completed before December 31, 2018 under IFRIC 4.

Determination of whether a contract contains a lease, and in which it was concluded that there was no implicit lease.

The Group has taken the measures required to implement the changes that the standard represents in terms of internal control, tax matters and information technologies, from the date of adoption. Finally, as a result of these changes in accounting, some performance indicators of the Group, such as operating income and EBITDA (Earnings before interest, taxes, depreciation and amortization) adjusted, will be affected due to the fact that, previously it was recognized as an operating leasing expense, equivalent to the rent payments, now a part will be recognized reducing the financial liability (which will not affect the income statement); and, the other part, will be recognized as a financial expense, beneath the operating profit indicator.

On the other hand, the depreciation expense of the right-of-use assets will affect the operating profit in a straight-line manner, but without representing a cash outflow, which will benefit the adjusted EBITDA.

Mandatory application date / Date of adoption by the Group.

It is mandatory for the years beginning or after January 1, 2019. The Group adopted IFRS 16 on January 1, 2019.

2.2 Consolidation

a) Subsidiaries

The subsidiaries are all entities over which the Group has control. The Group is considered to control an entity when it is exposed, or has rights to variable yields due to its involvement in the entity and has the capacity to affect such yields via its power over the entity. When the interest of the Company in its subsidiaries is less than 100%, the interest attributed to external stockholders is reflected as the non-controlling interest.

The subsidiaries are consolidated since the date on which the Group assumes control over them and cease to consolidate when said control is lost. For consolidation purposes the Group consolidates 3 companies in which it holds a 51% interest and hence they have the control.

The Group uses the purchase method of accounting to record business acquisitions. The consideration paid in the acquisition of a subsidiary is determined based on the fair value of the net assets transferred, the liabilities assumed and the capital issued by the Group. The consideration paid for the acquisition also includes the fair value of contingent accounts receivable or payable as part of the agreement. Acquisition-related costs are recorded as expenses as they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially valued at their fair value at the acquisition date. The Group recognizes its non-controlling interest in the acquired entity at its fair value either at the acquisition date or at the proportionate value of identifiable net assets of the acquired entity.

If the business combination is shown in stages, the carrying value of the purchaser's prior interest in the acquired entity at the acquisition date subject to fair value at the acquisition date, and any difference in income is recognized.

The excess of the consideration transferred, the non-controlling interest in the acquired entity and the fair value of any previous interest (where applicable) of the Group in the entity acquired (where applicable) over the fair value of the net identifiable assets of the acquired entity is recorded as goodwill. If said comparison results in an advantageous purchase, as in the case of a purchase at bargain price, the difference recognized directly in the statement of comprehensive income.

Any contingent consideration payable by the Group recognized at fair value at the date of acquisition. Subsequent changes in the fair value of the contingent consideration recognized as an asset or liability recognized as per IAS 39, either in income or in comprehensive income. A contingent consideration that is reclassified, as equity requires no adjustment and its subsequent settlement is record under equity.

Transactions, balances and unrealized gains or losses resulting from operations between Group companies have been eliminated. When necessary, the accounting policies applied by the subsidiaries have been modified to ensure their consistency with the accounting policies adopted by the Group.

The most important entities included in the consolidated financial statements are listed below (all companies are S. A. de C. V., except Liderazgo Empresarial en Tecnologías de la Información, Servicios Especiales Turandot and Werther Administración Integral,the three subsidiaries S. A. P. I. de C. V.):

	Shareholding % At December 31		
Company	2018	2017	Business purpose
Mega Cable	99.99	99.99	Holding company and leasing of infrastructure to subsidiaries.
Telefonía por Cable	99.99	99.99	Operations in the cable systems of Sinaloa, Sonora, Occidente, Centro, Golfo, Chiapas, Comarca, Estado de México, León, Los Cabos, among others.
MCM Holding (MCM)	99.99	99.99	Local telephone services in Mexico City, Guadalajara and Monterrey.
Liderazgo Empresarial en Tecnologías de la Información (Ho1a)(1)	99.99	51.00	Holding company - this company and its subsidiaries are engaged in the installation, purchase and sale of communications services in Mexico City, Guadalajara, Monterrey and Cancun.
Productora y Comercializadora de Televisión (PCTV)	81.98	81.98	The purchase and sale of domestic and international television signals, the sale of ads and advertising space on television, and the production and co-production of programs.
Myc Red	51.00	51.00	Operations in the cable systems of Sahuayo and Jiquilpan, Michoacán.
TV Cable del Golfo	99.99	99.99	Technical personnel service
Servicios Técnicos de Visión por Cable	99.99	99.99	Technical personnel service

Company	Shareholding % At December 31 2018	2017	Business purpose
Mega Ventas	99.99	99.99	Sales personnel service
Servicios de Administración y Operación	99.00	99.00	Administrative personnel services
Tele Asesores	99.00	99.00	Administrative personnel services
Entretenimiento Satelital	95.00	95.00	Operating of the "video rola" channel
Servicios Especiales Turandot	97.33	96.69	Leasing of equipment and infrastructure for providing telephone services.
Werther Administración Integral	99.13	96.69	Leasing of equipment and infrastructure for providing telephone services.
Corporativo de Comunicación y Redes de GDL	51.00	51.00	Leasing of equipment and infrastructure for providing cable, internet and telephone services.
Servicio y Equipo en Telefonía, Internet y Televisión	51.00	51.00	Holds the rights of subscribers of the Michoacán and Zacatecas systems, among others.

(1) In 2018, 49% of the shares were acquired. Prior to this acquisition, 51% of the shares were held for a price of $432,433.

b) Changes in interest in subsidiaries without the loss of control

The Group recognizes transactions with non-controlling shareholders as transactions between Group shareholders. When a non-controlling interest is acquired, the difference between any price paid and the interest acquired in the subsidiary, measured at carrying value, is recorded in stockholders' equity. The profits or losses from disposal of equity in a subsidiary not implying the loss of control by the Group are also recorded as stockholders' equity.

c) Disposal of subsidiaries

When the Group loses control of an entity, any interest in said entity is measured at fair value, and the effect is recorded in profit or loss. Subsequently, the fair value is considered the initial carrying value for the purpose of recognizing the interest retained as an associate, joint business or financial asset. Additionally, the amounts previously recognized in other comprehensive income in relation to that entity are canceled as though the Group had directly disposed of the respective assets or liabilities. This implies that the amounts previously applied to other comprehensive income are reclassified to income for the period.

d) Joint agreements

The Group has applied IFRS 11 to all its joint agreements. Under IFRS 11, investments in joint agreements are classified either as a joint operation or as a joint business, depending on the contractual rights and obligations of each investor. The Group has evaluated the nature of its joint agreements and has determined that they qualify as joint businesses. Joint businesses are accounted for by the equity method.

Under the equity method, the interest in joint businesses is initially recorded at cost and is subsequently adjusted to recognize the Group's interest in losses and gains subsequent to the acquisition, as well as movements in other comprehensive income. When the Group's interest in the losses of a joint business equal or exceed its interest in the joint business (which includes any long-term interest that in substance forms part of the Group's net investment in the joint business), the Group recognizes no further losses, unless it has incurred obligations or has made payments on behalf of the joint business.

Unrealized gains from transactions carried out between companies of the Group and their joint businesses are eliminated in proportion to the Group's interest in the joint business. Unrealized losses are also eliminated, unless the respective transaction provides evidence of impairment in the transferred assets. The accounting policies of the joint businesses have been modified to the extent necessary to ensure consistency with the policies adopted by the Group. The Group, as well as Televisa and Telefónica, jointly invested in Grupo de Comunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC).

2.3 Financial information by segments

The financial information by operating segments is presented in a consistent manner with the information included in the internal reports provided to the highest authority in the decision-making process of the Group. This highest authority is responsible for allocating the resources and evaluating the performance of the Group's operating segments and is exercised by the Board of Directors which is comprised by the CEO and the different Directorates (based in Guadalajara facilities).

These segments are managed independently, due to the fact that the services rendered and the markets they serve are different. Their activities are conducted through different subsidiary companies. See Note 27.

2.4 Foreign currency transactions and balances

Operations in foreign currency are converted to the functional currency at the exchange rates in effect at transaction date, or at the exchange rate in effect at valuation date when items are repriced. Gains and losses from exchange fluctuations resulting from the liquidation of those operations or from conversion of monetary assets and liabilities expressed in foreign currency at the exchange rates in effect at the year-end close are recognized in the consolidated statement of comprehensive income. Exchange gains and losses are recorded under financial income/expenses.

Functional and recording currency

Because the functional and reporting currencies of the Company and its subsidiaries is Mexican peso, it was not required any translation process.

2.5 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents include available cash, demand bank deposits, and other highly liquid short-term investments maturing at three months or sooner. In the (consolidated) statement of financial position, bank overdrafts are shown as loans under current liabilities. Short-term investments are made through banking institutions, which consist of low-risk, moderate-yield government debt instruments such as Treasury Certificates (CETES from its acronym in Spanish). At December 31, 2018 and 2017, these investments mature at 28 and 90 days, respectively. See Note 5.

2.6 Advance payments:

Advance payments represent disbursements (rights) made by the Group, in which the benefits and risks inherent in the goods to be acquired or in the services to be received have not yet been transferred. Prepayments are recorded at cost and are shown in the statement of financial position in the "Accounts receivable, net" line item. See Note 6.

2.7 Accounts receivable:

Accounts receivable represent collection rights owed by clients, arising from services rendered by the Group in the normal course of operations. If recovery of accounts receivable is expected in a year or less, these accounts are classified as current assets; otherwise, they are shown as non-current assets.

Accounts receivable are initially recognized at fair value and subsequently measured at their amortized cost, using the effective interest rate method, less the impairment reserve, if applicable. The estimation of expected credit losses is determined considering the probability of non-compliance and the severity of the loss of accounts receivable based on the historical experience, current conditions and reasonable forecasts that are observed in the performance of the same. The amount of the impairment estimation is the difference between the carrying value recognized and the estimated amount to be recovered. See Note 6.

2.8 Financial assets:

Until December 31, 2017, the Company classified its financial assets in the following categories: at fair value through results, loans and accounts receivable, investments held to maturity and available for sale. The classification depended on the purpose for which the financial assets were acquired.

As of January 1, 2018, based on the adoption of IFRS 9 Financial Instruments, the Company subsequently classifies and measures its financial assets based on the Company's business model for managing its financial assets, as well as the characteristics of the contractual cash flows of these assets. On this way, financial assets can be classified at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. The Management determines the classification of its financial assets at the time of initial recognition. Purchases and sales of financial assets are recognized on the settlement date.

The financial assets are fully canceled when the right to receive the related cash flows expires or is transferred and also the Company has transferred substantially all the risks and benefits derived from its ownership, as well as the control of the financial asset.

Classes of financial assets under IAS 39, effective until December 31, 2017.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired mainly for the purpose of being sold in the short term.

Financial assets recorded at fair value through profit or loss are initially recognized at fair value and costs per transaction are recorded as an expense in the consolidated statement of comprehensive income. Gains or losses from changes in the fair value of these assets are presented in the results of the period in which they are incurred.

From January 1, 2018, financial assets at fair value through results continue to maintain their classification, according to the evaluation of their business model; however, the financial assets that were previously classified in this category as of December 31, 2017, did not suffer measurement impacts and were classified as described in subsection vii of this section.

ii. Loans and accounts receivable

Accounts receivable are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included as current assets, except for maturities greater than 12 months after the date of the consolidated statement of financial position, which are classified as non-current assets.

Loans and accounts receivable are initially valued at fair value plus directly attributable transaction costs and subsequently at amortized cost, using the effective interest method. When circumstances occur that indicate that the amounts receivable will not be charged for the initially agreed amounts or will be charged in a different period, accounts receivable will be impaired.

Starting from January 1, 2018, loans and accounts receivable are considered within the class of financial assets at amortized cost (see number v of this section).

iii. Investments held to its maturity

If the Company has a demonstrable intention and the ability to hold debt instruments at maturity, they are classified as held to maturity. Assets in this category are classified as current assets if they are expected to be settled within the next 12 months, otherwise they are classified as non-current assets. Initially, they are recognized at fair value plus any directly attributable transaction cost, subsequently they are valued at amortized cost using the effective interest method. Investments held at maturity are recognized or derecognized on the day they are transferred to or through the Company.

As of December 31, 2017, the Company did not maintain this type of investment.

iv. Investments available for sale

The investments available for sale are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. They are included as non-current assets unless their maturity is less than 12 months or if management intends to dispose of said investment within the following 12 months after the date of the consolidated statement of financial position.

Investments available for sale are initially recognized at fair value plus directly attributable transaction costs. Subsequently, these assets are recorded at their fair value (unless it cannot be measured by their value in an active market and the value is not reliable, in which case it will be recognized at cost less impairment).

Gains or losses arising from changes in the fair value of monetary and non-monetary instruments are recognized directly in the consolidated statement of comprehensive income in the period in which they occur.

When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in the capital are reclassified to the consolidated statement of comprehensive income.

As of December 31, 2017, the Company did not maintain this type of investment.

Classes of financial assets under IFRS 9, effective as of January 1, 2018.

v. Financial assets at amortized cost

Financial assets at amortized cost are those that i) are kept within a business model whose objective is to maintain said assets to obtain the contractual cash flows and ii) the contractual conditions of the financial asset give rise, on specified dates, to cash flows of cash that are only payments of the principal and interest on the amount of the outstanding principal.

vi. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those whose business model is based on obtaining contractual cash flows and sale financial assets, in addition to their contractual conditions giving rise, on specified dates, to cash flows which are only payments of the principal and interest on the outstanding principal amount. As of December 31, 2018, the Company does not maintain financial assets to be measured at fair value through other comprehensive income.

vii. Financial assets at fair value through results

Financial assets at fair value through profit or loss, in addition to those described in point i of this section, are those that do not comply with the characteristics to be measured at amortized cost or at fair value through other comprehensive income. that i) have a business model different from those that seek to obtain contractual cash flows, or obtain contractual cash flows and sell financial assets, or, ii) the cash flows they generate are not only payments of principal and interest about the amount of the outstanding principal.

Despite the above classifications, the Company can make the following irrevocable elections in the initial recognition of a financial asset:

a. Present the subsequent changes in the fair value of a capital instrument in other comprehensive income, provided that such investment (in which no significant influence, joint control or control is maintained) is not maintained for trading purposes, that is, a consideration contingent recognized as a result of a business combination.

b. Designate a debt instrument that meets the criteria to be subsequently measured at amortized cost or at fair value through other comprehensive results, to be measured at fair value through results, if doing so eliminates or significantly reduces an accounting asymmetry that would arise of the measurement of assets or liabilities or the recognition of gains and losses on them in different bases.

As of December 31, 2018, the Company has not made any of the irrevocable designations described above.

2.9 Compensation of financial instruments

Financial assets and liabilities are offset and the net amount is shown in the statement of financial position when the right to offset amounts recognized is legally binding and there is the intention to settle them on net bases or to realize the asset and pay the liability simultaneously. The legally required right should not be contingent upon future events and must be executable in the regular course of business operations, and in the event of noncompliance, insolvency or bankruptcy of the group or the counterparty.

2.10 Impairment of financial assets valued at amortized cost.

New impairment policy from the adoption of IFRS 9

As of January 1, 2018, the Company uses a new impairment model based on the expected credit losses, instead of losses incurred, applicable to financial assets subject to this assessment. The expected credit losses on these financial assets are estimated from the origin of the asset at each reporting date, taking as a reference the historical experience of the Company's credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an evaluation of both, the current direction and the forecast of future conditions.

Until 2017, the Group evaluated at the end of each year if there is convincing evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized if there is a convincing evidence of impairment resulting from one or more events that occurred after the initial recognition of the asset (a "loss event") as long as the event (or events) of loss has an impact on the estimated future cash flows derived from the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment can include signs that debtors or a group of debtors are/is experiencing significant financial difficulties, lack of payment or delays in payment of interest, the likelihood of filing for bankruptcy, as well when the observable data indicate there is a measurable decrease in estimated future cash flows, such as changes in delays or economic conditions related to the lack of payment.

As for loans and receivables categories, the loss is measured as the difference between the carrying value of the assets and the present value of estimated future cash flows (excluding future loan losses not yet incurred), discounted at the original effective interest rate of the financial asset. The carrying value of the asset is decreased and the loss is recognized in the consolidated statement of comprehensive income. If a loan or investment held to maturity is subject to a variable interest rate, the discount rate to measure any impairment loss is the current effective interest rate determined contractually. The Group can measure impairment based on the fair value of a financial instrument using its observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment is recognized (such as an improvement in the borrower's credit quality), the reversal of the previously recognized impairment loss is recorded in the consolidated statement of comprehensive income.

2.11 Inventories

Inventories are mainly comprised of consumable operating materials and certain spare parts used to ensure proper maintenance of the cable signal system (network) in the normal course of operations. The most important spare parts and permanent maintenance equipment the Group expects to use over more than one period and which can only be used in connection with a fixed asset component are recognized as part of property, networks and equipment. The inventories are recorded at the lower of their acquisition cost and net realization value. The cost is determined by the average cost method. The net realization value is the sale price estimated in the normal course of operations, less the corresponding variable sale costs. See Note 7.

2.12 Property, networks and equipment:

Property, networks and equipment are stated at historical costs less depreciation. Historical cost includes expenses directly attributable to the acquisition of those items. See Note 9.

Costs related to an item incurred subsequent to initial recognition are capitalized as part of said item or a separate item, as applicable, only when they are likely to generate future economic benefits for the Group and the cost can be measured reliably. It should be mentioned that the Group builds some of its cable system networks and installations; internal costs, such as labor costs in construction projects and directly related redistribution and adaptation expenses for the asset to be at a place and in the necessary operating conditions are capitalized, due to they generate future economic benefits. Hence, the installation costs incurred in new clients of the mass cable market are capitalized as part of the fixed assets, considering as the cost of delivery the cost of materials and labor incurred during the extension activity of the Network to the client's address.

The carrying value of replaced components is canceled. Maintenance and repair expenses related to daily property, system and equipment servicing are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

The land is not depreciated. Depreciation of all other property, networks and equipment is determined systematically by the straight-line method on the value of assets, which are applied to the cost of assets, without including their residual value and considering their useful lives estimated by management, as follows:

Description of Asset	Depreciation rate 31-Dec-18	Depreciation rate 31-Dec-17	Estimated useful life 31-Dec-18	Estimated useful life at 31-Dec-17
Land	N/A	N/A	-	-
Buildings	2.5%	2.5%	40	40
Network and technical equipment for signal distribution				
Networks:	6.64%	6.64%	15	15
Converters	10.00%	10.00%	10	10
Equipment	6.65%	6.65%	15	15
Cable modems	10.00%	10.00%	10	10
Laboratory equipment	7.11%	7.11%	14	14
Office furniture and equipment	5.67%	5.67%	18	18
Computer equipment	12.50%	12.50%	8	8
Transportation equipment	11.11%	11.11%	9	9
Leasehold improvements	5.67%	5.67%	18	18
Telecommunications equipment	5.67%	5.67%	18	18
Other				
Tools and equipment	8.33%	8.33%	12	12

Leasehold improvements are depreciated over the term of the respective operating lease agreements. The residual values, the useful lives and the operating methods of the assets are reviewed and adjusted, when necessary, at the close of each period.

The value of property, networks and equipment is reviewed when there are signs of impairment in the value of said assets. When the recovery value, which is the greater between the sale price and the value in use (the present value of future cash flows) is below the net carrying value, the difference is recognized as an impairment loss. In the years ended at December 31, 2018 and 2017, there was no indication of impairment. See Note 2.14.

2.13 Intangible assets

a) Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the consideration transferred in excess of the Group's interest in the net fair value of the acquired entity's net identifiable assets, liabilities and contingent liabilities of the acquired entity and the fair value of the non-controlling interest in the acquired entity.

Goodwill relating to the acquisition of a subsidiary is shown in intangible assets and is recorded at cost, less accumulated impairment losses, which are not reversed.

In order to test impairment, the goodwill acquired in a business combination is assigned to each of the cash generating units (CGU) or groups of cash generating units expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is assigned represents the lowest level within the entity at which goodwill is controlled for internal management purposes. Goodwill is controlled at the operating segment level.

Goodwill impairment is tested annually or more frequently if events or changes in circumstances indicate possible impairment. The carrying value of goodwill is compared to the recoverable figure, which is the higher of value in use and fair value, minus cost of sales Any impairment is recorded immediately as an expense and is not subsequently reserved.

At December 31, 2018 and 2017, no impairment losses were recognized in goodwill. See Note 10.

b) Clients base

Intangible assets acquired in a business combination are usually recognized at fair value at the date of acquisition. The main intangibles recorded on acquisitions is the subscriber portfolio, which according to the study conducted (fair value), has a useful life of approximately 4 years. Amortized by the straight-line method. See Note 11.

c) Trademarks and patents

Trademarks and patents acquired individually are recognized at historical cost. Trademarks and patents acquired through business combinations are recognized at fair value at the acquisition date. Trademarks and patents have an indefinite useful life and are recorded at cost, less their accumulated amortization. Amortization is calculated by the straight-line method to distribute the cost of trademarks and patents based on the estimated useful lives of 20 years.

2.14 Impairment of non-financial assets

Assets with an indefinite useful life, such as goodwill, are not subject to amortization and are tested annually for impairment.

Assets subject to amortization are tested for impairment when events or circumstances arise indicating that their carrying value might not be recovered.

Impairment losses are the amount by which the carrying value of assets exceeds their recovery value. The recovery value of assets is the greater of the fair value of the asset less costs incurred for sale and value in use. For impairment testing purposes, assets are grouped at the lowest levels at which they generate identifiable cash flows (cash-generating units).

2.15 Suppliers and other accounts payable

Trade payables are obligations to pay for goods or services acquired from suppliers in the normal course of the Group's operations. When they are expected to be paid within a year or less from the closing date, they are shown as current liabilities. Otherwise, they are shown as non-current liabilities.

Accounts payable are initially recognized at fair value and subsequently re-measured at amortized cost, using the effective interest rate method.

2.16 Loans

Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recorded at amortized cost; any differences between the amounts received (net of transaction costs) and the settlement value are recognized in the consolidated statement of income during the term of the loan, using the effective interest method.

Fees for keeping current credit lines open are capitalized as advance payments for services for obtaining liquidity and are amortized during the period in which the agreement is in effect.

2.17 Provisions

Provisions are recognized when the Group has a legal obligation, present or assumed, as a result of past events, when the use of cash flows will probably be required to settle the obligation and when the amount can be reliably estimated.

2.18 Current and deferred taxes on income

The expense for taxes on income comprises incurred and deferred taxes. The tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in other comprehensive income or in stockholders' equity. In that case, the tax is also recognized in other comprehensive-income items or directly in stockholders' equity, respectively. The tax on income incurred in the year is shown as a short-term liability net of advance payments made during the year.

The current charge for taxes on income is calculated based on the tax laws in force or partially approved at the date of the consolidated statement of financial position. Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Subsequently, the Group recognizes the necessary provisions based on the expected amounts to be paid to the tax authorities.

Deferred income tax is determined based on the full-scope method of assets-and-liabilities, on temporary differences arising between the tax bases of assets and liabilities and their carrying value. However, deferred taxes on profits arising from initial recognition of an asset or liability in a transaction not corresponding to a combination of businesses that affects neither the book nor the tax profit or loss at the time of the transaction, are not recorded, and neither are they recorded if they arise from initial recognition of goodwill. Deferred taxes on profits is determined using tax rates and laws enacted or substantially enacted by the date of the statement of financial position that are expected to apply when the deferred taxes on income asset is realized or the deferred taxes on income liability is settled. See Note 19.

Deferred taxes on income assets are recognized only to the extent future taxable profits are likely to be available, against which the temporary liability differences can be utilized.

Deferred taxes on income are generated on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the possibility of the reversal of the temporary difference is controlled by the Company and the temporary difference is not likely to reverse in the near future.

Deferred taxes on income assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes on income assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

2.19 Employee benefits

a) Defined benefit plans:

A benefit plan is defined as the pension benefit to be received by an employee upon retirement, which usually depends on one or more factors, such as age, years of service and compensation.

The liability or asset recognized in the consolidated statement of financial position with respect to defined benefit plans is the present value of the defined benefit obligation at the date of the consolidated statement of financial position. Obligations for defined benefits are calculated annually by independent actuaries using the projected unit cost method. The present value of defined-benefit obligations is determined by discounting estimated future cash flows using discount rates denominated in the currency in which the benefits are to be paid and which mature in approximately the same terms as the pension liability.

Actuarial profits and losses arising from adjustments and changes in actuarial assumptions are recorded directly in stockholders' equity in other comprehensive-income items in the period in which they arise.

The Group determines net financial expense (income) by applying the discount rate to the net defined-benefit liability (asset).

Past service costs are recorded immediately in the statement of comprehensive income.

Seniority premium

Group companies have established a plan in conformity with the requirements set forth in the Federal Labor Law (FLL) in respect of which, Group companies with personnel are required to pay their employees a seniority premium upon termination of employment after 15 years of service.

The liability or asset recognized in the consolidated statement of financial position concerning the seniority premium is classified as defined benefits and represents the present value of the obligation for the defined benefit at the date of the consolidated statement of financial position. Obligations for defined benefits are calculated annually by independent actuaries using the projected unit cost method. The present value of defined benefit obligations is determined by discounting estimated future cash flows using interest rates for government bonds denominated in the currency in which the benefits will be paid, and that have maturity terms approximating the terms of the related pension obligation.

Remediation arising from experience adjustments and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensive income in the period in which they arise.

Past-service costs are immediately applied to income, unless the changes in the pension plan are subject to the employee continuing in service for a determined period of time (the period giving rise to the right).

b) Defined contribution plan:

Pension Plan

The subsidiary Teleasesores, S. A. de C. V. has a defined contribution plan where the Company pays in fixed contributions to a separate fund. The Company has no legal or assumed obligations to pay additional contributions if the fund fails to maintain sufficient assets with which to pay all employees the benefits related to the service in current and past periods. Contributions are recorded as employee benefit expenses on the date on which the contribution must be made.

c) Employees' statutory profit sharing and bonuses

The Company recognizes a liability and an expense for bonuses and profit sharing based on a formula that considers taxable income after certain adjustments. The Group recognizes a provision when it is contractually bound or when there is a past practice that gives rise to an assumed obligation.

2.20 Capital stock

The capital stock, the net premium on the placement of shares, the legal reserve and retained earnings are presented at historical value. Common shares are classified as equity.

Incremental costs directly attributable to issuance of new shares or options are shown in stockholders' equity as a deduction of the amount received, net of taxes.

a) Net premium on the placement of shares

The net premium on the placement of shares is the difference (excess) between the payment on the subscription of shares and the par value of those shares.

b) The legal reserve

According to the Corporations Law, a minimum of 5% of net earnings for the period must be set aside until it reaches 20% of stockholders' equity. The legal reserve can be capitalized, but must not be distributed unless the Group is dissolved, and must be reconstituted if reduced for any reason.

c) The reserve for repurchase of shares

When any of the Group companies purchases Company shares (repurchased shares), the consideration paid, including costs directly attributable to said acquisition (net of taxes) is recognized as a decrease in the Group's stockholders' equity until such time as the shares are canceled or reissued. When said share are reissued, the consideration received, including incremental costs directly attributable to the transaction (net of taxes), is recognized in the Group's stockholders' equity.

2.21 Leases

The leases in which a significant portion of the risks and benefits pertaining to ownership are retained by the lessor, are classified as operating leasing. Payments made under operating leasing (net of any incentive received from the lessor) are charged to the statement of comprehensive income by the straight line method over the leasing period. At December 31, 2018 and 2017, the Group's operating leases correspond to commercial space used to render the service, administrative offices and warehouses.

Property, networks and equipment leases under which all the risks and rewards of ownership are substantially transferred to the Group are classified as financial leases. Financial leases are capitalized at the outset of the lease at the lower of the fair value of the leased property and the present value of minimum lease payments.

Each lease payment is applied to the liability, and the financial charge is recognized. Contract-related lease obligations, net of financial costs, are included in other long-term accounts payable. Financial-cost-related interest is charged to the consolidated statement of comprehensive income over the lease period, in such a way that a constant interest rate applies to the balance of the liability for each of the periods. Property, networks and equipment acquired through financial leases is depreciated in the useful life of the asset.

At December 31, 2018 and 2017, the Group's financial leasing mainly corresponds to the use of the optic fiber network on which payments are made to GTAC, a related party. See Note 16, point b.

2.22 Loan costs

General and specific loan costs that are attributable to the acquisition, construction or production of qualifying assets for which an extended period is required to be put into the conditions required for their use or sale are capitalized as part of the cost of those assets until they are substantially ready for use or sale (12 months). Interest earned on temporary investments of the specific loan funds for the acquisition of qualifying assets is deducted from the eligible costs to be capitalized.

The remaining costs of the loans are recognized when incurred or accrued in the income statement.

2.23 Revenue recognition effective as of January 1, 2018

Revenues arising from the rendering of services in the normal course of the Group's operations are recognized at the fair value of the consideration received or receivable. Revenues are presented net of bonuses and discounts and after eliminating sales among Group companies. The Group recognizes a revenue when the parties of the contract have approved the contract, the entity can identify the rights of each party with respect to the goods or services to be transferred, the contract has commercial basis, can be measured reliably, it is probable that the economic benefits flow to the entity in the future and the specific criteria for each type of activity are met, which are described below.

The recognized revenue is in accordance with the nature of the commitment, within the transactions recognized by the Group this acts as principal, since the Group can satisfy the performance obligation of providing the specified good or service to the client by itself, through the different companies of the group and controls the specified good or service before it is transferred to the client.

The services are rendered in packages and the price of the transaction is distributed using the independent relative sale price between the following identified performance obligations:

Cable television signal services
The cable television signal service is basically represented by monthly payments, as well as installation fees and other related charges. The monthly payments of the service are recognized as revenue when the rendering of services is satisfied, which is over time throughout the term of the contract, it is understood that the rendering of the service has been satisfied once the service has been rendered and control has been transferred to the client, which occurs when the cable television signal is transmitted and the commitment assumed by the Group with the clients is fulfilled. Other related services are recognized as income once the client has expressed his agreement about the services received.

Internet services
The internet signal service is basically represented by monthly payments, as well as installation fees and other related charges. The monthly payments of the service are recognized as revenue when the rendering of services is satisfied, which is over time throughout the term of the contract, it is understood that the rendering of the service has been satisfied once the service has been rendered and control has been transferred to the client, which occurs when the internet signal is transmitted and the commitment assumed by the Group with clients is met. Installation charges and other related services are recognized as income as the customer consumes the services received.

Digital telephone service
Telephone service revenues are represented by the monthly rent of this service which includes service measured based on the number of calls. Monthly payments of local calls are recognized as revenue when the rendering of services is satisfied, which is over time throughout the term of the contract, it is understood that the rendering of the service has been satisfied once the service has been rendered and the control has been transferred to the client, which occurs when the signal is transmitted and the commitment assumed by the Group with the clients is met. The excess of calls is recognized at the moment in which the calls are made.

Revenues from the sale of communication systems are recognized in profit or loss when all the following requirements are met: the control of the goods has been transferred to the buyer and no significant control over those is retained.

Bonuses
The Group's revenue from cable television, internet and digital telephone signal services; they are reduced by the concept of bonuses that are granted to the subscribers who hire "packages" (Triple Pack, Double Pack), these packages are granted on the basis of positioning in the market, as well as encouraging the hiring of more number of services by the subscribers, as well as the attraction of new ones.

The bonuses are recognized as a decrease in revenue when the rendering of services is satisfied, which is over time throughout the term of the contract.

Installation of cable, internet and telephone subscribers.
The Group recognizes revenues for the main installation in subscribers of cable, internet and/or telephone, over time and throughout the average term of life of the subscribers, without considering it as a separate performance obligation, which is determined by management based on the average age of the subscribers.

Revenue from sale of goods
The group realizes sale of equipment/goods. The sale price of the goods is determined on a fixed price agreed between the parties. The group recognizes revenue from the sale of goods at a point in time at the time control of the goods is transferred and there is no unfulfilled obligation that could affect the client's acceptance of the product.

Revenues from advertising
Advertising revenues are recognized as revenue when the rendering of services is satisfied, which is at one point of time, it is understood that the provision of the service has been satisfied once the service has been rendered and the control has transferred to the client, which occurs at the time of the transmission of the spots on television or in print media and the commitment made by the Group with the clients is fulfilled.

Significant payment terms
Derived to the Group's activities, there are two payment terms related to the majority of its operations.

Mass market
In the case of mass market (which refers to clients of Cable TV, Internet and Digital Telephony segments) the payment period is within the first ten days after the date of the beginning of the monthly period relative to the service contracted by the subscriber.

Corporate market
In the case of corporate market, the right to receive the consideration is on a monthly basis, in accordance with the amounts agreed by both parties, the period of payment of this revenue being dependent on the negotiations between the Group and the Client, however, in no case is contemplated that they are greater than 12 months.

When there is an unconditional right to receive a consideration before the control over a good/service is transferred to the client, a Contract Liability is recognized; when the payment is received, an advance payment of clients is recognized and it must be written off (and recognize a revenue) when it transfers control over the goods or services and, thereby, fulfills its obligation to comply.

The amounts in charge or favor of the clients, related to long-term projects in process, are recognized as current assets and liabilities, as the case may be, without offsetting the balances between these accounts. These accounts include the collections made, the costs incurred and the profits and losses recognized.

Interest
Revenues from interest is recognized using the effective interest rate method. Revenue from interest is mainly derived from loans to related parties and is applied to income statement for the period by the effective interest method. When a loan or account receivable is impaired, its carrying value is adjusted at its recovery value, which is determined by discounting the estimated future cash flow at the instrument's original effective interest rate. Interest revenue from an impaired loan or account receivable is recorded using the original effective interest rate.

Derived from the payment terms that the Group maintains for both mass market and corporate market clients, it is expected that the period between the transfer of control of the good or service and the time the client pays will be less than year, it was not required to adjust the transaction price due to the effects of a significant financing component.

Revenue recognition valid until December 31, 2017

Revenue arising from the rendering of services in the normal course of Group operations is recognized at fair value of the consideration received or receivable. Revenue is shown net of rebates and discounts, after eliminating sales between Group companies. The Group recognizes revenue when it can be reliably measured, when future economic benefits are likely to flow to the entity, and when specific criteria have been met for each of the Group's activities, as described below. The Group determines its estimations based on accumulated experience, taking into account the type of client, the type of operation and the specific terms of each contract.

Cable television signal services

The cable television signal service is mainly represented by monthly lease payments, as well as by installation fees, pay-per-view and other related charges. Monthly rent for the service and pay-per-view are recognized as revenue at the month-end closing, once the service has been rendered and the risks and benefits have been transferred to the client, which is when the television signal is transmitted and the commitment assumed by the group with the clients is met. Other related service are recognized as revenue once the customer has expressed satisfaction with the services received.

Internet services

Internet service is mainly represented by monthly rents, as well as by installation fees and other related charges. Monthly rent for the service is recognized as revenue at the month-end closing, once the service has been rendered and the risks and benefits have been transferred to the customer, which is when the Internet signal is transmitted to the client. Installation and other related service charges are recognized as revenue once the client has expressed satisfaction with the services received.

Digital telephone service

Telephone service revenue is represented by monthly rent for this service, measured based on the number of calls. Monthly rent for local calls is recognized as revenue at every month-end closing, once the service has been rendered and the risks and rewards have been transferred to the client. The excess in local calls is recognized when the calls are made. Long distance calls are recognized monthly on the basis of the (length) of each call.

Internet and digital and mobile telephone services are invoiced in advance on a monthly basis and recognized as revenue for the period in which the service is rendered.

Revenue from the sale of communications systems is recognized in the income statement when all the following requirements are met: the control of goods have been transferred to the purchaser and no significant control over those is retained.

Interconnections

Revenue on interconnections arising from use of the Group's infrastructure obtained from other operators to complete calls is recognized together with long-distance or excess calls originating with other operators and ending in the telephone network.

Installation and reconnection in cable, internet and telephone subscribers.

The Group recognizes revenue per main installation and subscribers based on the period in which the services it is provided. The initial revenue, no refundable, for installation and activation, are recognized once the activation for the new subscriber is done. The reconnection and reactivation revenue are recognized in the year in which the reactivation is made.

Revenue from the rendering of services

Revenue from installation services (delivery and installation of equipment) is recorded as services are rendered and: a) revenue arising from and costs incurred in rendering the services are determined reliably, and b) the Company is likely to receive the economic benefits associated with the rendering of services.

Revenue from fixed-price service contracts is recorded by the percentage of completion method. Revenue is recorded on the basis of services rendered in relation to overall services rendered.

Revenue from sale of goods

The group realizes sales of equipment/goods. The sale price for the goods it is determined with an agreed fixed-price between the parties.

Interest

Revenue from interest is recorded using the effective interest rate method. Interest revenue is mainly derived from loans to related parties and is applied to income statement for the period by the effective interest method. When a loan or account receivable is impaired, its carrying value is adjusted at its recovery value, which is determined by discounting the estimated future cash flow at the instrument's original effective interest rate. Interest revenue from an impaired loan or account receivable is recorded using the original effective interest rate.

Deferred revenue

The amounts owed or in favor from clients, related to long-term projects in process, are recognized as current assets and liabilities, as it may apply, without compensating the balances between these accounts. These accounts include the collections made, the costs incurred and the profits and losses recognized.

The Group's management adopted IFRS 15, Revenue from contracts with clients on January 1, 2018, using the modified retrospective method applied to the current contracts at the date of adoption, therefore the accounting policy that was applied from this date it is not comparable to the accounting policy used for the year ended on December 31, 2017.

2.24 Outstanding performance obligations to be fulfilled:

The following table shows the performance obligations to be fulfilled pending from the long-term corporate market companies that are partially or totally dissatisfied and are determined based on the agreed price of monthly payments for the number of months pending at the end of the year:

	December 31,		
	2019	2020	2021
Metrocarrier	$ 1,238,686	$ 800,028	$ 82,365
Hola	511,477	330,347	34,010

The Group expects that 58% of the total transaction amount allocated in contracts not paid as of December 31, 2018 will be recognized as revenue during 2019. The remaining 42% will be recognized in the years 2020 and 2021. The amount disclosed previously, it does not include the variable consideration due to the fact that they are not representative. These revenues are recognized over time on a monthly basis.

The Group does not disclose the information about its outstanding obligations to be fulfilled for the mass market, since the contracts entered into by the Group in this segment establish mandatory terms of less than twelve months.

During 2018, no revenue was received from performance obligations that were partially or totally disregarded in previous years.

2.25 Costs for contracts with clients (commissions)

The Manangement recognizes as assets the directly related costs to obtain or fulfill a contract, since it considers that these can be recovered. The costs to obtain a contract (sales commissions paid to employees) are determined considering that they can be directly related to a specific contract, are recoverable and can be reliably quantified. Its amortization is recognized in accordance with the useful life of the subscribers (3 years).

Impairment losses are recognized within the net profit or loss of the period, when the carrying value of an asset exceeds the amount pending recognition as income in exchange for the goods or services to which the asset relates, less, costs directly related to the supply of those goods or services that have not yet been recognized as expenses.

2.26 Earnings per share

The net profit per share is calculated by dividing the net profit of the year attributable to the controlling share among the weighted average of the shares outstanding during the year. As of December 31, 2018 and 2017, there are no profit dilution components, so diluted earnings per share are not calculated or disclosed, since they are the same as the earnings per share. See Note 18.

2.27 Dividend distribution

Dividends distributed to the Group's shareholders are recognized in the consolidated financial statements as a liability in the period in which they are approved by the Group's shareholders.

Note 3 - Financial risk management:

3.1 Financial risk factors

Group operations expose it to a number of financial risks, such as market risk (including exchange rate risk, interest rate risk and price risk), credit risk and settlement risk. The purpose of the Group's risk management plan is to minimize the potential negative effects arising from the unpredictable nature of the markets on the Group's financial performance.

The Group's financial risk management is handled by the CFO, as per policies approved by the Board of Directors. The Group identifies, evaluates and hedges financial risk in close cooperation with its operating units. The Board of Directors has approved general written policies with respect to financial risk management, as well as policies addressing specific risks, such as exchange risks, interest rate risks, the use of hedge derivative financial instruments and of non-derivative financial instruments and investment of treasury surpluses.

3.1.1. Market Risk

Market risk is exposure to an adverse change in the value of financial instruments resulting from market factors, including changes in interest rates, the exchange rate and inflation rates.

The Group is exposed to market risks resulting from changes in inflation, exchange and interest rates. Risk management activities are monitored by the Management Committee and reported to the Executive Committee.

i) Exchange risk

The Group's entire revenue is received from the local market and is transacted in Mexican pesos, which means that its operations are not exposed to the risk of operating with foreign currencies. The exchange risk arises from financial activities, mainly from exposure to movements in the exchange rate of the Mexican peso against the US dollar, due to operations with programmers and suppliers stated in US dollars.

Management has established a policy requiring the Group's companies to manage the exchange risk in respect of the functional currency. Group companies must hedge their exposure to exchange risks through the Group's Treasury. The exchange risk arises when future commercial and financing transactions and the assets and liabilities recognized are entered into in a currency other than the entity's functional currency. At December 31, 2018 and 2017, the Group had contracted no hedging instruments against exchange risks.

Based on its risk management policies, the Group keeps a marketable securities account in dollars, which is intended to hedge its advance cash flows for the following 12 months (mainly associated with bank liabilities and suppliers), to minimize the exchange risk.

However, the Group is conducting the following activities to lower the foreign exchange risk:

Negotiations with suppliers to "pesofy" inputs. Last year, the Group took on the task of negotiating with suppliers to pesofy contracts as much as possible, as a result of which, some programmers have adjusted their rates now in pesos for all to have a greater business certainty in terms of cost and for them to ensure that their channels continue to be included in the programming. As a result, the Group cut exposure of 12% or 13% of operating expenditures to 5% or 6% percent.

As for CAPEX, agreements were reached with the financial arm of a strategic supplier of technology to convert the amounts of purchases for up to $20 million dollars to pesos, payable in 4 quarters with preferential financial costs. In addition, the equipment purchased from a supplier of subscriber equipment was pesofied, involving annual amounts estimated at $22.5 million dollars.

If at December 31, 2018, the currency had been revalued/devalued 10% in respect to the U.S. dollar, the other variables would have remained constant, income for the year after taxes would have been decrease by $108.7 million ($51.7 in 2017), mainly as a result of the gains/losses on conversion of bank loans and accounts payable to suppliers denominated in U.S. dollars.

As of December 31, 2018 and 2017, the Company had monetary assets and liabilities in thousands of US dollars as shown below:

	December 31,	
	2018	2017
Assets	$ 70,800	$ 50,595
Liabilities	(14,419)	(24,440)
Net position	$ 56,381	$ 26,155

ii) Price risk

The Group is not exposed to price risks associated with the costs of the services it provides, as they are not subject to market indexes. In addition, prices of production materials acquired for providing the service in 2018 and 2017 showed no significant changes.

iii) Cash flow risk related to interest rates

The interest rate risk for the Group arises from its long-term loans. Loans at variable rates expose the Group to the interest rate risk on its cash flows that is partially offset by government debt financial instruments such as Treasury Certificates (CETES) with low risk and moderate returns.

The Group analyzes its exposure to interest rate risk dynamically. A number of different situations are simulated, taking into account positions in respect to financing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the profit or loss arising from a defined movement in interest rates. In each simulation, the same defined movement is used in interest rates for all currencies. These simulations are conducted only in the case of obligations that represent the main interest-generating positions.

Based on the simulations performed, the after-tax impact on income of a 1% movement would generate a maximum increase of $37,411 ($32,370 in 2017) or a decrease of $37,411 ($32,370 in 2017), respectively. Simulations are prepared on a quarterly basis to verify that the maximum potential loss is within the limit established by Management.

At December 31, 2018, the Group's total loans are at variable rates.

3.1.2. Credit risk

The credit risk is managed at the Group level, including the credit risk for accounts receivable; however, each company is responsible for conducting a credit risk analysis of each of its clients prior to offering payment terms, delivery terms and other conditions. The credit risk is associated with cash and cash equivalents, deposits in banks and financial entities, as well as credit exposure associated with clients, which includes outstanding balances of accounts receivable and agreed-upon transactions.

With respect to banks and financial institutions, only institutions with a solid operating history and an excellent reputation in the market are accepted. As for the portfolio, the credit risk is limited, as amounts recoverable refer to monthly rent for services rendered and the fact that there is no significant portfolio concentration due to the large number of subscribers that comprise it. On an independent basis, the portfolio area evaluates client's credit standing, taking into account financial position (personal bank statements, credit cards, etc.), past experience and other factors. Credit limits are established according to the limits set by the Board of Directors, based on the historical information available on the behavior of the portfolio and on certain internal and/or external ratings, if applicable. Use of the credit limits is monitored periodically.

Credit limits were not exceeded during the reporting period and Management does not expect the Group to incur in any loss, given its performance.

Lastly, the maximum exposure to credit risk is limited to the carrying value of each of the accounts receivable (as shown in the following table). Consequently, the Group has no significant credit risk concentration.

Credit standing of financial assets

	December 31, 2018	December 31, 2017
Accounts receivable		
Group 1	$ 343,895	$ 755,405
Group 2	204,377	108,569
Total accounts receivable from clients	$ 548,272	$ 863,974

Related parties

	December 31, 2018	December 31, 2017
Group 1	$ –	$ –
Group 2	1,185,076	1,027,123
Total related parties	$ 1,185,076	$ 1,027,123

Group 1 - New clients - existing clients/related parties (under six months).

Group 2 - Existing clients/related parties (over six months).

	December 31, 2018	December 31, 2017
Cash in banks and bank deposits - current		
AAA	$ 3,330,216	$ 3,167,661

3.1.3. Liquidity risk

The cash flow projection is conducted at the Group's operating entities and the information is concentrated by the office of the Group's Finance Director. The Group's Finance Director's Office supervises the updating of projections of liquidity requirements to ensure there is sufficient cash to meet its operating needs and permanently maintain sufficient margin in credit lines not yet drawn down, to avoid the Company defaulting on the credit limits or covenants for any credit line. These projections consider financing plans through debt, compliance with "covenants", compliance with financial ratios based on internal financial information and if applicable, regulatory requirements.

Cash surpluses held by the Group and surplus balances over the amount required for working capital are transferred to the Group's Treasury, which invests cash surpluses in term deposits and marketable securities, and selects instruments with appropriate maturities or of sufficient liquidity to provide sufficient margins. Any surpluses can be invested in expanding the cash generating facilities, with authorization from the Board of Directors, the surpluses may be invested in expansions of the cash flow generating facilities.

The following table contains an analysis of the Company's financial liabilities classified based on the period between the date of the consolidated statement of financial position and the maturity date (including unearned interest). The table was prepared on a cash flow basis without discounting, from the first date on which the Group will be required to pay.

At December 31, 2018	Less than 1 year	From 1 to 2 years	From 2 to 5 years
Bank loans	$ 3,778,569	$ 100,530	$ 24,252
Interest on bank loans	163,873	–	–
Suppliers	1,913,552	–	–
Related parties	412,321	543,932	117,629
Related-party interest	–	44,178	126,779
Other accounts payable	890,475	–	–
	$ 7,158,790	$ 688,640	$ 268,660

At December 31, 2017		Less than 1 year		From 1 to 2 years		From 2 to 5 years
Bank loans	$	131,833	$	126,479	$	3,800,298
Interest on bank loans		292,444		163,873		-
Suppliers		1,561,165		-		-
Related parties		350,624		368,164		235,444
Related-party interest				43,085		161,121
Other accounts payable		877,088		-		-
	$	3,213,154	$	701,601	$	4,196,863

The analysis of maturity is applied only to financial instruments and is therefore not included in the entity's non-financial liabilities, such as tax liabilities.

3.2. Capital risk management

The Group's purpose in managing capital risk is to safeguard its ability to continue in operation as a going concern, provide the stockholders' with a return and other interested parties with benefits and maintain an optimal capital structure in order to reduce its cost.

In order to maintain or adjust the capital structure, the Group can vary the amount of dividends payable to the stockholders, conduct a capital stock reduction, issue new shares or sell assets and reduce its debt.

Like other entities in the industry, the Group monitors its capital structure based on the financial ratio for leveraging. That may shoe is calculated by dividing overall liabilities by overall capital as shown in the consolidated statement of financial position.

During 2018 and 2017, Group strategy was to keep the leveraging ratio within the range of 0 to 3.00.

The credit rating in respect of the Group's ability to comply with its financial obligations has been maintained throughout the period. The leveraging ratio at December 31, 2018 and 2017 is as follows:

		December 31,			
	Note		2018		2017
Total liabilities	13	$	10,955,262	$	10,197,684
Total stockholders' equity			28,640,621		25,780,545
Ratio (See Note 13)			0.38		0.40

3.3. Estimation of fair value

The different levels of financial instruments have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

  Assets and liabilities measured at fair value within this hierarchy are related parties receivable and payable and bank loans (level 2). Information other than quotation prices included in level 1 that can be confirmed for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices) (level 2).

- Information on the asset or liability not based on data that can be confirmed in active markets (unobservable information) (level 3).

  The fair value of financial instruments negotiated in active markets is based on prices quoted in the markets at the date of the consolidated statement of financial position. A market is considered active if there are quoted prices that are normally available in a stock exchange, negotiators, brokers, industry groups, price services or of a regulating agency, and those prices represent real and recurring transactions in the market on a free-competition basis. The market price used for the financial assets held by the Group is the current bid price. Those instruments are included in level 1.

  The fair value of financial instruments not traded in an active market is determined with valuation methods. These valuation techniques maximize the use of observable market information in cases in which it is available and places the least possible reliance on the entity's specific estimates. If all relevant variables for establishing the fair value of a financial instrument are observable, the instrument is included in level 2.

  If one or more relevant variables is/are not based on observable market information, the instrument is included in level 3.

Specific financial instrument valuation techniques include:

- Quoted market prices or quotations of traders of similar instruments.
- Other techniques, such as a discounted cash flow analysis, are used to determine the fair value of other financial instruments.

Assets and liabilities valued at amortized cost at December 31, 2018 and 2017 closely resemble fair value because their realization period is less than a year, except for those shown as long term, described in Notes 12, 13 and 24.

The carrying value of accounts receivable (clients), other accounts receivable, suppliers and other accounts payable is similar to fair value, as it would be the short-term amount payable.

Note 4 - Critical accounting estimates and judgments:

Estimates and judgments used are reviewed on a regular basis and are based on historical experience and other factors, including expectation of future events considered reasonable in the circumstances.

4.1. Critical accounting estimates and judgments

The Group makes estimates and judgments in respect of the future. The resulting accounting estimations are rarely the same as actual results. Estimates and assumptions indicating a significant risk of a material adjustment to the values of assets and liabilities within the following year are as follows:

Accounting judgments:

4.1.1. Concessions granted from Government

The above-mentioned services are rendered via free concessions granted by the competent authorities in the regions mentioned in Note 27.3, mostly in a term of 30 years which at the end of term it will be consolidated into a unique concession.

In January 2016, MEGA CABLE was granted a sole concession title, which considers national coverage, for a 30-year period, enabling the Group to provide any type of technically feasible telecommunications service that its infrastructure will allow for (with the exception of those requiring the use of a radio-electronic spectrum) anywhere in Mexico. This model establishes the corresponding obligations, such as: registering the services to be rendered; information related to passive and active infrastructure, broadcasting media and rights of way; coverage programs, investment, quality and coverage commitments; non-discrimination; establishing and publishing a Code of Commercial Practices; not broadcasting information that affects the healthy development in programing for children and adolescents, providing information to the IFT and allowing for verification at facilities; filing audited financial statements.

Any concessions having expired prior to January 2016 have been renewed. The entities holding concessions are: Mega Cable, Megacable Comunicaciones de México, Servicio y Equipo en Telefonía, Internet y TV and Myc Red. For accounting purposes, the Group has determined that those concessions do not fall within the scope of IFRIC 12, "Service concession arrangements" because, among other aspects, the Government is regulating the rates and there is no residual value to be returned to the government.

At December 31, 2017, the Group's concessions' terms are as follows:

Year		Number of concessions at:	
Starting	Expiring	30 years	10 years
2013	2023		5
2014	2024		5
1995	2025	18	
1996	2026	32	
1997	2027	3	
1998	2028	21	
1999	2029	2	
2000	2030	16	
2007	2037	4	
2008	2038	8	
2009	2039	3	
2010	2040	2	
2011	2041	3	
2013	2043	6	
2014	2044	4	
2016	2046	2	

The main characteristics of the concessions granted prior to 2017 and still in force are:

a. General

- Purpose and services: The licensee is required to install, operate and exploit the Network and provide the services specified in the concession.
- The services must be rendered through affiliates or subsidiaries, and this can be demonstrated to the satisfaction of the authorities that said companies meet all financial, legal and technical requirements for rendering of the services.
- The subscription or sale of shares: a list of its main stockholders and respective shareholding percentages must be presented to the SCT by April 30 each year.
- A technical and legal representative must be appointed.

b. Provisions applicable to the services

- Quality of the services: refers to the rendering of the services on an on-going and efficient basis.
- Measurement and quality-control equipment: the licensee must make every effort to ensure the measuring accuracy and reliability of the equipment.
- Code of commercial practices: the licensee must prepare a description of the services to be rendered and the methodology for billing and applying the respective rates.
- Emergency services: the licensee must submit an action plan to prevent the interruption of the services in case of fortuitous events or force majeure.
- Network modernization: the licensee must keep the network up to date by ensuring that the most recent technological advances are implemented.

c. Verification of information

- Information: the licensee is required to deliver its company's audited financial statements within 150 calendar days following the close of the respective period.
- Information on network installation: The licensee must report quarterly on progress made on the installation of the network.
- Accounting information: the licensee is required to provide accounting information per service, region, function and the components of its network.

d. Commitments

- For the first three or five years, the licensee agrees to use its own infrastructure to install each of the stages of the coverage program indicated in the concession title.
- Term for service startup: the licensee must begin rendering the service referred to in the concession no later than 365 calendar days following the date on which the concession is issued; an extension is available for half of that period.

At December 31, 2018 and 2017, the Group has complied with all of the commitments disclosed and all the regulatory aspects which is subject.

e. Renewal

- As from January 2016, all concession titles that expire will be adhered to the aforementioned sole concession title, and the related services will continue to be provided. The term of the sole concession is 30 years as from the date on which it is grated and is renewable as per the provisions of article 113 of the Federal Telecommunications and Radio Broadcasting Law, which indicates the concessions allowed for public telecommunications networks and can be extended for terms equal to those originally established. In order for a concession term to be extended, the concessionaire must have complied with all the conditions set down in the concession to be extended, must request the extension before the beginning of the last fifth portion of the concession, and must accept the new conditions established by the Authorities in accordance with this Law and other applicable provisions. The IFT must resolve all pertinent matters within a term of 180 calendar days.

f. Guarantees

- In January and June of each year, the licensee must provide the Federal Treasury with guarantees to ensure compliance with the obligations contracted under each concession. These guarantees must be provided in the form of a bond contracted with a bonding company by the Department of Finance for the equivalent of 4,000 days of minimum wage in effect in the Federal District for the year under guarantee. The guarantee must be renewed annually on the basis of National Consumer Price Index (NCPI) factors.

The revocation of any of the Group's concessions would have a significant adverse effect on its financial dealings and on operating results, which would be directly reflected in operating income and costs, and possibly require a reserve for impairment of assets that have ceased to generated cash flows.

4.1.2. Consolidation of entities in which the Group has an interest of more than 51%

Management considers that the Group exercises control with 51% of the voting shares. The Company is the majority stockholder with 51% of the shares, while other stockholders individually hold no more than 40% of the capital. There is no history of stockholders forming a group in order to exercise their vote jointly. The overall non-controlled interest for the period is $176,808.

The determining factors establishing said control have to do with the power exercised over the subsidiaries, the right to variable yields and a combination of those two factors, which results in that capacity to exercise that power in order to influence the yields arising from those investments. The Group exercises power over its subsidiaries, as it holds rights empowering it to direct relevant operations, that is to say, operations significantly affecting the yields.

That power arises from voting rights stemming from shareholding in each of its investments, which is 51% in all cases. In all cases, the remaining shareholding is divided among a number of stockholders, it is important to mention that there are no contractual agreements establishing strategic alliances of any kind among the remaining stockholders with voting rights, and there is no precedent of that type of agreement.

The interest held by the Group in each of its subsidiaries expose it, and entitled it to receive variable yields from its involvement in those companies, as well as decision-making rights directly influencing those yields. There are no legal barriers of any kind preventing the Group's rights from being exercised, on the contrary, there are practical mechanisms established making it possible to exercise those rights whenever company management sees fit.

The Board of Directors is mostly comprised by the same number of members of the Group and the rest of the shareholders, (but one of the directors of the rest of the shareholders does not have the right to vote), likewise the Group is who assigns from the board to the chairman and treasurer, additionally in a shareholders' meeting, supreme body of the company, continues to hold the majority of the votes, which empowers it to make decisions about the relevant activities of the subsidiaries without having to have the consent of the rest of the parties. The decisions taken in the meeting are final and do not require additional or subsequent approval of the Board of Directors while the percentage of interest remains unchanged. Relevant totals of assets, liabilities and income consolidated by these subsidiaries are detailed in Note 8.

Accounting estimates

4.1.3 Impairment of estimated goodwill

The Group conducts an annual assessment to determine whether goodwill has been impaired, as per the accounting policy described in Note 2.14. The amounts recoverable from cash generating units (CGU) have been determined on the basis of a value-in-use computation. These calculations require the use of estimates (Note 10).

In 2018 and 2017, none of the CGUs showed signs of impairment and the most sensitive variables in the calculations are the discount rate and the gross operating margin.

If the estimated cost of capital used to determine the before-tax discount rate for calculating the value in use had been 10% above the figure estimated, neither would it originate impairment in goodwill.

4.1.4. Taxes on income

The Group is subject to taxes on income. Significant judgments must be made to recognize taxes on income currently payable and deferred. There are many operations and calculations for which determination of the exact tax figure is uncertain. In case that an tax audit process started, the Group will record a liability for matters arising from tax audits it considers likely to result in the determination of tax in addition to the amount originally incurred, in case that the final result of these processes differs from the liability estimated, said differences are recognized in currently payable and/or deferred taxes on income for the period.

Based on the simulations performed, the impact of a 5% movement on income after taxes would generate a maximum increase or decrease of $303,648 in 2018 ($262,178 in 2017). Simulations are run periodically to verify that the maximum potential loss is within the limit established by Management.

Determination of the final tax could be uncertain due to the complexity of certain transactions and the judgment required to handle them. When the final result of these situations differs from the amounts initially recorded, the differences impact the current or deferred income tax asset and liability in the period in which that fact is determined. At the 2018 and 2017 year-end closing, the Group has no significant uncertain tax positions.

4.1.5. Estimation for impairment of accounts receivable

The methodology applied by the Group to determine the balances of this provision is described in Note 2.10.

If at December 31, 2018 and 2017, the impairment provision for accounts receivable had changed by 10% above or below that estimated by Management, the Group would have increased and/or decreased said provision by $17,249 and $15,320, respectively and operating income would have been affected and/or benefited by the same amount.

4.1.6. Estimation of obsolete inventories

The Company's management has an estimate for inventories that present different defects, as well as for slow-moving inventories. The goods that cannot be used for their own operation are: products with an expiration date in the next months, which have a broken or spoiled label, or products in bad condition. This estimation is determined based on the seniority and monitoring reports that the Administration makes regarding these products.

4.1.7. The estimated useful life and residual values of property, networks and equipment

The Company estimates the useful life of its properties, networks and equipment in order to determine depreciation expense to be recorded during any reporting period. The useful life of an asset is calculated when the asset is acquired, based on past experience with similar assets, considering expected technological changes or changes of any other nature. If technological changes occur more quickly than expected or in a different manner than expected, the useful lives assigned to those assets might need to be shortened. This would make it necessary to recognize a greater depreciation and amortization expense in future periods. On the other hand, that type of technological change could result in recognition of a charge for impairment to reflect the drop in value of the assets. The Company reviews assets on an annual basis in order to determine whether they show signs of impairment, or when certain events or circumstances indicate that the carrying value may not be recovered throughout the remaining lifetime of the assets. If there are indicators of impairment, the Company conducts a study to determine the value and use of those assets. At December 31, 2018 and 2017, there were no such indicators of impairment.

4.1.8. Pension plan benefits

The present value of pension plan obligations depends on a number of factors determined on the basis of actuarial studies using certain assumptions. The assumptions used in determining the net cost (income) of/from pensions include the discount rate. Any changes in these assumptions impact the carrying value of pension plan obligations.

At December 31, 2018 and 2017, the Group used the zero coupon government bond curve of 7.50 at both years.

If the discount rate used at December 31, 2018 and 2017 had differed by 1% from that estimated by Management, the carrying value of pension plan obligations would have approximated $17,718 and $17,151, respectively.

Other factors used to estimate pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Note 5 - Cash and cash equivalents:

Cash and cash equivalents are described as follows:

	December, 31,	
	2018	2017
Cash on hand and in banks	$ 2,393,032	$ 2,483,288
Highly liquid investments	937,184	684,373
Total	$ 3,330,216	$ 3,167,661

At December 31, 2018 and 2017, the Group had no cash and cash equivalents subject to availability restrictions.

Note 6 - Accounts receivable - Net:

Accounts receivable are comprised as follows:

	December 31, 2018	2017
Clients	$ 1,619,612	$ 1,017,177
Sundry debtors	349,678	272,588
Advance payments (see Note 2.6)	195,665	298,249
	2,164,955	1,588,014
Allowance for doubtful accounts receivable from clients	(196,532)	(153,203)
Net total	$ 1,968,423	$ 1,434,811

(1) Includes account receivable from Telmex for $143,262 as principal, derived from the unpaid balances of invoices owed for the years 2014 and 2015 and which, after judgment in the federal law protection proceeding in April 2018, was confirmed as judgment final and the collection was executed during February 2019.

As of December 31, 2018 and 2017, in general, the amounts of accounts receivable fully comply with the contractual terms.

Below is the following information related to contracts with clients:

	Corporate Market 2018	Corporate Market 2017	Mass Market 2018	Mass Market 2017	Others 2018	Others 2017
Opening Balance	$ 963,306	$ 1,930,413	$ 49,453	$ 41,560	$ 31,418	$ 22,418
Closing Balance	1,357,054	963,306	85,323	49,453	52,838	31,418

As of December 31, 2018 and 2017, the Company had liabilities for contracts with clients as shown below:

	Corporate Market 2018	Corporate Market 2017	Mass Market 2018	Mass Market 2017
Opening Balance	$ 354,888	$ 233,472	$ 146,847	$ 112,932
Closing Balance	265,667	354,888	129,070	146,847

The carrying value of the Group's accounts receivable and other accounts receivable are mainly denominated in Mexican pesos.

Impaired accounts receivable corresponds to clients facing an unexpected difficult economic situation or whose credit history has shown non-compliance. Estimates show that only a small portion of these accounts receivable will be recovered. The aging of those accounts receivable is as follows:

	December 31, 2018	2017
Total (over 180 days)	$ 196,532	$ 153,203

The movement of the impairment estimation for trade receivables is as follows:

	December 31, 2018	2017
Balance at beginning of year	$ 153,203	$ 277,382
Increase	63,792	57,274
Applications	(20,463)	(181,453)
Ending balance for the year	$ 196,532	$ 153,203

The increase in the estimation for doubtful accounts is included in operating expenses under "sale expenses" in the comprehensive statement of income (Note 20). Amounts charged to the provision are usually written off when there are no expectations of recovery of additional cash. Other items of accounts receivable and other accounts receivable are not impaired.

Maximum exposure to credit risk at the reporting date is the carrying value of each type of account receivable mentioned. The Group requests no collateral guarantee.

The carrying value of clients and other accounts receivable denominated in dollars are as follows:

	December 31,	
	2018	2017
US dollar (thousands)	$ 7,079	$ 3,894

Note 7 - Inventories:

Inventories are integrated as follows:

	December 31,	
	2018	2017
Operating materials and equipment	$ 522,331	$ 433,332
Advances to suppliers	176,461	82,910
	698,792	516,242
Estimation for obsolete inventories	(95,692)	(89,282)
Net total	$ 603,100	$ 426,960

Note 8 - Investment in shares of joint businesses:

The investment in shares in joint business and other permanent investment is comprised of the following entity:

	Shareholding interest December 31,		
Company	2018	2017	Business purpose
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (1)	33.33%	33.33%	Holds license to operate the dark fiber owned by the Federal Electricity Commission

(1) The capital stock of the following joint business is comprised only of ordinary shares and is held directly by the Group. Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC) obtained an leasing contract for 20 years (through tender) for a couple optic fiber lines held by the federal electricity commission and a concession to operate an telecommunication network in Mexico expiring in 2030.

The nature of the investment in joint businesses at December 31, 2018 and 2017.

Name of the entity	Place of business/ country of incorporation	% of interest	Nature of the relationship	Method of measurement
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V.	Cd. de México	33.33%	Trunk capacity supplier equity	Equity method

Condensed statement of financial position:

	Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. December 31, 2018	2017
Current		
Cash and cash equivalents	$ 163,672	$ 140,741
Other current assets	257,392	469,457
Total current assets	421,064	610,198
Other current liabilities (including accounts payable)	218,607	175,116
Total current liabilities	218,607	175,116
Long-term		
Assets	2,184,637	2,350,284
Other liabilities - Total liabilities	2,663,159	2,733,512
Net assets (liabilities)	($ 478,522)	($ 383,228)

Condensed statement of comprehensive income:

	Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. December 31, 2018	2017
Income	$ 361,871	$ 254,275
Depreciation and amortization	(2,879)	(3,249)
Expenses	(278,226)	(261,113)
Financial revenue	47,137	58,248
Financial expenses	(266,687)	(234,207)
Result of continuous operations	(138,784)	(186,046)
Taxes on income	–	–
Total comprehensive income	($ 138,784)	($ 186,046)
Dividends received	$ –	$ –

At December 31, 2018 and 2017, the Group recorded the losses of the joint business until its investment was valued at zero. Unrecognized losses on its interest in GTAC at December 31, 2018 and 2017 amounting to $46,153 and $61,395, respectively, and unrecognized cumulative losses amounting to $285,140 and $238,987 at December 31, 2018 and 2017 respectively.

The principal subsidiaries with a 51% shareholding

The Group has the following subsidiaries (all S.A. de C. V., except Liderazgo Empresarial en Tecnologías de la Información, S. A.P. I. de C.V.) at December 31, 2018 and 2017.

Name	Place of business	Type of business	Percentage of ordinary shares held by the holders (%)	Percentage of ordinary shares held by the Group (%)	Percentage of ordinary shares held by the noncontrolling portion (%)	Percentage of preferential shares held by the Group (%)
			2018 y 2017	2018 y 2017	2018 y 2017	
Myc Red	Michoacán	Cable system operator	51%	51%	49%	–
Servicio y Equipo en Telefonía, Internet y Televisión	Michoacán	Cable system operator	51%	51%	49%	–
Corporativo de Comunicación y Redes de GDL	Michoacán	Leasing of fixed assets	51%	51%	49%	–

All subsidiary companies are included in the consolidation. The percentage of voting rights in the subsidiary companies held directly by the holding company is the same as the percentage of ordinary shares held. Management considers that the Group holds control with 51% of the voting shares. The Company is the majority stockholder with 51% of the shares, while other stockholders individually hold no more than 40% of the capital. There is no history of stockholders forming a group in order to exercise their votes jointly. The overall non-controlling interest in 2018 and 2017 is $172,669 and $272,810, respectively.

Following is condensed financial information for each subsidiary with non-controlled interest that is material for the Group.

Condensed statement of financial position.

	Myc Red, S. A. de C. V. For the year ended December 31,				Servicio y Equipo en Telefonía, Internet y Televisión, S. A. de C. V. For the year ended December 31,			
		2018		2017		2018		2017
Short term								
Assets	$	10,660	$	5,873	$	337,057	$	104,481
Liabilities		(5,225)		(5,479)		(438,354)		(560,580)
Total net short-term		5,435		394		(101,297)		(456,099)
Long-term								
Assets		44,593		41,093		618,603		530,402
Liabilities		–		–		–		–
Total long-term net assets		44,593		41,093		618,603		530,402
Assets, net	$	50,028	$	41,487	$	517,306	$	74,303

	Corporativo de Comunicación Redes de GDL, S. A. de C. V. For the year ended December 31,			
		2018		2017
Short term				
Assets	$	1,116,537	$	727,181
Liabilities		(23,040)		(428)
Total net short-term assets		1,093,497		726,753
Long-term				
Assets		255,042		339,757
Liabilities		(69,943)		(78,626)
Total long-term net assets		185,099		261,131
Assets, net	$	1,278,596	$	987,884

Condensed statement of comprehensive income.

	Myc Red, S. A. de C.V. For the year ended December 31,				Servicio y Equipo en Telefonía, Internet y TV, S.A. de C.V. For the year ended December 31,			
		2018		2017		2018		2017
Income	$	70,149	$	62,693	$	818,353	$	725,703
Profit (loss) before taxes		9,069		7,100		248,296		173,749
Income tax (expense)		(529)		57		(25,292)		(52,515)
Total comprehensive income	$	8,540	$	7,157	$	223,004	$	121,234

	Corporativo de Comunicación Redes de GDL, S. A. de C.V. For the year ended December 31,			
		2018		2017
Income	$	74,053	$	46,023
Profit before income tax		303,901		51,037
Income tax (expense)		(13,188)		4,367
Total comprehensive income	$	290,713	$	55,404

Condensed statement of cash flow.

	Myc Red, S. A. de C.V. For the year ended December 31, 2018	2017	Servicio y Equipo en Telefonía, Internet y Televisión, S.A. de C.V. For the year ended December 31, 2018	2017
Cash flows from operating activities				
Interest paid	$ 252	$ 378	$ –	$ 27,141
Income tax paid	–	–	(39,072)	(30,082)
Net cash arising from operating activities	16,462	7,364	152,212	144,636
Net cash used in investment activities	(12,651)	(7,434)	(42,677)	(138,426)
Net cash used in financing activities	–	–	(80,000)	–
Net increases (decreases) in cash and cash equivalents	3,811	(70)	29,535	6,210
Cash and cash equivalents at beginning of year	1,464	1,534	38,213	32,003
Cash and cash equivalents at end of year	$ 5,275	$ 1,464	$ 67,748	$ 38,213

	Corporativo de Comunicación Redes de GDL, S. A. de C.V. For the year ended December 31, 2018	2017
Cash flows from operating activities		
Interest paid	$ –	$ –
Income tax paid	(276)	(450)
Net cash arising from operating activities	239,163	10,033
Net cash used in investment activities	(286,868)	21,455
Cash used in financing activities	–	–
Net (decreases)/increases in cash and cash equivalents	(47,705)	31,488
Cash and cash equivalents at beginning of year	144,638	113,150
Cash and cash equivalents at end of year	$ 96,933	$ 144,638

The above figures are prior to intercompany eliminations.

At December 31, 2018 and 2017, none of these subsidiaries had any contingent commitments or liabilities that could affect the figures.

Note 9 - Property, networks and equipment:

a. Property, networks and equipment are comprised as follows:

	Land	Buildings	Network and tech. equip. for signal distribution	Computer equipment furniture and office equipment	Transportation equipment	Leasehold improvements	Communications equipment	Tools and equipment	Total
At December 31, 2018									
Net opening book balance	$ 106,424	$ 102,170	$ 21,647,846	$ 309,104	$ 481,526	$ 106,839	$ 121,150	$ 1,503,637	$ 24,378,696
Financial leasing (Note 16)	–	–	237,903	–	–	–	–	–	237,903
Additions	3,440	10,251	3,622,091	108,572	172,246	49,154	1,086	1,714,881	5,681,721
Disposals	–	–	(37,367)	(1,626)	(51,047)	–	–	–	(90,040)
Transfers	–	–	1,215,267	6,107	–	–	–	(1,221,374)	–
Depreciation charge	–	(3,837)	(2,772,541)	(192,766)	(27,111)	(34,739)	(13,426)	(39,401)	(3,083,821)
Net closing book balance	$ 109,864	$ 108,584	$ 23,913,199	$ 229,391	$ 575,614	$ 121,254	$ 108,810	$ 1,957,743	$ 27,124,459
Cost	$ 109,864	$ 174,291	$ 40,069,482	$ 1,344,230	$ 893,052	$ 415,016	$ 151,379	$ 2,597,364	$ 45,754,678
Accumulated depreciation	–	(65,707)	(16,156,283)	(1,114,839)	(317,438)	(293,762)	(42,569)	(639,621)	(18,630,219)
Net carrying value	$ 109,864	$ 108,584	$ 23,913,199	$ 229,391	$ 575,614	$ 121,254	$ 108,810	$ 1,957,743	$ 27,124,459

		Land		Buildings		Network and tech. equip. for signal distribution		Computer equipment furniture and office equipment		Transportation equipment		Leasehold improvements		Communications equipment		Tools and equipment		Total
At December 31, 2017																		
Net opening book balance	$	104,819	$	102,590	$	20,279,441	$	333,628	$	428,345	$	96,138	$	124,365	$	302,160	$	21,771,486
Financial leasing (Note 16)		–		–		275,701		–		–		–		–		–		275,701
Additions		1,605		5,230		3,045,066		112,883		109,937		42,918		138		1,491,147		4,808,924
Disposals		–		–		(58,301)		(2,908)		(36,279)		(4,343)		–		–		(101,831)
Transfers		–		–		269,615		1,492		–		–		–		(271,107)		–
Depreciation charge		–		(5,650)		(2,163,676)		(135,991)		(20,477)		(27,874)		(3,353)		(18,563)		(2,375,585)
Net closing book balance	$	106,424	$	102,170	$	21,647,846	$	309,104	$	481,526	$	106,839	$	121,150	$	1,503,637	$	24,378,696
Cost	$	106,424	$	164,040	$	35,089,121	$	1,231,176	$	771,853	$	365,863	$	150,293	$	1,836,149	$	39,714,919
Accumulated depreciation		–		(61,870)		(13,441,275)		(922,072)		(290,327)		(259,024)		(29,143)		(332,512)		(15,336,223)
Net carrying value	$	106,424	$	102,170	$	21,647,846	$	309,104	$	481,526	$	106,839	$	121,150	$	1,503,637	$	24,378,696

b. Depreciation expense for the periods ended December 31, 2018 amounting to $3,083,821 ($2,375,585 in 2017), of which $2,564,417 ($2,019,422 in 2017) was recorded in cost of services and a the complement of $519,404 ($356,163 in 2017) was recorded under sale and administration expenses.

c. Financial leasing included and related to the components of property, networks and equipment is as follows (see Note 16):

	At December 31,	
	2018	2017
Network and technical equipment for the distribution of signals, net	$ 1,323,925	$ 1,209,431

d. In order to apply a rate of depreciation in connection costs that does not exceed the average life of the materials and the average life of subscribers of cable television, internet and telephony, and changes in technology platforms and in its materials, the Company's Management decided, as of 2018, to apply as a change in estimate the rate of depreciation of the capitalized connection costs in its Networks assets, going from 6.64% to 33.33%, this change in the estimated lives originated an increase of $181,375 in the depreciation of the year charged to income statement in relation to the previous year.

e. As a result of the increase in the frequency of new cable subscribers during 2018, connection costs were capitalized in the Assets of Networks for $757,607 (materials and labor required to physically extend and connect the Network to the new customer's home) and for the previous year $114,186.

Note 10 - Goodwill:

Goodwill is comprised as follows:

	Acotel	TCO	IMATEL	IRA	SIGETEL	Others	Total
Balances at December 31, 2018							
Initial net balance	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1,073,402	$ 4,378,397
Accumulated Impairment	–	–	–	–	–	–	–
Net carrying value	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1073,402	$ 4,378,397

	Acotel	TCO	IMATEL	IRA	SIGETEL	Others	Total
Balances at December 31, 2017							
Initial net balance	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1,073,402	$ 4,378,397
Accumulated Impairment	–	–	–	–	–	–	–
Net carrying value	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1,073,402	$ 4,378,397

Goodwill impairment testing:

Management reviews business performance based on geography and type of business. The Mexican states where the Group operates have been determined. The Group render services of cable, telephone and internet in all geographic areas. Goodwill is analyzed by management at the geographic zone level for the mass market (Cable, Telephone and Internet) and Corporate (Metrocarrier). Following is a summary of the allocation of goodwill to each geographic area:

December 31, 2018	Beginning balance	Additions	Ending balance
North	$ 134,645	$ -	$ 134,645
West	265,569	-	265,569
Pacífic	429,492	-	429,492
Southeast	693,805	-	693,805
TCO	318,640	-	318,640
Bajío	1,242,205	-	1,242,205
Center	1,104,865	-	1,104,865
Gulf	86,511	-	86,511
Metrocarriers	102,665	-	102,665
Total	$ 4,378,397	$ -	$ 4,378,397

December 31, 2017	Beginning balance	Additions	Ending balance
North	$ 134,645	$ -	$ 134,645
West	265,569	-	265,569
Pacífic	429,492	-	429,492
Southeast	693,805	-	693,805
TCO	318,640	-	318,640
Bajío	1,004,865	-	1,004,865
Center	1,242,204	-	1,242,204
Gulf	86,511	-	86,511
Metrocarriers	102,666	-	102,666
Total	$ 4,378,397	$ -	$ 4,378,397

The recovery amount of all the Cash Generating Units (CGU) is determined on the basis of calculations of value in use. These calculations use before-tax cash flow projections based on financial budgets approved by Management, covering a five-year period. Cash flows exceeding the five-year term are extrapolated using the following estimated growth rates: Growth rates do not exceed the average long-term growth rate for the telecommunications business in which the CGUs operate.

The recovery value of each CGU are as follows:

	2018	2017
North	$ 5,083,206	$ 6,358,355
West	12,575,982	16,438,267
Pacífic	17,247,225	20,759,702
Southeast	10,411,185	12,240,837
TCO	3,696,823	4,617,933
Bajío	9,926,752	12,666,568
Center	7,731,959	9,244,045
Gulf	6,327,447	8,784,186
Metrocarriers	8,696,786	4,825,584

The key assumptions used in calculating the value in use for 2018 are as follows:

	Gross margin	Growth rate	Discount rate
North	52.3%	11.1%	15.78%
West	46.0%	10.1%	15.78%
Pacífic	52.7%	10.5%	15.78%
Southeast	53.7%	11.3%	15.78%
TCO	54.1%	10.9%	15.78%
Bajío	49.6%	10.3%	15.78%
Center	50.5%	11.8%	15.78%
Gulf	52.9%	10.7%	15.78%
Metrocarriers	52.6%	5.0%	15.78%

The key assumptions used in calculating the value in use for 2017 are as follows:

	Gross margin	Growth rate	Discount rate
North	47.60%	12.2%	12.13%
West	43.30%	10.9%	12.13%
Pacific	48.70%	10.2%	12.13%
Southeast	48.70%	11.4%	12.13%
TCO	51.20%	10.6%	12.13%
Bajio	46.80%	10.6%	12.13%
Center	47.10%	12.2%	12.13%
Gulf	52.20%	10.7%	12.13%
Metrocarriers	27.80%	5.0%	12.13%

These assumptions have been used in the analysis of each CGU within the operating segment.

Management determined the budgeted gross margins based on past results and its expectations of market development. Weighted average growth rates used are consistent with the projections contained in industry reports. The discount rates used are pretax and reflect the specific risks related to relevant geographic areas.

The sales volume is the average annual weighted growth rate for the forecast five-year period. It is based on past performance and Management expectations for market development.

The sales volume is the average annual weighted growth rate for the forecast five-year period. It is based on actual industry trends and includes long-term inflation forecasts for each territory.

Note 11 - Other intangible assets, net:

Intangible assets are comprised as follows:

	December 31, 2018	2017
With a defined lifetime:		
Clients base [1]	$ 1,762,084	$ 1,762,084
Accumulated amortization	(1,697,339)	(1,621,789)
	64,745	140,295
With a defined lifetime [2]:		
Licenses and software, net	–	7,500
Brands and patents, net	6,503	13,020
Total	$ 71,248	$ 160,815

[1] Corresponds to the cost of acquiring portfolio/subscribers with a useful life of four years. Movements in the net clients base are as follows:

Clients base, net:	
At January 1, 2017	$ 239,691
Additions (ii)	14,133
Disposal of subscribers base	(27,372)
Amortization	(86,157)
At December 31, 2017	$ 140,295
Additions (ii)	–
Disposal of subscribers base	–
Amortization	(75,550)
At December 31, 2018	$ 64,745

(i) In 2017, the subsidiary Telefonia por Cable acquired intangible assets worth $14,133.

The Group has obtained a number of concessions granted at no charge by the Federal Government to install and operate a public telecommunications network; however, because they were granted free of charge, they were not recognized for accounting purposes. For further details, see Note 1.

(2) Refers to the trademark registration for "Video Rola music for your eyes" and its design, at the Mexican Institute of Industrial Property (renewable in accordance with applicable provisions), which applies to video entertainment and the production of same, discs, cassettes and videos included in this classification. Amortized at the annual rate of 5%.

Brands and patents:

At January 1, 2017	$	19,536
Disposals, net		(6,516)
At December 31, 2017		13,020
Disposals, net		(6,517)
At December 31, 2018	$	6,503

Amortization is calculated by the straight-line method, taking into account the estimated lifetime of assets (4 years). At December 31, 2018 and 2017, cost of services recorded was $75,550 and $86,157, respectively.

Note 12 - Financial instruments by category:

a) Per category

	December 31, 2018 Amortized cost	December 31, 2017 Loans and accounts receivable
Assets according to statement of financial position		
Accounts receivable, net, excluding advance payments	$ 1,772,758	$ 1,136,562
Related parties	1,185,076	1,027,123
Cash and cash equivalents	3,330,216	3,167,661
Total	$ 6,288,050	$ 5,331,346

	Financial liabilities to amortized cost	Financial liabilities to amortized cost
Liabilities according to statement of financial position		
Bank loans	$ 3,903,351	$ 4,058,610
Suppliers	1,913,552	1,561,165
Related parties	1,073,882	954,232
Other accounts payable excluding non-financial liabilities	966,398	573,555
Total	$ 7,857,183	$ 7,147,562

At December 31, 2018, The Company does not have derivative financial instruments or current options instruments.

Note 13 - Bank loans:

Bank loans are comprised as follows:

	December 31, 2018	2017
Plain loan of $2,100,000 (nominal) maturing on July 31, 2016, and was renewed on July 20, 2016, for $2,000,000 (nominal) and its new maturity is July 29, 2019, subject to monthly interest at the interbank interest rate ("TIIE" from its acronym in Spanish) plus a margin of 0.50% upon maturity (1)	$ 1,980,157	$ 1,991,931
Plain loan of $1,700,000 (nominal) maturing on May 12, 2017, with maturity date as July 29, 2019, subject to monthly interest at the TIIE rate plus a margin of 0.30% upon maturity (2).	1,683,134	1,699,891
Loan available in a single exhibition with Banamex, S.A. bank with a maximum amount of $3,500,000 with a settlement date of December 11, 2018, at an annual interest rate equal to the 1.7% + TIIE rate plus an applicable margin. The effective rate determined as of December 31, 2017 was 1.31%.	–	1,166
Loan available in a single exhibition with Banamex, S. A. bank with a maximum amount of $90,000, contracted on March 9, 2016 expiring on March 9, 2020, with a TIIE rate plus an applicable margin of 0.75%. The effective rate determined as of December 31, 2018 and 2017 is 1.58% and 1.43%.	28,125	50,625
Loan available in a single exhibition with Banamex, S. A. bank for a maximum amount of $33,800, contracted on March 9, 2016, expiring on December 9, 2019, with a TIIE rate plus an applicable margin of 0.75%. The effective rate at December 31, 2018 and 2017 were 1.84% and 1.42%.	9,013	18,027
Loan available in a single exhibition with Banamex, S. A. bank for a maximum amount of $3,470, contracted on March 9, 2016, expiring on March 09, 2019, with a TIIE rate plus an applicable margin of 0.70%. The effective rate at December 31, 2018 and 2017 were 1.35% and 1.38%.	289	1,446
Credit line of up to the total principal of $8,080 (USD $460K) contracted with Banamex S. A. bank on January 22, 2016, expiring on January 22, 2021, at the Libor, plus an applicable margin of 1.8%. The effective rate at December 31, 2018 and 2017 were 1.38% and 1.35%	4,069	5,901

	31 de diciembre de	
	2018	2017
Contract for a $30,000 plain loan from Scotiabank Inverlat, S. A, for the acquisition of assets on May 22, 2015 for $10,406 (first drawdown). A second drawdown of $14,060 was made on this loan on July 28, 2015, and a third drawdown of $5,533 on January 29, 2016, all drawdowns become due on May 22, 2018. Accrues interest at a monthly TIIE plus 2.50 base points. The effective rate determined at December 31, 2017 was 1.79%.	–	4,501
Loan available in a single exhibition with Santander S. A. bank with a maximum amount of $190,000 expiring on December 19, 2020 and a rate of 0.40% + TIIE. The effective rate determined as of December 31, 2018 is 1.38%.	126,667	190,000
Plain loan of $45,000,000 from Scotiabank Inverlat, S. A. for the acquisition of assets on April 11, 2017. Which the first drawdown of $20,000 was made on April 11, 2017, a second drawdown of $5,000 was made on May 17, 2017, and a third drawdown of $20,000 was made on July 11, 2017 with a 60 months period and all drawdowns become due on April 11, 2022. Accrued interest at a monthly TIIE plus 2 base points. The effective rate determined at December 31, 2017 was 1.79% and due date on April 2022.	35,229	39,986
Revolving credit with Santander S.A. for $12,000 as maximum at a 2.3750 base points + TIIE rate at December 31, 2017.	–	41
Revolving credit with Santander S.A. for $20,000 as maximum at a 2.3750 base points + TIIE rate at December 31, 2017, with a due date on April, 2018.	–	95
Loan available in a single exhibition with Banamex S. A. bank with a maximum amount of $55,000 with rate 0.70% + TIIE. The effective rate determined as of December 31, 2018 is 2.20%, with expiration date November 2020.	36,668	55,000
Total bank loans	3,903,351	4,058,610
Less:		
Short-term portion of long-term bank loans	(3,778,569)	(131,833)
Bank loans maturing at a term of over one year	$ 124,782	$ 3,926,777

(1) On July 31, 2016, Mega Cable (an accredited subsidiary) and Telefonía por Cable S.A. de C.V. (obliged jointly) as well as Megacable Holdings, S.A.B. de C.V. (obliged jointly)) Servicios Especiales Turandot y Werther Administración Integral, both S.A.P.I. de C.V. subsidiaries (joint obligors), renewed the loan agreements with Banco Nacional de México, S.A. (Banamex) for $900,000, BBVA Bancomer, S.A. for $800,000 and Scotianbank Inverlat, S.A. for $300,000, as creditors, and Banamex acting as administrative agent. Its expiration date is July 29, 2019.

(2) On May 12, 2017, Mega Cable (an accredited subsidiary) and Telefonía por Cable S.A. de C.V. (obliged jointly) as well as Megacable Holdings, S.A.B. de C.V. (obliged jointly)) Servicios Especiales Turandot y Werther Administración Integral, both S.A.P.I. de C.V. subsidiaries (joint obligors), obtained an agreements with Banco Nacional de México, S.A. (Banamex) for $850,000 and Scotianbank Inverlat, S.A. for $850,000, as creditors, and Banamex acting as administrative agent. Its expiration date is July 29, 2019.

In relation with the most significant loans of $2,000,000 and $1,700,000 as December 31, 2018, the Group determined an effective interest rate in 2018 of 8.56% and 8.33% respectively, in 2017 of 7.48% and 7.55%, respectively based on which it recorded the financial cost of these loans; in addition, the fair value at those dates, amounting to $3,672,157 and $3,657,098, respectively, which were determined using the market rate discount rate TIIE +0.50 for the $2,000,000 loan and TIIE +0.30 for the $1,700,000 loan, and its classify as level 2 in the fair value hierarchy.

Current loan agreements established different positive and negative covenants for Mega Cable and its subsidiaries, including limitations on: (a) mergers or consolidation with any third party; (b) selling, transferring or leasing assets, except for cash; (c) certain investments; (d) amounts of borrowings; (e) certain payments of dividends or capital stock distributions by Megacable Holdings or its subsidiaries, or the purchase, redemption or other acquisition of capital stock of any of its subsidiaries; (f) hedge agreements, unless intended to mitigate certain risks or acquire benefits and (g) changes in accounting; the loan also requires Megacable Holdings and subsidiaries to comply with certain financial rates, including a consolidated leverage rate no higher than 3.00 and a consolidated interest hedge rate of over 3.50.

At December 31, 2018 and 2017, the Company has complied with all its obligations.

Exposure of the Group's loans to changes in interest rates and to contractual dates is as follows:

	2018	2017
Less than 6 months	$ 24,598	$ 39,945
From 6 to 12 months	3,753,971	91,888
From more than a year to five years	124,782	3,926,777
	$ 3,903,351	$ 4,058,610

The carrying value and fair value of long-term loans are as follows:

	Carrying value		Fair value	
	2018	2017	2018	2017
Borrowings	$ 124,782	$ 3,926,777	$ 112,353	$ 3,957,055

Fair values are based on discounted cash flows using the rate calculated by management and are on level 2 in the hierarchy of fair value.

The carrying value of the Group's loans is denominated in pesos, except for the following:

	2018	2017
US dollar (thousands)	$ 4,068	$ 24,898

Note 14 - Other accounts payable:

	December 31,	
	2018	2017
Benefits payable	$ 96,167	$ 79,493
Sundry creditors and other accounts payable	518,175	588,889
Income to accrue	325,833	208,706
Employees statutory profit sharing	40,270	25,041
Total	$ 980,445	$ 902,129

Note 15 - Employee benefits:

The value of benefit obligations acquired is as shown below:

	December 31,	
	2018	2017
Seniority premium	$ 150,957	$ 140,959
Retirement benefits	75,206	77,969
	$ 226,163	$ 218,928

The net cost for the period for the years ended December 31, 2018 and 2017 is as follows:

	December 31,	
	2018	2017
Seniority premium	$ 9,999	$ 15,801
Retirement benefits	(2,763)	(888)
	$ 7,236	$ 14,913

a) Seniority premium

The economic hypotheses used in nominal and real terms were as follows:

	December 31.	
	2018	2017
Discount rate	9.00%	7.50%
Inflation rate	3.50%	3.50%
Salary increase rate	4.50%	4.50%

The net cost for the period is as follows:

	December 31,	
	2018	2017
Labor cost	$ 15,877	$ 11,779
Actuarial losses (gains)	(15,673)	5,848
Reductions and early settlement	–	(10,753)
Financial cost	9,795	8,927
Net cost for the period	$ 9,999	$ 15,801

The amount shown as a liability in the consolidated statement of financial position is comprised as follows:

	December 31,	
	2018	2017
Defined benefit obligations	$ 150,957	$ 140,959
Assets plan	–	–
Liability in the consolidated statement of financial position	$ 150,957	$ 140,959

Defined benefit obligation movements were as follows:

	2018	2017
Beginning balance at January 1	$ 140,959	$ 125,158
Labor cost	15,877	11,779
Financial cost	9,795	8,927
Remediation:		
Reductions and early settlement		(10,753)
(Profits) losses for experience	(15,674)	5,848
Ending balance at December 31	$ 150,957	$ 140,959

b) Retirement benefits

The economic hypotheses used in nominal and real terms were as follows:

	December 31,	
	2018	2017
Discount rate	9.00%	7.50%
Inflation rate	3.50%	3.50%
Salary increase rate	4.50%	4.50%

The net cost for the period is as follows:

	December 31,	
	2018	2017
Labor cost	$ 174	$ 1,534
Improvements or modifications to the plan	(4,783)	(4,289)
Financial cost	1,846	1,867
Net cost for the period	($ 2,763)	($ 888)

The amount shown as a liability in the consolidated statement of financial position is comprised as follows:

	December 31,	
	2018	2017
Obligations for defined benefits	$ 75,206	$ 77,969
Assets plan	–	–
Liabilities in the consolidated statement of financial position	$ 75,206	$ 77,969

Defined benefit obligation movements were as follows:

	2018	2017
Beginning balance at January 1	$ 77,969	$ 78,857
Labor cost	174	1,534
Financial cost	1,846	1,867
Remediation:		
Experience (profits) losses	(4,783)	(4,289)
Ending balance at December 31	$ 75,206	$ 77,969

The sensitivity analysis of the main assumptions for defined benefit obligations were as follows:

	Impact on defined benefit obligation	
	Change in assumption	Change in obligation
Discount rate	1%	Reduced by 4.2%
Discount rate	1%	Increases by 4%

The weighted average of the duration of the defined benefit obligation is 7.4 years.

c) Pension Plan

As concerns the pension plan, management has implemented an annual ten-year contributions plan. Those contributions are handled through the Sura Investment Management México investment account. Annual contributions made during the 2018 and 2017 periods were $9,757 and $9,809, respectively.

According to the plan, all employees are eligible if they: are employees with an individual contract for an indefinite period, our executive level employees with 3 years or more of pensionable service at the date of plan in implementation, remain with the company for a minimum of 5 years following the date of plan implementation, determine the percentage of savings to be placed in the long-term savings vehicle, and designate contingent beneficiaries for the delivery of benefits. The pensionable service period is considered in complete years and months of uninterrupted service from the date of hiring to the date of retirement, death or declaration of total or permanent incapacity. The date of retirement is the first day of the month immediately following the date on which the employee turns 65. The defined contribution must be a minimum of the equivalent of 1% of the defined salary. The company will make contributions in the same amount as the employee. According to the plan, provided the committee issues authorization, an employee may request early retirement (at 60) or continue to work after the age of 65.

Note 16 - Leases:

a) Operating leases

The Company has entered into a number of agreements for straight leasing of the buildings that house some of its offices, customer service locations (CIS from its acronym in Spanish) and warehouses. The terms stipulated in these contracts fluctuate mainly between one and 10 years and most contain options for automatic renewal. The minimum amounts to be paid are adjusted mainly based on the National Consumer Price Index and all are in pesos.

Minimum future payments for each of the five following years are summarized as follows:

	December 31,	
	2018	2017
Up to 1 year	$ 161,295	$ 76,256
Second year and up to 5 years	302,549	166,988
	$ 463,844	$ 243,244

The amount charged to income statement for straight leasing (property) amounting to $245,875 in 2018 and $228,159 in 2017.

Leasing expense is recorded by the straight-line method in the period in which the leasing contract is in effect.

The operating lease contracts that the company has at December 31, 2018, fluctuate in terms of 1 to 10 years whose total nominal value amounts to $523,952 (recognized at present value of $355,079).

b) Financial leasing

On June 30, 2011, the subsidiary Mega Cable, S.A. de C.V. (MEGA) signed a high-capacity telecommunications service agreement with Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. (GTAC) to which the Department of Communications and Transport issued a number of concessions through the Federal Electricity Commission (CFE) to install, operate and to exploit an public telecommunications network, to provide transmission service, signal transmission to concessionaries of public telecommunications network, which has a validity of 20 years and can be wholly or partially renewed.

Those concessions cover the Pacific, Center and Gulf areas of Mexico, hence Mega will be making advance annual payments of $41,400 from July 2013 to 2029 for use of the trunk capacity up to the year 2029, in order for GTAC to be able to provide maintenance and repair services to the public network.

Future minimum payments are summarized as follows:

	December 31, 2018		December 31, 2017
Up to 1 year	$ 202,849	$	173,286
More than a year to 5 years	604,028		529,326
Over 5 years	230,287		308,795
	$ 1,037,164	$	1,011,407

Following is the reconciliation of payments:

	December 31, 2018		December 31, 2017
Total financial leases			
At January 1	$ 1,011,407	$	920,774
Increases	237,903		216,519
Payments	(212,146)		(125,886)
At December 31	$ 1,037,164	$	1,011,407

Note 17 - Stockholders' equity:

a. The paid-in capital stock and number of shares are as follows:

	Series "A" shares Variable		Series "A" shares Amount
Capital stock at December 31, 2018 and 2017	1,721,355,673	$	910,244

Shares representing the Company's capital stock, issued and outstanding, are entirely paid in; they have no par value.

At December 31, 2018 and 2017, 1,721,355,673 shares were on circulation.

The Series "A" shares have the following characteristics: they grant voting rights only in the ordinary shareholders' meetings that are held and have the same preference in the distribution of the Group's profits.

Following is the reconciliation of outstanding shares at the beginning and the end of the year:

	Ordinary shares 2018	Ordinary shares 2017
At January 1	1,720,300,967	1,717,316,609
Share movements during the year, net sales (i)	587,440	2,984,358
At December 31	1,720,888,407	1,720,300,967
Shares held in treasury	467,266	1,054,706
At December 31	1,721,355,673	1,721,355,673

At December 31, 2018 and 2017, the Company holds 467,266 and 1,054,706, respectively, shares issued series "A" (treasury shares).

In the periods ended on December 31, 2018 and 2017, no share issuance, placement or registration expenses were incurred.

Repurchase of shares

Ordinary participation certificates (CPO from its acronym in Spanish) are nominative securities representing the provisional right over the returns and other benefits or goods held in an irrevocable trust, issued by the Group to be quoted on the Mexican Stock Exchange. One CPO is equivalent to two series "A" shares.

i. During the period ended on December 31, 2018, the company purchased 233,633 Ordinary Participation Certificates (CPOs), equivalent to 467,266 shares of the variable portion of series "A" shares for $19,477.

During the year ended December 31, 2018, the Group sold 527,353 CPOs, which are equivalent to 1,054,706 shares of the variable portion of series A, the amount for this sale was $41,300.

The results of the operations mentioned in the last two paragraphs, generated a net sale effect of 293,720 CPOs, equivalent to 587,440 to shares pertaining to the variable portion of series shares. These operations represented .03% of total shares, resulting in a net movement of $21,823.

ii. During the period ended on December 31, 2017, the company purchased 527,353 Ordinary Participation Certificates (CPOs), equivalent to 1,054,706 shares of the variable portion of series "A" shares for $37,998.

During the period ended December 31, 2017, the Company sold 2,019,532 CPOs, equivalent to 4,039,064 shares pertaining to the variable portion of series "A" shares; the sale price was $148,942.

The results of the operations mentioned in the last two paragraphs, generate a net purchase effect of 1,492,179 CPOs, equivalent to 2,984,358 to shares pertaining to the variable portion of series "A" shares. These operations represented .17% of total shares, resulting in a net movement of $110,944.

Dividends

At the Ordinary Stockholders' Meetings held in 2018, the company's stockholders agreed to decree dividends for a net total of $1,531,087 cash payable. The dividend per share was $0.89 per series "A" share and $1.78 per CPO series (which are the equivalent of two series "A" shares).

At the Ordinary Stockholders' Meetings held in 2018, the company's stockholders from the subsidiary Liderazgo Empresarial en Tecnologias de la Información, S. A. P. I. de C. V. and Entrenimiento Satelital S. A. de C. V. agreed to decree dividends for a net total of $21,750 and $92,579 respectively corresponding to the non-controlling shareholders.

In Ordinary Assemblies of Shareholders for the year 2018 of the subsidiaries Servicio y Equipo en Telefonía, Internet y Televisión S. A. de C. V. and Corporativo de Comunicación y Redes de GDL S. A. de C. V. agreed to decree dividends of $39,200 to the minority shareholders of both Companies.

At the Ordinary Stockholders' Meetings held in 2017, the company's stockholders agreed to decree dividends for a net total of $1,390,958 cash payable. The dividend per share was $0.81 per series "A" share and $1.62 per CPO series (which are the equivalent of two series "A" shares).

b. The balances of the stockholders' equity tax accounts for the issuer (Megacable Holdings) are:

	December 31, 2018	December 31, 2017
Capital contributions account (CUCA)	$ 4,800,993	$ 4,579,789
The after-tax earnings account (CUFIN)	191,453	173,825
Total	$ 4,992,446	$ 4,753,614

c. Tax provisions related to stockholders' equity:

The profit for the year is subject to the legal provision requiring that at least 5% of the profit be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the capital stock.

In October 2013, Congress approved issuance of a new Income Tax (IT) Law, which came into force on January 1, 2014, that Law establishes that for the period 2014, after-tax earnings must be determined in the terms of the Income Tax Law in effect in the tax period in question, imposes an additional 10% tax on profits or dividends distributed to parties resident abroad and Mexican individuals.

In the event of a capital reduction, any excess of stockholders' equity over capital contributions, the latter restated in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends.

Note 18 - Earnings per share:

Net earnings per share is calculated by dividing the net profit for the year by the weighted average of shares outstanding during the year, excluding common shares acquired by the company and held as treasury shares.

	At December 31,	
	2018	2017
Net profit of the controlling interest	$ 4,557,613	$ 3,806,209
Weighted average of the shares	1,717,844	1,717,531
Profit per ordinary share (pesos)	$ 2.65	$ 2.22
Profit per CPO [1]	5.31	4.47

[1] One CPO corresponds to two series "A" ordinary shares

Note 19 - Taxes on income:

Income tax (IT):

The Income Tax Law that went into effect on January 1, 2014 establishes that the income tax rate applicable for 2014 and subsequent periods is 30% on taxable profit.

The 2014 Tax Reform for investors in Real Estate Companies (SIBRAS from Spanish) makes it likely that income taxes will have to be paid on the profit arising from contributions to those entities, at December 31, 2018 and 2017, the company shows a $945,000 and $841,396 short-term liability, respectively.

1. Taxes on income are comprised as follows:

	At December 31,	
	2018	2017
Current IT	($ 1,054,230)	($ 1,067,966)
Deferred IT	(299,989)	(202,557)
Total	($ 1,354,219)	($ 1,270,523)

2. Following is a reconciliation of the rate incurred and the effective consolidated income tax rate:

	At December 31,	
	2018	2017
Profit before income tax	$ 6,072,968	$ 5,243,553
Current rate	30%	30%
IT at the current legal rate	1,821,890	1,573,065
Plus (less) effect on IT of the following items:		
Annual adjustment for inflation	(1,137)	28,896
Non-deductible items	58,775	30,411
Fiscal deduction of infrastructure	(525,309)	(361,849)
	$ 1,354,219	$ 1,270,523
Effective rate	22%	24%

3. The deferred income tax balance is composed as follows:

	December 31, 2018	December 31, 2017
Deferred income tax asset		
Unamortized tax losses	$ 104,714	$ 74,733
Properties, networks and equipment, net	33,279	79,705
Intangible assets	481,895	348,163
Bad debt reserve	64,601	64,913
Employees benefits	71,801	57,575
Provisions	124,079	148,195
	$ 880,369	$ 773,284

	December 31, 2018	December 31, 2017
Deferred income tax liability		
Property, networks and equipment, net	($ 2,509,400)	($ 2,191,351)
Inventories	(220,971)	(106,740)
	(2,730,371)	(2,298,091)
Total deferred income tax	($ 1,850,002)	($ 1,524,807)

4. Movements in deferred income tax assets and liabilities during the year were as follows:

	Property networks and equipment	Unamortized tax losses	Intangible assets	Reserve for doubtful accounts	Employees benefits and others	Total
Deferred income tax asset:						
At January 1, 2017	$ 50,770	$ 63,351	$ 346,744	$ 100,577	$ 202,334	$ 763,776
Charged (credited) to the income statement	28,935	11,382	1,418	(35,663)	3,437	9,509
At December 31, 2017	79,705	74,733	348,162	64,914	205,771	773,285
Charged (credited) to the income statement	(46,427)	29,981	133,733	(313)	(9,890)	107,084
At December 31, 2018	$ 33,278	$ 104,714	$ 481,895	$ 64,601	$ 195,881	$ 880,369

	Property, networks and equipment, net	Inventory and others	Total
Deferred IT liability:			
At January 1, 2017	($ 2,061,734)	($ 51,410)	($ 2,113,144)
Charged to the income statement	(129,617)	(55,331)	(184,948)
At December 31, 2017	(2,191,351)	(106,741)	(2,298,092)
Charged to the income statement	(318,049)	(114,230)	(432,279)
At December 31, 2018	($ 2,509,400)	($ 220,971)	($ 2,730,371)

5. At December 31, 2018 and 2017, the Group had accrued consolidated tax losses amounting to $353,958 and $312,824, respectively. The right to amortize those losses against future consolidated profits expires as follows:

	December 31, 2018	
Year in which the loss was generated	Restated figure	Year of expiration
2011	5,026	2021
2012	1,211	2022
2013	2,497	2023
2014	11,737	2024
2015	30,933	2025
2016	79,694	2025
2017	76,432	2027
2018	146,428	2028
	$ 353,958	

	December 31, 2017	
Year in which the loss was generated	Restated figure	Year of expiration
2008	$ 12,623	2018
2009	40,337	2019
2010	5,149	2020
2011	4,614	2021
2012	8,585	2022
2013	2,301	2023
2014	24,557	2024
2015	29,510	2025
2016	73,471	2025
2017	111,677	2027
	$ 312,824	

Note 20 - Costs and expenses classified by nature:

Cost of service, sales and administration expenses are integrated as follows:

	At December 31, 2018	2017
Cost of services:		
Depreciation	$ 2,564,417	$ 2,019,422
Programming	2,342,357	2,009,328
Labor - technical personnel	1,203,542	931,448
Linkages	429,560	318,844
Advertising and promotion	351,152	344,218
Electric intake connections	380,164	780,703
Sources of power	229,038	241,868
Amortization	211,022	86,157
Sources of power	42,981	125,989
Other minor	16,009	51,203
Call traffic	49,141	40,166
Total cost of services	$ 7,819,383	$ 6,949,346

	At December 31	
	2018	2017
Sale expenses		
Labor and benefits	$ 2,266,995	$ 2,372,518
Maintenance and conservation expenses	911,771	786,143
Depreciation	481,448	330,136
Leasing	226,193	209,421
Sales commissions	246,637	221,166
Electrical power	158,030	134,692
Insurance	106,586	97,864
Preparation and delivery of statements of account	88,246	75,313
Non-deductible items	80,993	30,856
Travel expenses	75,591	67,466
Transfer of securities	68,369	56,355
Stationery and office supplies	58,579	54,579
Bad debt reserve	53,725	57,274
Freight	37,218	30,707
Security services	32,986	31,026
Training and recruiting	32,370	24,695
Security services	30,430	26,021
Telephones	23,542	20,725
Conventions	22,939	3,987
Fees	17,883	12,224
Recovery of equipment	15,266	22,829
Duties and licenses	13,484	14,092
Other expenses	67,145	35,147
Total sale expenses	$ 5,116,426	$ 4,715,236
Administration expenses		
Advisory services	$ 156,442	$ 119,885
Labor and benefits	178,723	187,042
Bank commissions	75,922	69,517
Depreciation	37,956	26,027
Leasing	19,682	18,738
Security and hygiene	2,600	2,446
Total administration expenses	$ 471,325	$ 423,655

	At December 31	
	2018	2017
Cost of services, sale and administration expenses:		
Labor and benefits (1)	$ 3,649,261	$ 3,491,008
Depreciation	3,083,821	2,375,585
Programming	2,342,357	2,009,328
Maintenance and conservation expenses	911,771	786,143
Linkages	429,560	318,844
Advertising and promotion	351,152	344,218
Electric intake connections	380,164	780,703
Sales commissions	246,637	221,166
Leasing	245,875	228,159
Sources of power	229,038	241,868
Amortization	211,022	86,157
Advisory services	156,442	119,885
Electrical power	158,030	134,692
Insurance	106,586	97,864
Preparation and delivery of statements of account	88,246	75,313
Non-deductible items	80,993	30,856
Bank commissions	75,922	69,517
Travel expenses	75,591	67,466
Transfer of securities	68,369	56,355
Stationery and office supplies	58,579	54,579
Bad debt reserve	53,725	57,274
External work	42,981	125,989
Call traffic	49,141	40,166
Freight	37,218	30,707
Security and hygiene	35,586	33,472
Training and recruiting	32,370	24,695
Security services	30,430	26,021
Telephones	23,542	20,725
Conventions	22,939	3,987
Recovery of equipment	15,266	22,829
Fees	17,883	12,224
Duties and licenses	13,484	14,092
Other expenses	83,153	86,350
Total	$ 13,407,134	$ 12,088,237

(1) Following is a breakdown of personnel compensation and benefits:

	At December 31,	
	2018	2017
Wages, benefits and bonuses	$ 1,993,611	$ 2,162,085
Commissions	896,235	680,579
Taxes and duties	729,365	631,702
Employees' statutory profit sharing	30,050	16,642
	$ 3,649,261	$ 3,491,008

Note 21 - Analysis of other income - Net:

	At December 31,	
	2018	2017
Other income:		
Cancellation of provisions	$ 6,302	$ 604
Petty cash surpluses	1,621	2,077
Restatement of taxes	1,022	2,360
Other minor expenses	44,511	99,222
Total other income	53,456	104,263
Other expenses:		
Fixed asset sales	(5,263)	(8,608)
Total other income, net	$ 48,193	$ 95,655

Note 22 - Financial income and expenses

	At December 31,	
	2018	2017
Interest expenses:		
- Interest on bank loans	($ 322,947)	($ 258,675)
- Interest on related parties loans	(103,172)	(86,854)
- Exchange loss	(18,013)	-
Financial expenses	(444,132)	(345,529)
Financial income:		
- Interest income on short-term bank deposits	238,655	173,840
- Interest income on loans to related parties (Note 24)	103,172	86,854
- Exchange profit	-	82,875
Financial income	341,827	343,569
Total	($ 102,305)	($ 1,960)

Note 23 - Commitments and Contingencies:

1. Commitments

1.1. Concessions

In accordance with the terms and conditions of the concessions, the subsidiary companies holding concession titles granted by the SCT and/or IFT to operate the services must comply with certain obligations.

Failure to comply with this obligations could lead to sanctions. In addition, the Group's concessions are subject to rescission for different reasons, including interruption of the service, failure to comply with the obligations or conditions established in the concession titles, the assignment or transfer of concession rights in contravention of the law.

Under any of those assumptions, the concession could be canceled without the need for the government to pay Mega Cable, S.A. de C.V. any kind of compensation. If the IFT revokes any of the Group's concessions, it would be unable to operate in the area covered by the concession or to obtain new concessions to operate in that or any other area for a period of five years.

Rescission of any of the Company's concessions would have a significant adverse effect on its activities, financial position and operating income.

1.2. Contractual

The Group has obligations guaranteed by Mega Cable and some of its subsidiaries, owing to loan agreements with financial entities. This loan includes clauses prohibiting the Group from conducting activities such as sale of fixed assets and merging with third parties (except with previous notification of and approval from the financial entity).

Additionally, the loan agreement requires compliance with certain financial ratios.

At December 31, 2018 and 2017, the Group had complied with all of its contractual commitments.

2. Contingencies

As of the date of issuance of these financial statements, there are the following relevant litigation against the Group that could represent an economic effect:

- Various labor disputes with an initial claimed amount of $169,232, of which the Group's lawyers have confirmed that high-risk litigation to obtain an unfavorable ruling amounts to $9,312, on this last amount the Group made an accounting reserve from previous years.

- Appeals and Federal Law Protection trials for claims of Televisa versus subsidiaries of the Group, in which there is a demand for breach of license agreements and the payment of royalties for the use of a-la-carte signals for the period from September 29 to December 31 of 2016. According to the opinion of external lawyers, there are legal elements to obtain a favorable ruling for the group.

In the case of an audit by the tax authorities, discrepancies could be identified in the criteria applied by the Group to determine its taxes. The tax authorities have not reported any inconsistency in the taxes determined and paid by the Group, except for what is shown below:

At the date of issuance of these financial statements, in two of its subsidiaries (Telefonía por Cable, S. A. de C. V. and Mega Cable, S. A. de C. V.) notifications have been received from the General Major Taxpayer Office (SAT) containing tax assessments payable by the subsidiaries amounting to $4,172,391 related to income tax and $292,907 corresponding to excise tax (IEPS from its acronym in Spanish), in both cases includes surcharges and fines for the 2008, 2009 and 2011 tax periods. However, Group Management and its attorneys have stated that there is every likelihood of a judge handing down a favorable resolution in the event the matter has to be settled in court.

Note 24 - Related parties:

a) The main balances with related parties are shown below:

Entity	Type of relationship	Concept	December 31, 2018	2017
Long-term accounts receivable:				
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC)(1)	Joint business	Loan made	$ 1,086,983	$ 960,834
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC)(2)	Joint business	Advances	98,093	66,289
Total			$ 1,185,076	$ 1,027,123
Accounts payable:				
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)(3)	Joint business	Lease granted	$ 1,073,882	$ 954,232
Less short-term accounts payable			(412,321)	(350,624)
Total long-term accounts payable			$ 661,561	$ 603,608

(1) The long-term account receivable at December 31, 2018 and 2017 pertains to a loan made to the associate GTAC with a credit line of up to $813,183. The loan expires on December 31, 2021 and is subject to monthly interest at the 28-day interbank rate plus 2 percentage points. The effective income tax rate for 2018 and 2017 is 9.11% and 9.04%, respectively. At December 31, 2018 and 2017, the fair value of the account receivable is $1,042,416 and $953,945, respectively and it is located on level 2 of fair value.

(2) The account receivable at December 31, 2018 and 2017 corresponds to advances for network (fiber optics) maintenance provided by the Group to its joint business GTAC.

(3) The account payable at December 31, 2018 and 2017 corresponds to the capacity agreement signed on August 1, 2012 with GTAC for telecommunications services. That agreement specifies that over the next 18 years, the Group will make annual payments of $41,400, increasing annually on the basis of the National Consumer Price Index (NCPI). It also establishes that payments for years 10 and 18 may be made in advance. That account payable also corresponds to financial leasing additions acquired by a subsidiary of the Group, which are paid over 10 years, as per present value. There is compliance with the requirements specified in IAS 17 in order to qualify as financial leasing. See Note 16, point b.

The implicit annual interest rate determined for the payments to be made by the Group is the TIIE plus 1.22 or 6%, whichever is less. In 2018 and 2017, the effective rate was 6.0%.

Fair value of the account payable at December 31, 2018 and 2017 is $941,001 and $1,074,803, respectively, based on discounted cash flows using the rate calculated by management and are on level 2 in the hierarchy of fair value.

b) The following operations were conducted during the year:

Entity	Type of relationship	Concept	December 31, 2018	2017
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint business	Interest income	$ 103,172	$ 86,854
Altán Redes, S. A. P. I. de C. V.	Other permanent investment	Interest income	$ 250,355	$
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint business	Interest expense	$ 103,172	$ 86,854
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint business	Maintenance	$ 105,887	$ 71,913

Goods are acquired from the joint business in regular commercial terms and conditions.

c) Key personnel compensation

Key personnel include the directors and members of the Executive Committee. Compensation paid or payable to these executives for their services is as follows:

	December 31,			
		2018		2017
Short-term benefits	$	59,642	$	52,088
Termination benefits		4,770		4,733
	$	64,412	$	56,821

d) Loans to related parties

	December 31,			
		2018		2017
Total loans to related parties [1]:				
At January 1	$	960,678	$	990,195
Loans made in the year		208,784		216,519
Loan payments collected		(98,872)		(137,834)
Interest collected		(102,093)		(208,797)
Interest charged		118,486		100,751
At December 31	$	1,086,983	$	960,834

1) See point a).1) above.

For the years ended December 31, 2018 and 2017, there are no outstanding balances on loans made to key management personnel.

Note 25 - Financial information by operating segment:

	31 de diciembre de			
		2018		2017
Investments in shares [1]	$	311,777	$	147,486
Commissions		173,971		163,866
Advance payments and others		35,038		33,761
Total other non-current assets	$	520,786	$	345,113

(1) Corresponds to another permanent investment in shares of Altán Redes, S.A.P. I. de C.V. (Altán).

In 2016, Altán was the winner of the international competition promoted by the Ministry of Communications and Transportation for the construction and operation of the wholesale shared network. In January 2017, Altán obtained a concession title for commercial use as a wholesale shared network with a validity of 20 years.

Grupo Megacable has a shareholding equivalent to 3.92% of the share capital of Altán, obtained through cash contributions and through a telecommunication service provision scheme. Grupo Megacable will not be able to have significant influence in the operation of Altán, so its participation is made through the acquisition of a special series of shares without the right to vote, providing services and capabilities to a large extent.

Currently Grupo Megacable as well as a shareholder is a telecommunications service provider with Altán and will be a possible client once the shared network starts operations.

Note 26 - Changes related to cash considered as part of the financing activities:

The net debt as of December 31, 2018 is integrated as follows:

Net debt (liabilities that arise in financing activities)

Banking loans payable in 1 year	($ 3,778,569)
Banking loans payable after 1 year	(124,782)
Accounts payable with related parties payable in 1 year	(412,321)
Accounts payable with related parties payable more than 1 year	(661,561)
Net Debt at December 31, 2018	($ 4,977,233)

	Accounts payables less than 1 year with related parties	Accounts payables more than 1 year with related parties	Bank loans due less than 1 year	Bank loans due more than 1 year	Total
Net debt as of January 1, 2018	($ 350,624)	($ 603,608)	($ 131,833)	($ 3,926,777)	($ 5,012,842)
Accrued interest	(6,519)	(96,653)	(48,500)	(274,447)	(426,119)
Cash flow - Principal payments [(1)]	113,840	98,306	123,730	–	335,876
Cash flow - Interest payments	8,109	1,170	100,357	316,483	426,119
Cash flow - Obtaining loans	–	–	–		–
Adjustment by exchange rate of foreign currency	–	–	(62,364)	–	(62,364)
Increase account payable	–	(237,903)	–	–	(237,903)
Short term transfer	(177,127)	177,127	(3,759,959)	3,759,959	–
Net Debt at December 31, 2018	($ 412,321)	($ 661,561)	($ 3,778,569)	($ 124,782)	($ 4,977,233)

Net Debt as of December 31, 2017

	Accounts payables less than 1 year with related parties	Accounts payables more than 1 year with related parties	Bank loans due less than 1 year	Bank loans due more than 1 year	Total
Net debt as of January 1, 2017	($ 137,043)	($ 701,778)	($ 1,567,631)	($ 2,064,572)	($ 4,471,024)
Accrued interest	(31,924)	(54,940)	(258,674)	–	(345,538)
Cash flow - Principal payments (1)	125,886	–	1,504,308	–	1,630,194
Cash flow - Interest payments	–	–	250,272	–	250,272
Cash flow - Obtaining loans	–	–	–	(1,862,205)	(1,862,205)
Adjustment by exchange rate of foreign currency	–	–	(60,108)	–	(60,108)
Increase account payable	–	(154,433)	–	–	(154,433)
Short term transfer	(307,543)	307,543	–	–	–
Net Debt as of December 31, 2017	($ 350,624)	($ 603,608)	($ 131,833)	($ 3,926,777)	($ 5,012,842)

(1) Includes the payment corresponding to the financial lease

There are no other standards that are not yet effective and that could be expected to have a significant impact on the entity in the current or future reporting periods, and in future foreseeable transactions.

Note 27 - Financial information by operating segment:

The CEO is the maximum decision-making authority as concerns Group operations. Consequently, management has determined the operating segments to be reported based on internal management reports reviewed by that Body when making strategic business decisions. The CEO analyzes the business from a geographic and product perspective. At December 31, 2018 and 2017, there were no changes arising from this analysis.

The CEO assesses the performance of the operating segments based on the operating profit. The result of interest earned and lost is not assigned to the segments, since that is the responsibility of the treasury, which manages the Group liquidity.

Information by business segment is reported on the basis of the information used by the CEO in making strategic and operating decisions. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis.

The income of Group segments is as follows:

Cable:

Includes the operation of cable television systems in several states of Mexico and derives revenues primarily from basic and premium services. This segment also includes installation fees from cable subscribers, pay-per-view fees and local and national advertising sales.

Internet

Includes high-speed Internet services provided to residential and commercial clients.

Telephony

Although the Telephony segment does not comply with the quantitative limits established under IFRS 8 for separate reporting, management decided to perform this because it considers that potential growth of this segment means it will contribute significantly to Group revenue in the future. Telephony receives its revenue from fixed digital telephony of the internet protocol and from services rendered to residential and commercial clients.

Corporate

Consists of the Metrocarrier, MCM, Ho1a and PCTV units, focused on different segments of connectivity outfitting, administrative services and content.

Other segments

Represents segments individually amounting less than 10% of the consolidated total. Others includes the production of TV programs and broadcasting, distribution services from multiple points and channels, virtual private network and other network services.

Corporate costs are distributed among the different business segments.

IFRS 8 requires disclosure of assets and liabilities pertaining to one segment, if measurement is regularly provided to the decision-making body; however, with respect to the Group, the CEO evaluates only the performance of the operating segments based on an analysis of income, operating profit and assets, but not of each segment's liabilities.

Revenues reported by the Group represents revenue obtained from external clients, as no inter-segment sales are conducted.

27.1. Revenue and results per segment:

	December 31, 2018					
	Cable	Internet	Telephony	Corporate	Other (*)	Total consolidated
Revenue	$ 8,137,400	$ 6,079,926	$ 1,669,224	$ 3,447,788	$ 199,876	$ 19,534,214
Costs and expenses	5,585,032	4,172,903	1,145,657	2,366,359	137,183	13,407,134
Profit before other income	2,552,368	1,907,023	523,567	1,081,429	62,693	6,127,080
Other income	95,042	(43,364)	(120)	(3,453)	88	48,193
Operating profit	2,647,410	1,863,659	523,447	1,077,976	62,781	6,175,273
Financing costs, exchange fluctuation						(102,305)
Income tax						(1,354,219)
Consolidated net profit						4,718,74

	December 31, 2017					
	Cable	Internet	Telephony	Corporate	Other (*)	Total consolidated
Revenue	$ 7,458,498	$ 5,146,963	$ 1,647,161	$ 2,814,493	$ 170,980	$ 17,238,095
Costs and expenses	5,230,281	3,609,314	1,155,074	1,973,667	119,901	12,088,237
Profit before other income	2,228,217	1,537,649	492,087	840,826	51,079	5,149,858
Other income	86,975	1,959	(246)	953	6,014	95,655
Operating profit	2,315,192	1,539,608	491,841	841,779	57,093	5,245,513
Financing costs, exchange fluctuation						(1,960)
Income tax						(1,270,523)
Consolidated net profit						3,973,030

(*) The "Other" segment is mainly comprised of revenue from advertising, metrocarrier, megacanal, videorola, etc.

Presentation by the segments disclosed above is the same as that used by management in its periodic review processes of the Group's performance.

Taxes and financing costs are handled at the Group level and not within each of the segments reported. As a result, this information is not shown distributed in each of the segments reported. Operating profit is the key performance indicator for management, which is reported monthly to the CEO.

27.2 Other information by segments:

	December 31, 2018					
	Cable	Internet	Digital telephony	Corporate	Others	Total consolidated
Property, networks and equipment per segment	$ 18,735,777	$ 5,775,859	$ 724,974	$ 1,497,951	$ 389,898	$ 27,124,459
Net acquisitions for the year of property, networks and equipment	$ 4,990,632	$ 335,508	$ 45,300	$ 265,758	$ 192,386	$ 5,829,584
Depreciation of fixed assets	$ 2,130,100	$ 656,666	$ 82,423	$ 170,304	$ 44,328	$ 3,083,821

	December 31, 2017					
	Cable	Internet	Digital telephony	Corporate	Others	Total consolidated
Property, networks and equipment per segment	$ 16,988,089	$ 5,323,189	$ 684,910	$ 1,118,116	$ 264,390	$ 24,378,694
Net acquisitions for the year of property, networks and equipment	$ 2,634,116	$ 1,763,889	$ 34,148	$ 410,782	$ 139,859	$ 4,982,794
Depreciation of fixed assets	$ 1,655,407	$ 518,719	$ 66,741	$ 108,955	$ 25,763	$ 2,375,585

Some of the fixed assets included in the cable segment are also used in other segments, such as internet and telephone; however, the cost of these assets is assigned only to cable.

27.3 Information by geographic location:

a. Analysis of net revenue by geographic location:

Total services revenue

State	December 31, 2018	December 31, 2017
Jalisco	$ 2,348,304	$ 2,181,951
Mexico city	2,033,813	1,688,972
Sonora	1,953,968	1,780,468
Sinaloa	1,649,791	1,472,885
Puebla	1,574,197	1,369,749
Estado de México	1,540,293	1,291,531
Guanajuato	1,474,659	1,303,760
Michoacán	1,385,689	1,224,791
Veracruz	1,380,757	1,276,208
Durango and Coahuila	1,095,208	957,208
Querétaro	818,223	714,295
Chiapas	465,668	401,777
Nayarit	375,175	348,556
Baja California Sur	305,765	244,446
Colima	239,318	195,401
Oaxaca	237,555	197,631
Zacatecas	232,082	200,386
Nuevo Leon	108,341	65,795
Morelos	104,896	84,446
Guerrero	86,664	70,984
Chihuahua	44,625	33,744
Quintana Roo	34,921	94,010
Hidalgo	26,755	21,513
Tabasco	5,140	4,923
San Luis Potosí	4,217	4,357
Others	8,190	8,308
Total consolidated	$ 19,534,214	$ 17,238,095

State	Property, networks and equipment December 31, 2018	Property, networks and equipment December 31, 2017	Acquisitions of property, networks and equipment December 31, 2018	Acquisitions of property, networks and equipment December 31, 2017
Jalisco	$ 7,605,681	$ 6,806,161	$ 3,217,774	$ 2,151,127
Sonora	2,398,118	2,154,104	295,768	288,493
Sinaloa	1,897,534	1,731,389	249,449	265,482
Puebla	2,318,069	2,204,943	208,277	360,285
Veracruz	1,973,844	1,775,181	259,649	243,944
Estado de México / CDMX	2,317,123	1,992,062	363,576	432,118
Guanajuato	1,853,105	1,724,745	206,147	293,043
Durango and Coahuila	1,481,438	1,331,872	205,455	221,745
Michoacán	1,260,076	1,108,684	240,337	198,765
Querétaro	1,257,041	1,119,195	167,692	186,640
Chiapas	656,798	584,644	90,598	81,161
Colima	348,567	290,452	66,276	28,949
Baja California Sur	364,120	339,583	36,648	43,333
Oaxaca	325,915	290,927	43,926	22,276
Nayarit	354,777	310,072	60,873	69,539
Zacatecas	294,619	252,230	50,419	48,473
Guerrero	150,510	136,365	17,377	15,754
Morelos	113,265	91,350	24,992	12,026
Chihuahua	105,453	92,768	16,145	9,207
Others minors	48,406	41,967	8,206	10,434
Total consolidated	$ 27,124,459	$ 24,378,694	$ 5,829,584	$ 4,982,794

b. Analysis of revenue from services rendered to external clients per product:

	December 31, 2018		December 31, 2017	
Cable segment				
Cable Basic	$	3,560,399	$	3,321,146
Cable Lifeline		1,948,366		2,107,521
Cable Premier		2,435,312		1,809,508
Other services		193,323		220,323
Total cable segment	$	8,137,400	$	7,458,498
Internet segment				
High-speed residential internet	$	5,487,091	$	4,649,096
High-speed commercial internet		592,835		497,867
Total internet segment	$	6,079,926	$	5,146,963
Digital telephony segment				
Residential telephony	$	1,498,385	$	1,485,659
Commercial telephony		170,839		161,502
Total digital telephony segment	$	1,669,224	$	1,647,161

	December 31, 2018		December 31, 2017	
Corporate segment				
Metrocarrier	$	1,548,092	$	942,169
MCM		960,357		838,737
Hola		639,248		734,677
PCTV		300,091		298,910
		3,447,788		2,814,493
Other		199,876		170,980
Total corporate segment and others	$	3,647,664	$	2,985,473
Total consolidated	$	19,534,214	$	17,238,095

Note 28 - Authorization to issue consolidated financial statements:

Issuance of the consolidated financial statements and the notes thereto was authorized by Lic. Enrique Yamuni Robles (CEO) and C.P. Luis Antonio Zetter Zermeño (CFO) on April 25, 2019 for approval by the Audit Committee and the Board of Directors. These financial statements will be submitted at a Shareholders' Meeting for approval.

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