MEGACABLE

WITH SOLID STEPS

2019 ANNUAL REPORT

MEGACABLE 2019

21,615
million pesos
in revenues

3,934
million pesos in
Corporate Telecom Segment revenues

4,290
million pesos
in net income

62,210
network
kilometers

3,628,105
unique subscribers

3,097,628
subscribers in the
Internet segment

2,130,538
subscribers in the
telephony segment

3,224,798
subscribers in the
Video segment

8.5 million revenue
generating units (RGUs);
2.33 RGUs per unique
subscriber

21,262
employees; 7.3%
more with respect
to the previous year

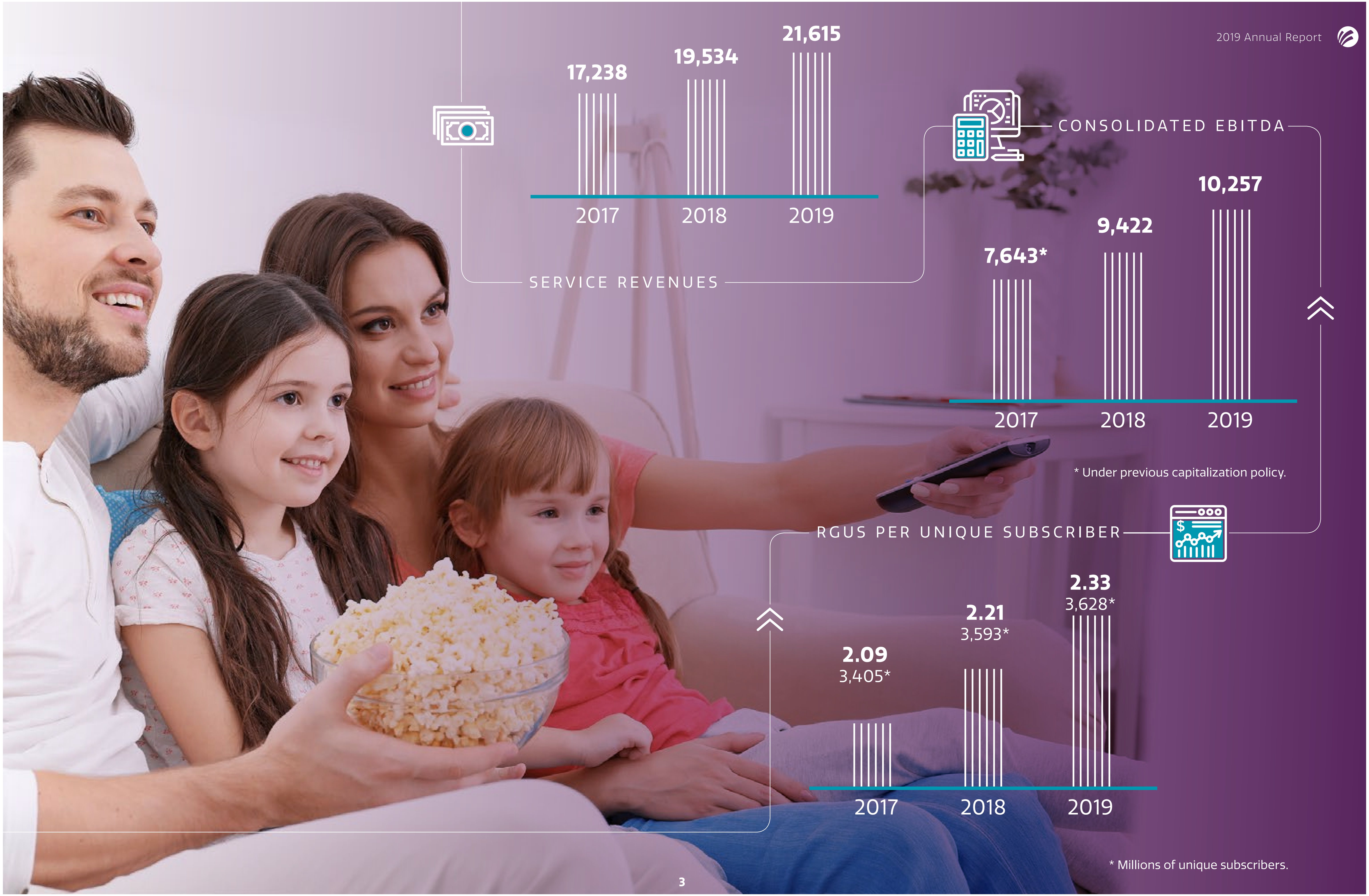
RESULTS HIGHLIGHTS

Figures in millions of pesos as of December 31, 2019.

Audited and Consolidated Financial Results	2019	2018	2019 vs 2018
Service Revenues	$21,615	$19,534	11%
Service Costs	$5,895	$5,044	17%
OPEX	$9,601	$8,363	15%
Consolidated EBITDA	$10,257	$9,422	9%
Consolidated EBITDA Margin	47.5%	48.2%	
Adjusted EBITDA for Cable Operations	$9,535	$8,920	6%
Adjusted EBITDA Margin for Cable Operations	49.7%	50.6%	
Net Profit (Controlling Interest)	$4,290	$4,542	(5%)
Total Assets	$43,243	$39,596	9%
Cash and Cash Equivalents	$2,210	$3,330	(34%)
Total Liabilities	$12,293	$10,955	13%
Stockholders' Equity	$30,950	$28,641	8%

Operating Results	2019	2018	2019 vs 2018
Homes Passed	8,836,675	8,427,917	5%
Network kilometers	62,210	58,819	6%
Two-way Network Percentage	98%	98%	
Video Subscribers	3,224,798	3,202,184	1%
Digital Video Subscribers	2,614,287	2,586,603	1%
Video Penetration Rate/Homes Passed	36.5%	38.0%	
HSD Internet Subscribers	3,097,628	2,942,403	5.3%
Penetration Rate/Video Subscribers	96.9%	91.9%	
Telephony Subscribers	2,130,538	1,812,881	17.5%
Penetration Rate/Video Subscribers	66.1%	56.6%	
Unique Subscribers	3,628,105	3,593,392	1%
Revenue Generating Units	8,452,963	7,957,468	6%
RGUs per unique Subscriber	2.33	2.21	5%

Soundness of strategy


17,238
19,534
21,615
2017
2018
2019
SERVICE REVENUES
CONSOLIDATED EBITDA
7,643*
9,422
10,257
2017
2018
2019
* Under previous capitalization policy.
RGUS PER UNIQUE SUBSCRIBER
2.09
3,405*
2.21
3,593*
2.33
3,628*
2017
2018
2019
* Millions of unique subscribers.

FINANCIAL RESULTS PER SEGMENT

Figures in millions of pesos as of December 31, 2019

cable

INCOME

2018 $8,137

2019 **$8,962**

internet

INCOME

2018 $6,080

2019 **$6,622**

telephony

INCOME

2018 $1,669

2019 **$1,599**

Corporate Segment

Metrocarrier

INCOME

2018 $1,548

2019 **$1,838**

MCM

INCOME

2018 $960

2019 **$1,047**

Ho1a

INCOME

2018 $639

2019 **$1,049**

PCTV

INCOME

2018 $300

2019 **$322**

LETTER FROM THE CHAIRMAN OF THE BOARD

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

Dear Shareholders:

For Megacable, 2019 was a year of surmounting challenges largely due to the country's economic recession, which was reflected in the negative growth of the GDP during the year and had a strong impact on the growth of the markets in which we participate in the Video, Internet and Telephony segments.

To overcome these challenges, we worked on the design and implementation of new strategies, focusing on improving ARPU and achieving a more stable subscriber base; this allowed us to achieve positive results while retaining our leading status and the highest margins in the industry.

Our positive results have been made possible by a number of factors which include: our ability to adapt to market demand, the new video platforms we have developed and implemented in line with the evolution of how subscribers view content, and our decision to efficiently adopt new technologies to meet the demand for higher Internet speeds. We have demonstrated, once again, that we are a company capable of adapting to the challenges of the marketplace in order to grow both operationally and financially.

Our next generation platform, Xview, was launched in 2017 and continues to be a great success. In 2019 we continued to improve this service by adding new content through a greater number of partner agreements in order to offer more available hours, increasing the number of views and improving the platform's contribution to the Company's revenues. In 2020, we will continue to work on the next generation of Xview powered by Android TV, a platform that promises to be a decisive step in terms of product differentiation from other options in the market, allowing us to continue to attract subscribers.

WITH THE STRATEGIES IMPLEMENTED IN THE THREE MASS MARKET SEGMENTS WE ACHIEVED HEALTHY MARGINS, MAINTAINING OUR POSITION IN THE MARKET.

In the corporate market, we have sustained growth in both connectivity solutions and infrastructure and innovation products, and very significantly in security services. At the end of 2019 we completed the construction of our Data Center, which will strengthen our offer of key services and upgrades in the coming years. Moreover, during the year we strengthened our infrastructure through the expansion of our network, building new routes with the aim of providing a better service.

In November, we launched a new FTTH (Fiber To The Home) infrastructure construction project with GPON (Giga Passive Optical Network) technology to be deployed in the main cities where we are present.

DURING 2019 WE CONTINUED THE OPTIMIZATION OF OUR XVIEW PLATFORM.

We estimate that in approximately two years we will complete the migration of subscribers whose service is currently through HFC (Hybrid Fiber and Coaxial) to the new network. It is important to mention that the HFC equipment will be reused in other locations allowing us to increase our bandwidth capacity in all the regions in which we operate.

In addition, at the end of November we started our mobile virtual operator service with very competitive rates and packages which have been very well accepted by the market.

Our aim is to continue being one of the most important players in telecommunications in Mexico and a benchmark for the efficient evolution of networks towards new technologies. This will allow us to continue offering high quality products and services which, together with our focus on customer service, will guarantee that we will remain in the preference of our subscribers while continuing to generate value for our shareholders. To our investors, management team, Board of Directors, and our more than 21 thousand employees, my deepest appreciation for your support and commitment in a difficult year in which, thanks to your hard work and effort, we achieved the results that allowed us to continue being the leading company in the cities in which we are present.

Francisco Javier R. Bours Castelo
CHAIRMAN OF THE BOARD

Manuel Urquijo Beltrán
SECRETARY OF THE BOARD

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 pleased to present the results of Megacable in 2019; a year in which we have once again demonstrated our capacity to manage and adapt to market challenges, which on this occasion came in the form of a marked economic slowdown on a national level and a negative rate of GDP growth, which affected consumption levels and the purchasing power of the markets in which we participate.

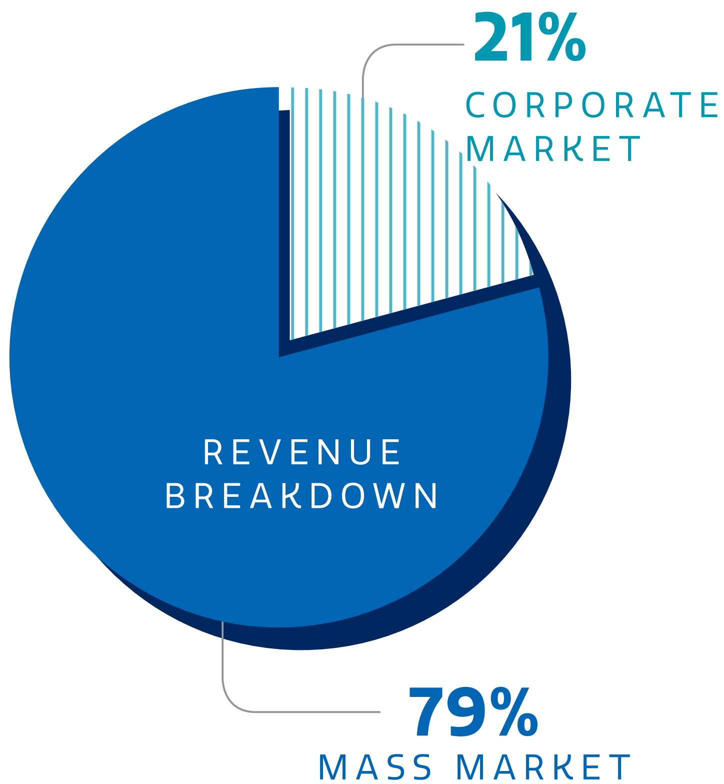
Despite the difficult economic outlook, and thanks to our successful business strategy, we managed to meet the challenges, achieving positive growth in both financial and operational results in all three of our mass market services. In addition, it was a year of consolidation of projects that will be realized in 2020.

We continued to work on our competitive advantages: innovation and technology. Throughout 2019 we strengthened our infrastructure by expanding the network beyond market demand, and adding kilometers of fiber with new alternate and proprietary routes in order to deliver better services to the markets we serve.

Regarding unique subscribers, in 2019 we reached a total of 3,628,105, while revenue-generating units (RGUs) grew to more than 8.4 million, an increase of 6% compared to the previous year, resulting in 2.33 per unique subscriber. The Video, Internet and Telephony segments showed an increase of 1%, 5% and 18%, respectively.

In 2019, we achieved a single ARPU per subscriber of Ps. 410.3, a growth of 6%, driven by increased revenue-generating units, rate adjustments for existing customers, and the contribution of additional services. Moreover, we sustained our profit margins within the best ranges in the industry, making us one of the most profitable and efficient companies.

With respect to the Company's financial results, we reached our projected revenue target for 2019, which grew 11% compared to the previous year to reach Ps. 21,615 million. Consolidated EBITDA reached Ps. 10,257 million, an increase of 9% compared to 2018 at a margin of 47.5%, while EBITDA for cable operations was Ps. 9,535 million, an increase of 7% compared to 2018 at a margin of 49.7%.



WE ACTIVATED NEW METROPOLITAN RINGS IN THE BAJIO REGION AND A NEW ONE TOWARDS THE BORDER

In terms of CAPEX, we invested a total of Ps. 6,535 million in 2019, which represented 30.2% of our 2019 revenues, in line with the target for this period.

We activated new rings in the Bajio region, from Guadalajara to Veracruz, passing through Leon, Queretaro, Toluca and Morelia and reaching Puebla, as well as new fiber routes to the border city of McAllen, crossing Saltillo and Monterrey, which together with our more than 400 hubs and sites, makes us one of the main infrastructure and telecommunications network operators in Mexico.

In 2019 we began installing a submarine cable in the region of Baja California that will connect the peninsula with the rest of the country, providing video, voice and high capacity data, services that are currently limited. The construction phase is almost finished, so we will be starting its operation in the first months of 2020. This will bring great benefits to the region thanks to a significant improvement in Internet access speeds, as well as savings for Megacable and better prices for our subscribers in Baja California.

BREAKDOWN BY BUSINESS SEGMENT

VIDEO

At the end of 2019, the Video segment grew by 1% (23 thousand net adds) closing the period with a total of 3,224,798 subscribers. Segment revenues increased 10% to close at Ps. 8.962 billion, while service ARPU grew 8% compared to the end of 2018.

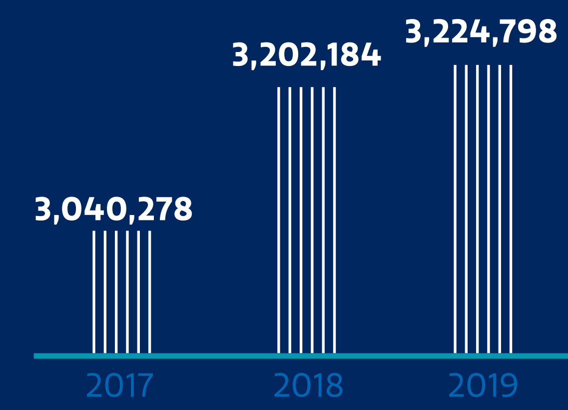
WE REACHED MORE THAN 3.2 MILLION SUBSCRIBERS IN THE VIDEO SEGMENT; 1% MORE THAN IN FY 2018.

The Xview platform continued to attract subscribers with great success, registering 384 thousand net additions during the year and a total of 827 thousand subscribers, representing an 87% growth over the previous year.

We are currently developing the second generation of our Xview platform, which will include all the functionality of the Android TV platform and is expected to be launched in the second half of 2020. In addition, we are entering into additional agreements with various partners to make more time available on the platform.

We are confident that this new upgrade will complement our goal of providing a better experience for our subscribers, as they will no longer need to be connected to different platforms to view content, but will instead have recommendations on the best content available on the platforms provided by our search engine.

VIDEO SUBSCRIBERS



INTERNET

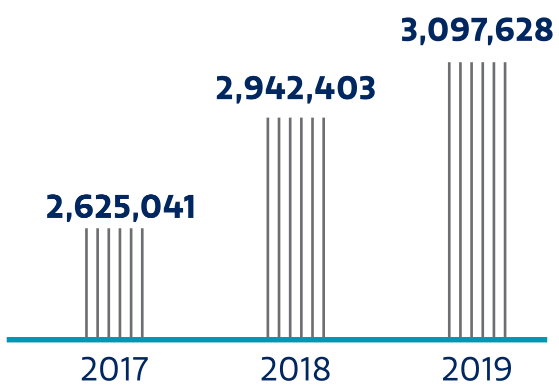
At the close of 2019, we reached a total of 3,097,628 subscribers, representing 155 thousand net additions or a 5% growth, while annual revenues for this service reached Ps. 6,622 million, a 9% increase compared to 2018. Finally, Internet ARPU grew 8% at the end of the period.

Innovation and quality of service continue to be a hallmark of our cable segment. Thus, in 2019 we began to offer bundles with speeds of 350 megabytes, 500 megabytes and up to 1 gigabyte to the residential market, responding to market demand for greater bandwidth capacity.

Internet service will become the cornerstone for telecommunications bundling in the future, so Megacable has ensured that its network is on par with the evolution of the way content is consumed, continuously investing in its infrastructure and in new technologies to guarantee a better user experience.

We reached nearly
3.1 MILLION
subscribers in the Internet segment, an increase of
5.2%
over the previous year.

INTERNET SUBSCRIBERS



TELEPHONY

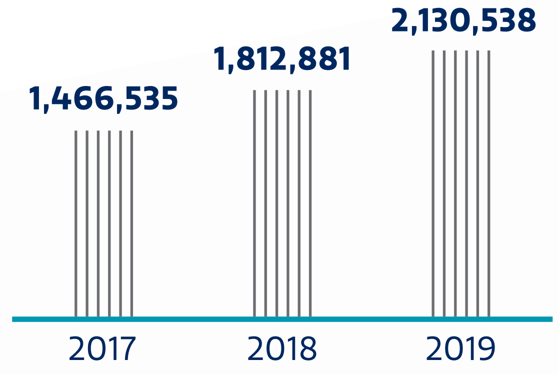
The number of subscribers in this segment registered a growth of 18%, reaching 2,130,538; that is, 318 thousand net additions in comparison with 2018.

The revenue of the Telephony segment had a 4% decrease in the year; this was due to the update of the revenue allocation policy implemented as of 2019 intended to better reflect the value given to this service in the market. As a result, ARPU per service decreased by 3% compared to the previous year.

Our product mix reached 52% of the triple-play subscriber base compared to 44% the previous year, again as a result of our successful bundling strategy.

It is worth mentioning that at the end of 2019, we successfully launched a new Mobile service offering. The first results of our MVNO service with Altán are expected in 2020.

TELEPHONY SUBSCRIBERS



We achieved
318 THOUSAND
net adds in the Telephony sector, reaching more than
2.1 million
subscribers: 17.5% increase over last year's results.

TELECOM CORPORATE SEGMENT

Revenues for the Corporate Telecom segment were Ps. 3,934 million, showing an annual growth of 25% compared to 2018, as a result of the strong performance of Ho1a, Metrocarrier and MCM, which all grew 64%, 19% and 9%, respectively.

The synergies between Ho1a and Metrocarrier continue to be the driving force behind the growth of the Corporate segment and are complemented by the investment in infrastructure.

We are confident that we are on the right track regarding our investment project in Mexico for the acquisition of subscriber terminal equipment and kilometer construction. These investments will help us to improve our network capacity and will allow us to make significant savings in network maintenance and operation in the short term.

Our business partners are an important part of Megacable's success, so in 2019 we increased the cities we cover with our MegaTEC tour. Throughout the tour we held events in the most important cities of the country and invited our technological partners to present our solutions to the most important companies and the government sector. In 2020, the tour will arrive in Baja California as part of the inauguration of our submarine cable service.

More than

$4.3

billion pesos of revenue in the Corporate Telecom Segment in 2019.

More than

21,262

employees

In the field of employment there are four guidelines that govern the actions of Megacable: attracting the best talent, increasing staff retention, training employees in a culture of service and having a more efficient organization.

Our team of more than 21,262 employees has been fundamental to the success of the company; for this reason we maintain a human capital development and training program for both administrative and operational personnel focused on certification in the use of the technologies on which we rely. We also provide constant safety training to our service technicians; to this end we have a Training Policy and an ambitious program that includes not only work skills, but also family and personal development.

We remain committed to striving for excellence in our services to generate value for our shareholders, collaborators, and clients, and to be a more profitable company for our investors.

I wish to convey my most heartfelt thanks to our Board of Directors and Management Team for their constant support in achieving our goals and success, to our shareholders, suppliers and customers for the trust they have placed in us, and to our collaborators, who are the driving force behind our Company.

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER
Manuel Urquijo Beltrán
SECRETARY OF THE BOARD

CORPORATE INFORMATION

MEGACABLE, A RESPONSIBLE COMPANY

MISSION
Provide entertainment, telecommunications, logistics, business and residential solutions that exceed customer expectations.

VISION
To be the best telecommunications company in Mexico.

VALUES
- Honesty
- Work commitment
- Service attitude
- Respect for the individual
- Efficient use of resources
- Loyalty

Code of Ethics

In 2019, we began updating our Code of Ethics, which is applicable to collaborators and suppliers; it governs the conduct within and without the Company and includes the commitment that we, as an organization and as individuals, must maintain with third parties, be they suppliers, customers, society or government. Likewise, we have a number of policies related to non-discrimination, conflict of interest, anti-corruption, gender equity, and inclusion, among other matters that establish the guidelines by which the Company is governed.

Additionally, we have a Purchase Committee, which is comprised of the Director of Administration and Finance, the Purchase Corporate Manager, and the Internal Audit Corporate Manager. This body was created to ensure that all procurement processes are carried out by means of a fair and transparent tender, and under the same conditions for each participant, thereby obtaining the best results for the Company in terms of price, quality and service.

Quality Policy

To provide convergent video, voice and data services that exceed customer expectations through the use of state-of-the-art technology. To permanently seek the development of human talent and the implementation of a culture of continuous improvement.

Anti-corruption Culture

We continuously promote among our collaborators behavior and culture based on the highest ethical standards, as well as full compliance with applicable laws such as the National Anti-Corruption System. As part of these efforts, in 2019 we finalized the development of our Anti-Corruption Policy, thereby reinforcing and formalizing our policies and values. In addition, we have an anonymous complaint channel for reporting via e-mail any violation or breach of the Company's values; these are addressed and resolved jointly by the General Management, Human Resources and Internal Audit areas.

Social Responsibility

At Megacable, we seek to positively impact the quality of life of our employees and their families. This, together with our training programs, has helped us to become a more competitive company and to extend the permanence of our collaborators in the Company.

With this in mind we offer them various benefits grouped as follows:

WE SEEK TO POSITIVELY IMPACT THE QUALITY OF LIFE OF OUR EMPLOYEES AND THEIR FAMILIES.

QUALITY OF LIFE

- Ongoing training and certification programs through agreements with major companies in our industry as well as with educational institutions
- "Shared Responsibility" program with INFONAVIT which helps employees who have a loan from the Institute to reduce their debt.
- Various employee development programs, not only for professional development, but also for personal development.
- Catalog of Benefits with more than 145 current agreements that offer discounts for hotels, educational services, food, health, fashion, sports, entertainment, and transportation, among other services.
- Events, gatherings and competitions (Mother's and Father's Day; tickets for different events, etc.).
- Harmonization of spaces aimed at having better, more user-friendly facilities.
- Entertainment tournaments (football, bowling, basketball, baseball, etc.).
- Deployment of ATMs at offices nationwide.

HEALTH AND SAFETY

- Joint campaign with PREVENIMSS, including visits to our offices and work centers to apply vaccines, conduct diabetes, blood pressure and cholesterol studies, and monitor weight, among other activities.
- Visual health campaigns.
- Blood donation drives.
- Campaigns against various diseases, such as dengue.
- Water filters at all our facilities with constant monitoring to ensure that there is no contamination of the resource.
- Promotion of sports for employees and their children through the organization of events, sports courses and cross-corporate tournaments.
- Continuous communication program on safety issues.

We are a company that values the effort, good actions and professionalism of its collaborators. For this reason we award recognitions for good performance and seniority.

We systematically hold informative meetings for the staff as well as video communications with important corporate news and messages.

THE ENVIRONMENT

Megacable is also concerned with the care of natural resources and fosters the conservation of the environment. To this end, we carry out several annual and permanent campaigns, which include:

- Paper collection and recycling campaign in partnership with recycling companies.
- "Life Without Plastic" campaign, through which Megacable says goodbye to single-use plastic, eliminating the use of bottles of this material, while encouraging employees to use metal or polycarbonate containers.
- The "United Against Cancer" campaign, which consists of collecting and selling PET bottle caps of containers found in offices. The proceeds are used entirely to benefit children with cancer.
- Campaign for the sustainable disposal of batteries; these are collected and sent to a hazardous waste management company in order to reduce the impact and risk associated with them.

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 R. Bours Castelo
CHAIRMAN OF THE BOARD

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Manuel Urquijo Beltrán
SECRETARY OF THE BOARD

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 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
CHIEF EXECUTIVE OFFICER

Raymundo Fernández
DEPUTY GENERAL DIRECTOR

Luis Antonio Zetter
CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018
(WITH STATUTORY INDEPENDENT AUDITORS' REPORT THEREON)
(Translation from Spanish Original Language)

MEGACABLE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Megacable Holdings, S.A.B. de C.V.
(In thousands of Mexican Pesos)

(Translation from Spanish Language Original)

Opinion

We have audited the consolidated financial statements of Megacable Holdings, S.A.B. de C.V. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, changes in stockholders´ equity, and cash flows for the year then ended, and notes, including a summary of significant accounting policies, and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our ethical responsibilities in accordance with these requirements. 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 (KAM) 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.

Evaluation of the goodwill impairment test

See note 10 to the consolidated financial statements

+ The Key Audit Matter

As mentioned in note 10 to the consolidated financial statements, the goodwill balance as at December 31, 2019 was $4,378,397, of which $4,054,576 corresponded to the following Cash Generating Units (CGU): $1,242,205 to the Bajío CGU; $1,104,865 to the Central CGU; $693,805 to the Southeast CGU; $429,492 to the Pacific CGU; $318,640 to the Michoacán CGU; and $265,569 to the Western CGU. The goodwill balance represented 10.1% of the Group's total consolidated assets as at December 31, 2019.

We have identified the goodwill impairment test evaluation of these six CGUs as a key matter in our audit because of the high level of subjectivity involved in the estimated fair value. Specifically, the long-term growth rate and discount rate assumptions used to calculate the fair value of the CGUs are complex, and any minor change to these assumptions represents a significant impact on the Group's discounted cash flow projections.

+ How our matter was addressed in our audit

The main procedures we performed to address this key audit matter included the following:

We performed a sensitivity analysis on the long-term growth rate and discount rate assumptions to assess their impact on determining the fair value of the CGUs mentioned above.

We evaluated the long-term growth rates projected by the Group for these CGUs, comparing the growth assumptions with publicly available information.

We compared the Group's historical cash flow projections with current results to assess the Group's ability to make projections. We also involved our valuation specialists, who assisted us with:

– Evaluating the discount rate used in the valuation, when comparing it with a range of discount rates that were determined independently using public information available for comparable entities; and

– Calculating the fair value of the CGUs mentioned above, using the Group's cash flow projections and determining a discount rate independently, and compare the results of our estimates with the fair value estimates determined by the Group.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended December 31, 2019, which must be submitted to the National Banking and Securities Commission and the Mexican Stock Exchange ("the Annual Report") but does not include the consolidated financial statements and our auditor's report thereon. We expect that the Annual Report will be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information as 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.

If, when we read the Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those responsible for the entity's governance.

Responsibilities of Management and those Charged with Governance of the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 Group'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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 Group'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, we conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

We also provide those charged with governance of the entity with a statement that we have complied with the relevant ethical requirements regarding independence and that we have informed them of all relationships and other matters that can reasonably be expected to affect our independence and, where appropriate, the corresponding 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 auditors' 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.

Other matters

The consolidated financial statements of Megacable Holdings, S.A.B. de C.V. and subsidiaries as at December 31, 2018 and for the year ended on that date, were audited by other auditors, who on April 26, 2019, issued an unqualified opinion on those financial statements.

KPMG Cárdenas Dosal, S. C.

Jorge O. Pérez Zermeño
AUDIT PARTNER

Guadalajara, Jalisco
April 23, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019 and 2018 | (Thousands of Mexican pesos)

These financial statements have been translated from spanish, the original lenguage, for the convenience of foreign/English-speaking readers

	Note	2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents	5	$ 2,210,065	3,330,216
Accounts receivable, net	6	1,858,819	1,772,758
Value added tax and others		755,212	408,995
Inventories, net	7	643,311	603,100
Prepayments		208,429	195,665
Total current assets		5,675,836	6,310,734
Non-current assets:			
Property, networks and equipment, net	9	29,459,866	27,124,459
Right-of-use assets	16	1,715,658	-
Related parties	24	1,151,542	1,185,076
Goodwill, net	10	4,378,397	4,378,397
Other intangible assets, net	11	231,906	71,248
Joint venture investments	8	-	-
Deferred income tax	19	-	5,183
Other assets	25	629,562	520,786
Total non-current assets		37,566,931	33,285,149
Total assets		43,242,767	39,595,883

	Note	2019	2018
LIABILITIES			
Current liabilities:			
Banknotes payable	13	79,922	3,778,569
Current portion of lease liabilities	16	132,652	-
Suppliers		1,436,412	1,913,552
Other accounts payable and accrued liabilities	14	916,060	980,445
Income tax		-	1,002,684
Related parties	24	275,534	412,321
Total current liabilities		2,840,580	8,087,571
Non-current liabilities:			
Banknotes payable	13	6,427,847	124,782
Long-term lease liabilities, net of current portion	16	266,963	-
Related parties	24	735,400	661,561
Employee benefits	15	277,707	226,163
Deferred income tax	19	1,744,334	1,855,185
Total non-current liabilities		9,452,251	2,867,691
Total liabilities		12,292,831	10,955,262
EQUITY			
Controlling interest:	17		
Capital stock		910,244	910,244
Additional paid in capital		2,117,560	2,117,560
Reserve for the repurchase of shares		272,712	294,612
Retained earnings		25,836,106	23,462,826
Legal reserve		492,412	488,832
Other comprehensive income		(16,391)	21,520
Controlling interest		29,612,643	27,295,594
Non-controlling interest		1,337,293	1,345,027
Total equity		30,949,936	28,640,621
Total liabilities and equity		$ 43,242,767	39,595,883

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

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Luis Antonio Zetter Zermeño
CHIEF FINANCE AND ADMINISTRATION OFFICER

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

Years ended December 31, 2019 and 2018 | (Thousands of Mexican pesos)

These financial statements have been translated from spanish, the original lenguage, for the convenience of foreign/English-speaking readers

	Note	2019	2018
Service revenues	27	$ 21,615,210	19,534,214
Cost of services	20 and 27	9,661,093	7,819,383
Gross profit		11,954,117	11,714,831
Selling expenses	20 and 27	5,320,187	5,116,426
Administrative expenses	20 and 27	514,132	471,325
Other income, net	21 and 27	43,260	48,193
Operating income		6,163,058	6,175,273
Finance income	22 and 24	311,086	341,827
Finance costs	22 and 24	(700,938)	(444,132)
Finance costs, net		(389,852)	(102,305)
Share of profits in joint ventures	8	-	-
Income before income tax		5,773,206	6,072,968
Income tax	19	(1,320,611)	(1,354,219)
Net profit		4,452,595	4,718,749

	Note	2019	2018
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations		(18,184)	15,672
Comprehensive income, net		4,434,411	4,734,421
Net income attributable to:			
Company shareholders		4,290,211	4,541,941
Non-controlling interest		162,384	176,808
Net profit		4,452,595	4,718,749
Comprehensive income attributable to:			
Company shareholders		4,272,027	4,557,613
Non-controlling interest		162,384	176,808
Comprehensive income		$ 4,434,411	4,734,421
Basic and diluted earnings per share:			
Attributable earnings per common share of the controlling interest	18	2.49	2.65
Profit per Ordinary Share Certificate (CPO)	18	4.98	5.31

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

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Luis Antonio Zetter Zermeño
CHIEF FINANCE AND ADMINISTRATION OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS´ EQUITY

Years ended December 31, 2019 and 2018 | (Thousands of Mexican pesos)

These financial statements have been translated from spanish, the original lenguage, for the convenience of foreign/English-speaking readers

	Note 17	Share capital	Net premium on placement of shares	Provision for repurchase of shares	Retained earnings	Legal reserve	Other comprehensive income	Total controlling interest of share capital	Non-controlling interest	Total equity
Balance at January 1, 2018		$ 910,244	2,117,560	272,789	20,833,016	488,832	5,848	24,628,289	1,152,256	25,780,545
Purchase and sale of own shares		–	–	21,823	–	–	–	21,823	–	21,823
Acquisition of minority share Ho1a		–	–	–	(383,316)	–	–	(383,316)	(49,117)	(432,433)
Minority shareholder contributions		–	–	–	–	–	–	–	126,030	126,030
Dividends		–	–	–	(1,531,087)	–	–	(1,531,087)	(60,950)	(1,592,037)
Net effect of adopting new standards (IFRS 15)		–	–	–	2,272	–	–	2,272	–	2,272
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
Charges to the legal reserve		–	–	–	(3,580)	3,580	–	–	–	–
Purchase and sale of own shares		–	–	(21,900)	(58,530)	–	–	(80,430)	–	(80,430)
Redemption of minority shareholders		–	–	–	–	–	–	–	(126,218)	(126,218)
Dividends		–	–	–	(1,874,548)	–	–	(1,874,548)	(43,900)	(1,918,448)
Ori effect of IAS 19		–	–	–	19,727	–	(19,727)	–	–	–
Comprehensive income		–	–	–	4,290,211	–	(18,184)	4,272,027	162,384	4,434,411
Balance at December 31, 2019		**$ 910,244**	**2,117,560**	**272,712**	**25,836,106**	**492,412**	**(16,391)**	**29,612,643**	**1,337,293**	**30,949,936**

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

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Luis Antonio Zetter Zermeño
CHIEF FINANCE AND ADMINISTRATION OFFICER

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31 2019 and 2018 | (Thousands of Mexican pesos)

These financial statements have been translated from spanish, the original lenguage, for the convenience of foreign/English-speaking readers

	2019	2018
Operating activities:		
Net profit	$ 4,452,595	4,718,749
Items related to investment activities:		
Allowance for credit losses	53,639	53,725
Depreciation	3,561,523	3,083,821
Depreciation of leases	302,925	-
Amortization	272,257	211,022
Loss on sale of property, system, and equipment	14,448	5,263
Interest income	(311,086)	(341,827)
Allowance for obsolete inventories	11,717	6,410
Income tax	1,320,611	1,354,219
Items related to financing activities:		
Interest expense	661,807	426,119
Unrealized exchange rate fluctuations	2,290	18,013
Subtotal	10,342,726	9,535,514
Changes in working capital:		
Accounts receivable	(141,806)	(660,775)
(Increase) decrease in value added tax and others	(346,217)	204,878
(Decrease) increase in related parties, net	247,077	521,658
Increase in inventories	(51,928)	(182,550)
(Increase) decrease in prepayments	(12,764)	76,923
Increase in other assets	-	(1,275)
Decrease in suppliers	(468,893)	(369,406)
(Decrease) increase in other accounts payable	(39,264)	200,788
Employee benefits	51,544	7,235
Net cash flows from operating activities	9,580,475	9,332,990
Paid employee profit-sharing	(24,676)	(13,902)
Income tax	(2,428,963)	(1,123,490)
Net cash from operating activities	7,126,836	8,195,598

	2019	2018
Investing activities:		
Amounts collected on loans to related parties	162,688	98,872
Proceeds from the sale of property, networks, and equipment	12,217	-
Acquisition of machinery, furniture, and equipment	(7,220,855)	(5,348,933)
Lease acquisitions	(155,550)	-
Other non-current assets	30,227	(338,262)
Decrease in intangible assets	(166,184)	42,411
Acquisition of intangible	(266,731)	-
Contribution to other permanent investments	(139,738)	-
Acquisition of the minority interest in the subsidiary Ho1a	-	(432,433)
Interest income	309,311	341,827
Net cash flows from investing activities	(7,434,615)	(5,636,518)
Financing activities:		
Bank loans received	6,415,109	-
Loans granted to related parties	(194,447)	(208,784)
Repayment of bank loans	(3,808,716)	(123,730)
Payment of finance lease liabilities	(242,957)	(212,146)
Payment of lease liabilities	(166,158)	-
Dividend payments	(1,918,448)	(1,592,037)
Minority shareholder redemptions	(144,402)	-
Minority shareholder contributions	-	126,030
Purchase and sale of own shares	(80,430)	21,823
Interest expense	(661,807)	(426,119)
Net cash flows from financing activities	(802,256)	(2,414,963)
(Net decrease) net increase in cash and cash equivalents	(1,110,035)	144,117
Cash and cash equivalents:		
At the beginning of the year	3,330,216	3,167,661
Unrealized exchange fluctuation of cash and cash equivalents	(10,116)	18,438
At the end of the year	$ 2,210,065	3,330,216

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

Enrique Yamuni Robles
CHIEF EXECUTIVE OFFICER

Luis Antonio Zetter Zermeño
CHIEF FINANCE AND ADMINISTRATION OFFICER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018
(Thousands of Mexican Pesos)

(1) GROUP INFORMATION -

Megacable Holdings, S.A.B. de C.V. (the "Company" or "Group") is a variable capital company incorporated under Mexican law, as well as its subsidiary Mega Cable, S.A. de C.V. (Mega Cable). The Group is controlled indirectly by the Bours and Mazón Families and the Trust held with Mexican development bank Nacional Financiera, S.N.C. The subsidiary Mega Cable also controls a group of companies engaged in the installation, operation, maintenance, and use of Public Telecommunications networks that distribute cable television, internet and telephone signal systems, and business solutions provided for the business segment. The Group is listed on the Mexican Stock Exchange and has a presence in more than 26 states across Mexico. The Group has determined that its normal cycle of operations starts on January 1 and ends on December 31 of each year.

The Group's headquarters are located at Av. Lázaro Cárdenas 1694, Col. Del Fresno, Zip Code 44900 in Guadalajara, Jalisco, Mexico.

The accompanying consolidated financial statements include the Group's figures, including joint ventures and associates, as at December 31, 2019 and 2018, in which the Group exercises significant influence and control, respectively. (See Note 2b)

Telecommunications Reform

On June 11, 2013, the Official Gazette of the Federation published the Decree reforming and adding various provisions to Articles 6, 7, 27, 28, 73, 78, 95, and 105 of the Mexican Constitution regarding "Telecommunications," which establishes the obligation for Congress to issue the single Legal Order on regulatory convergence for the use, operation, and exploitation of the radioelectric spectrum, telecommunications networks, as well as the provision of broadcasting and telecommunication services.

The Federal Telecommunications Institute (IFT or "Institute") was created on September 10, 2013, and the Decree issuing the Federal Telecommunications and Broadcasting Act (the "Law") was published in the Official Gazette of the Federation on July 14, 2014, along with the amendment and repeal of various Telecommunications and Broadcasting provisions. The Decree entered into force on August 13, 2014.

In compliance with the Eighth Transitory Article, Section III of the constitutional amendments decree, the IFT Plenary in its V Extraordinary Meeting approved the resolution on preponderance and established various measures for the Preponderant Economic Agents (PEA) in the telecommunications and broadcasting sectors, respectively, to keep from affecting free trade and competition, through Agreement P/IFT/EXT/060314/76, which affected the Group with the corresponding measure and asymmetric interconnection charges for calls ending in the network of the PEA in telecommunication services TELCEL/TELMEX/TELNOR.

In accordance with the resolutions on preponderance and the Law, the IFT Plenary has adopted various General Administrative Provisions and resolutions, including the Minimum Technical Conditions and Cost Models used to determine the interconnection rates annually since 2015, the latest of which applied to financial year 2020, the Reference Offers of the Preponderant Economic Agent in the Telecommunications Sector, which include Wholesale Dedicated Link Services, Infrastructure Sharing and Local Loop Unbundling, including the biennial review of the measures imposed and the approval of various models of costs that allow determining the prices for Dedicated Links services, unbundling and infrastructure sharing, which have given effective tools to MEGA CABLE to dispute rate improvements in the services offered as well as the use of the available infrastructure of TELMEX and TELNOR.

Also, in January 2016, MEGA CABLE was granted a sole concession title for national coverage, for a 30-year term, enabling the Group to provide any type of telecommunications services with the technical feasibility permitted by its infrastructure (limited only to having to request the radio spectrum required, as appropriate) anywhere in Mexico. This model establishes the corresponding obligations such as, registering the services that it intends to provide; providing information on its passive and active infrastructure; broadcasting media and rights of way; coverage programs and investment, quality, and coverage commitments; non-discrimination; establishing and publishing its Code of Business Practices; provide parental control for programming aimed at children and adolescents; provide information to the IFT allowing it to inspect its premises; and submit audited financial statements.

Legal Framework - Regulatory Interconnection of Networks with Other Operators 2019

Since 2015, the dispute over interconnection rates has been performed mechanically and with prior knowledge of the terms of the resolution issued by the IFT, since in the last quarter of each year, the Institute publishes the interconnection rates to be applied the following year. Therefore, the applicable rates were interconnection disagreements between operators were established during 2019 and 2018:

Operators Other Than Preponderant Operators

Line item	2019 Rate	2018 Rate
For termination of local service to mobile users under the "caller pays" modality	$ 0.112623	0.112799
For termination of short messages by mobile users	$ 0.015379	0.017355
For termination of local service used by fixed users	$ 0.003360	0.002836
For termination of short messages by fixed users	$ 0.012370	0.016082
For origination services for local service by fixed users	$ N/A	N/A
For transit services	$ N/A	N/A

In 2019, the obligation that TELCEL/TELMEX/TELNOR as part of the PEA should no longer charge the Group for the termination services on the network of said Preponderant Economic Agent was no longer in effect; however, the asymmetric rates continued to prevail.

Therefore, for the year 2019 in relation to 2018, the following Interconnection rates with the PEA applied:

Line item	2019 Rate	2018 Rate
For termination of local service to mobile users under the "caller pays" modality	$ 0.028313	0.028562
For termination of short messages by mobile users	$ 0.009241	0.007269
For origination services for local service by fixed users	$ 0.003535	0.003092
*For Fixed Network transit services (Telmex/Telnor)	$ N/A	0.003809
For transit services on mobile networks	$ 0.001551	N/A*
For termination of local service used by fixed users	$ 0.003151	N/A
For fixed network transit services	$ 0.004465	N/A*

The operators that asked the IFT to resolve disputes regarding interconnection rates for 2019 with MEGA CABLE were:

TELMEX-TELNOR, TELCEL, AXTEL-AVANTEL, MARCATEL, MAXCOM, TALKTEL, COMUNÍCALO, and VINOC

These disputes related to obtaining the interconnection charges are based on Article 129 of the Law, which establishes that no later than by July 15 of each year, the concessionaires must file with the Institute, the dispute corresponding to the interconnection charges applicable to the following year. Should they fail to do so, they will not be able to apply the charges under the resolution the following year.

The Institute ruled on the applicable rates for 2019 based on the cost models used to determine the restatement, taking into account the information regarding the demand for services, the price of the supplies used, the Weighted Average Cost of Capital, the exchange rate and the 2019 inflation forecast, which affected the Group as a consequence of the economic increase in the interconnection considerations paid by MEGA CABLE for operators who disputed said rates for that year, as established in the preceding paragraph, since the latter ends a larger number of minutes in the networks owned by other concessionaires given its large number of subscribers. The impact mentioned above will depend on the number of monthly minutes that MEGA CABLE ends in the network of each concessionaire during 2019. That does not represent significant changes in terms of income or expenses among operators other than the PEA due to the marginal cost of termination fees. As for the PEA, the termination rate continued to be free of charge.

MEGA CABLE asked the Telecommunications operators listed below to negotiate new interconnection conditions and also negotiated interconnection disagreements for 2019 with the IFT for this same list of operators and signed Interconnection Agreements in accordance with the resolutions issued by the Institute between January 1, and December 31, 2019.

TELMEX, TELNOR, TELCEL, GRUPO TELEVISA, MARCATEL, MAXCOM, PEGASO PCS, TOTAL PLAY, AXTEL, GRUPO AT&T, IENTC, VADSA, and STARSATEL.

In order to obtain access to the rates resolved by the Institute, the company must obtain a resolution by this authority to support the rate for the year in question, in the understanding that said resolution is subject to tax. In other words, it gives rise to the obligation for the corresponding concessionaires regarding its application and compliance. The legal grounds supporting the Interconnection disputes are found in Article 129 of the Law, which states the dispute process mechanisms and the deadlines pending resolution by the Institute. MEGA CABLE applies the rates established in the Interconnection Agreements as long as the operators do not request the application of the new rates in accordance with the Interconnection Agreements.

SIGNAL RETRANSMISSION

MEGA CABLE continues to be bound to the obligation to retransmit, free of charge, the open broadcast signal rights held by TELEVISA and TV AZTECA on the network within its coverage areas, as well as Federal Public Institution signals.

In multiprogrammed signals, the obligation is limited to retransmit those with the highest-rated audiences, with the exception of Federal Public Institutions to which the obligation for retransmission does apply.

Regarding all the processes described in the preceding paragraphs of this note, the conclusion, at the date of issue of the financial statements, is that there is no material impact on the Group's financial position.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

The Company has consistently applied the following accounting policies to the consolidated financial statements, unless otherwise specified:

(a) Basis of preparation and authorization–

The Group's consolidated financial statements as at December 31, 2019 and 2018 and for the years then ended have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). IFRS include: i) International Financial Reporting Standards ("IFRS"); ii) International Accounting Standards ("IAS"); iii) Interpretations by the International Accounting Standard Committee ("IASC"); and iv) Interpretations by the Standard Interpretations Committee ("SIC"). The consolidated financial statements have been prepared on a historical cost basis, except for employee benefits.

The preparation of the consolidated financial statements in accordance with IFRS requires that certain critical accounting estimates be made. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions could potentially have a material impact on the consolidated financial statements for the period. Management considers that the assumptions are appropriate. The areas that require a higher degree of judgment or complexity, or the areas in which the estimates and assumptions are important for the consolidated financial statements are disclosed in Note 4.

Authorization

These consolidated financial statements were authorized for issue by the Group's Chief Executive Officer and CFO on April 23, 2020.

(b) Consolidation and investments in joint arrangements and shares –

a) Subsidiaries

Subsidiaries are all the entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Group's interest in subsidiaries is less than 100%, the interest attributed to external shareholders is reflected as non-controlling interest.

Subsidiaries are consolidated from the date they are controlled by the Group and cease to be consolidated when said control is lost. For the purposes of consolidation, the Group consolidates three subsidiaries over which it has control with a 51% share.

The Group uses the purchase method of accounting to recognize its business acquisitions. The consideration paid for the acquisition of a subsidiary is based on the fair value of the net assets transferred, the liabilities assumed, and the capital issued by the Group. The consideration for an acquisition also includes the fair value of those contingent amounts to be collected or paid as part of the agreement. Acquisition-related costs are recognized as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are generally initially recognized at their fair values at the acquisition date. The Group recognizes the non-controlling interest in the acquired entity either at fair value at the acquisition date or at the proportional value of the identifiable net assets of the acquired entity.

If the business combination is presented in stages, the book value of the acquirer's previous interest in the acquiree at the acquisition date is adjusted to the fair value at the acquisition date, and any differences are recognized in profit or loss.

The excess of the consideration transferred, the non-controlling interest in the acquired entity, and the fair value of any previous participation (if applicable) of the Group in the acquired entity (if applicable) over the fair value of the assets identifiable net of the acquired entity is recognized as goodwill. If such comparison gives rise to an advantageous purchase, such as a purchase at a bargain price, the difference is recognized directly in the consolidated statement of comprehensive income.

Any contingent consideration to be paid by the Group is recognized at its fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration recognized as an asset or liability are recognized in accordance with IAS 39 either in income or in comprehensive income. The contingent consideration that is classified as capital does not require adjustment, and its subsequent settlement is recorded in equity.

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

The companies listed below are those over which the Group has control and that are included in the consolidated financial statements (all subsidiaries are variable capital companies, except for Liderazgo Empresarial en Tecnologías de la Información, Servicios Especiales Turandot, and Werther Administración Integral, which are equity firms):

Subsidiary	Shareholding 2019	2018	Corporate Purpose
Mega Cable	99.99	99.99	Holder and lessor of infrastructure to subsidiaries.
Telefonía por Cable	99.99	99.99	Operations in the cable systems of Sinaloa, Sonora, Occidente (West), Centro (Central Mexico), the Gulf (Golfo) region, Chiapas, the State of Mexico, León, and 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	99.99	The holding company and its subsidiaries are engaged in the provision of installation services and the sale of communication services in Mexico City, Guadalajara, Monterrey, and Cancún, among others.
Productora y Comercializadora de Televisión (PCTV)	81.98	81.98	Purchase and sale of national and international television signals, sale of television ads and advertising spaces, and the production and co-production of programs.
Myc Red	51.00	51.00	Operations in the cable systems primarily in Sahuayo and Jiquilpan, Michoacán.
TV Cable del Golfo	99.99	99.99	Technical staff services.
Servicios Técnicos de Visión por Cable	99.99	99.99	Technical staff services.
Mega Ventas	99.99	99.99	Sales staff services.
Servicios de Administración y Operación	99.00	99.00	Administrative staff services.
Tele Asesores	99.00	99.00	Administrative staff services.
Entretenimiento Satelital	95.00	95.00	Operation of the "video rola" channel.
Servicios Especiales Turandot	97.33	96.69	Leasing of equipment and infrastructure for the provision of telephone services.

Subsidiary	Shareholding 2019	2018	Corporate Purpose
Werther Administración Integral	99.13	96.69	Leasing of equipment and infrastructure for the provision of telephone services.
Corporativo de Comunicación y Redes de GDL	51.00	51.00	Leasing of equipment and infrastructure for the provision of cable, internet, and telephone services.
Servicio y Equipo en Telefonía, Internet y Televisión	51.00	51.00	Holder of the subscriber rights for the Michoacán and Zacatecas systems, among others.

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

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

The Group recognizes transactions with non-controlling shareholders as transactions between Group shareholders. When acquiring non-controlling interest, the difference between the consideration paid and the interest acquired in the subsidiary measured at its book value is recorded in equity. Profits or losses on the disposal of an interest in a subsidiary that does not imply loss of control by the Group, are also recognized in equity.

c) Disposal of subsidiaries

When the Group loses control of an entity, any interest retained in said entity is measured at its fair value and the effect is recognized in profit or loss. Subsequently, said fair value is considered the initial book value for purposes of recognizing the retained interest in an associate, joint venture, or financial asset, as applicable. In like manner, the amounts previously recognized in other comprehensive income in relation to that entity are canceled as if the Group had directly disposed of the respective assets or liabilities. This means that the amounts previously recognized in other comprehensive income are reclassified to income for the year.

d) Joint arrangements

The Group applies IFRS 11 to all of its joint arrangements. Under IFRS 11, investments in joint arrangements are classified as joint operations or joint ventures depending on each investor's contractual rights and obligations. The Group has analyzed the nature of its joint arrangements and determined that they are joint ventures. Interest in joint ventures are recognized using the equity method.

Under the equity method, interest in joint ventures is initially recognized at cost and subsequently adjusted to recognize the Group's share of post-acquisition profits and losses, as well as movements in other comprehensive income. When the Group's interest in the loss of a joint venture equals or exceeds its interest in the joint venture (including any long-term interest that is substantially part of the Group's net investment in the joint venture), the Group does not recognize any additional losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between Group companies and their joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed, where necessary, so as to ensure consistency with the policies adopted by the Group.

The Group, as well as investors Televisa and Telefónica jointly invested in Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC).

(c) Disclosure of changes in accounting policies –

The Group adopted the following standards for the first time beginning on January 1, 2019:

IFRS 16 *Leases*

The Group initially applied IFRS 16 Leases from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of the initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated; that is, it is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below. In addition, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

a) Definition of a lease

Previously, the Group determined at the inception of the arrangement whether it contains a lease under IFRIC 4 *Determining whether an Agreement Contains a Lease*. The Group now assesses whether an agreement contains a lease based on the definition of a lease.

At the time of the transition to IFRS 16, the Group chose to apply the practical solution so that it did not have to determine which transactions correspond to leases. The Group applied IFRS 16 only to agreements that had previously been identified as leases. Agreements that were not identified as leases in accordance with IAS 17 and IFRIC 4 were not re-evaluated to determine the existence of a lease in accordance with IFRS 16. Consequently, the definition of a lease under IFRS 16 was only applied to agreements in force, or signed or amended on or after January 1, 2019.

b) As a lessee

As a lessee, the Group leases many assets, including properties. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases; that is, these leases are on-balance sheet.

i. Leases classified as operating leases under IAS 17 *Leases*

Previously, the Group classified property leases as operating leases in accordance with IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: The Group applied this approach to its largest property leases; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has applied impairment tests to its right-of-use assets at the transition date and has concluded that there are no indicators that the right-of-use assets are impaired.

The Group used the following practical solutions when applying IFRS 16 for leases previously classified as an operating lease applying IAS 17. In particular, the Group:

- did not recognize right-of-use assets and liabilities for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities that qualify as leases of low-value assets;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- applied the retrospective reasoning approach to determine the term of the lease.

ii. Leases classified as finance leases under IAS 17

The Group leases a series of production equipment items. These leases were classified as finance leases under IAS 17. For these leases, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 was determined at the carrying amount of the lease asset and the lease liability under IAS 17 immediately before that date.

c) Impact on the financial statements

Impact on the transition

In the transition to IFRS 16, the Group recognized additional right-of-use assets for additional leases. The impact on the transition is summarized as follows.

		January 1, 2019
Right-of-use assets - Buildings (offices, warehouses, and CSC)	$	355,079
Network and technical equipment for signal distribution, net (financial lease as at December 31, 2018)		1,323,925
	$	1,679,004

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted the lease payments using its incremental borrowing rate at January 1, 2019. The weighted average rate applied is 11.70%.

		January 1, 2019
Operating lease commitments as at December 31, 2018 in accordance with IAS 17 in the consolidated financial statements of the Group	$	523,952
Exemption from recognition for leases less than 12 months		-
Discounted using the incremental borrowing rate at January 1, 2019		355,079

(d) Financial information by segments –

The financial information by operating segments is presented in a way that is consistent with the information included in the internal reports provided to the Group's highest operational decision-making authority. This highest authority is responsible for allocating resources and assessing the performance of the Group's operating segments and is exercised by the Board of Directors made up of the management team at the C-Suite level (based at the Guadalajara facilities).

These segments are managed independently (massive and business) since the services provided and the markets they serve are different. The Group performs its activities through various subsidiary companies. See Note 27.

(e) Foreign currency transactions and balances –

Foreign currency transactions are translated into functional currency using the exchange rates in force on the date the transaction was carried out or the exchange rate in effect on the valuation date when the line items are revalued. Profits and losses from exchange rate fluctuations that result either from the liquidation of such transactions or from the conversion of monetary assets and liabilities denominated in foreign currency at the exchange rates at year-end, are recognized in the statement of comprehensive income. Profits and losses from exchange rate fluctuations are recognized in finance income/expenses.

Functional and presentation currency

Since the Company and its subsidiaries use the Mexican peso as both their functional and presentation currency, there was no need to apply a translation process.

(f) Cash and cash equivalents –

In the consolidated cash flow statement, cash and cash equivalents include cash on hand, bank deposits on demand, and other short-term highly liquid investments with an original maturity of three months or less. Short-term investments are made through banking institutions, which consist of government debt financial instruments such as low-risk Treasury Certificates (CETES) with moderate returns. As at December 31, 2019 and 2018, the respective maturities of these investments are 28 days. See Note 5.

(g) Prepayments –

Prepayments represent disbursements (fees) made by the Group where the benefits and risks inherent in the goods to be acquired or the services to be received have not been transferred. Prepayments are recorded at cost and presented under the consolidated statement of financial position under the prepayments and other assets caption. See Note 25.

(h) Accounts receivable –

Accounts receivable represent collection rights owed by customers and are originated by services provided by the Group in the normal course of business. If accounts receivable are expected to be recovered in a year or less, they are classified as current assets; otherwise, they are presented as non-current assets.

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

(i) Financial assets and liabilities –

Financial assets –

In accordance with the adoption of IFRS 9 *Financial Instruments*, the Company classifies and measures its financial assets based on the business model the Company uses to manage its financial assets, as well as the characteristics of the contractual cash flows of said assets. In this manner, financial assets can be measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss. Management decides on the initial classification of its financial assets at the time of initial recognition. The purchase and sale of financial assets are recognized on the settlement date.

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

i. Financial assets at amortized cost

Financial assets at amortized costs are those that i) are kept within a business model whose objective is to hold said assets to collect the contractual cash flows and ii) the contractual terms of the financial asset give rise, on specified dates, to cash flows that represent only payments for principal and interest on the on the outstanding principal.

ii. 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 selling financial assets, in addition to their contractual conditions giving rise, on specific dates, to contractual cash flows that represent only payments for principal and interest on outstanding principal. As at December 31, 2019 and 2018, the Company does not hold financial assets to be measured at their fair value through other comprehensive income.

iii. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss, in addition to those described in paragraph i of this section, are those that do not meet the characteristics to be measured at amortized cost or at fair value through other comprehensive results, since they i) have a business model that differs 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 limited to payments of principal and interest on the on the outstanding principal.

Despite the classifications above, the Company may make the following irrevocable choices on initial recognition of a financial asset:

a. Present subsequent changes in the fair value of a capital instrument in other comprehensive income, as long as said investment (over which it has no significant influence, joint control or control) is not retained for trading purposes, or is a consideration contingent recognized as the result of a business combination.

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

As at December 31, 2019 and 2018, the Company has not made any of the irrevocable appointments described above.

Financial liabilities –

i. Initial measurement and recognition

Financial liabilities—including accounts payable—are initially recognized when these liabilities are issued or assumed, both contractually.

Unless they are an account payable without a material financing component, financial liabilities are initially measured and recognized at their fair value plus, in the case of financial liabilities not measured at fair value with changes in it, carried through comprehensive income, the transaction costs directly attributable to its acquisition or issue, when they are subsequently measured at amortized cost.

Financial liabilities are initially recognized at fair value and subsequently measured at their amortized cost.

ii. Derecognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized at fair value based on the new terms and conditions.

At the time of derecognition of a financial liability, the difference between the carrying amount of the extinguished financial liability and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit and loss.

(j) Offsetting of financial instruments –

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the amounts and the intention to either to settle them on a net basis or to realize the asset and settle the liability simultaneously The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or counterparty.

(k) Impairment of financial assets measured at amortized cost –

The Company uses a new impairment model based on expected credit losses, instead of incurred losses, applicable to the financial assets subject to such measurement. The expected credit losses on these financial assets are estimated from the origin of the asset on 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.

Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulties, failure to pay or late payment of interest, the likelihood of bankruptcy or financial reorganization, as well as when observable data indicates that there is a measurable decrease in estimated future cash flows, such as changes in economic conditions correlated to non-payments.

For the loans and receivables category, the amount of the loss is the difference between the book value of the assets and the present value of the estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the original effective interest rate of the financial asset. The book value of the asset is decreased and the amount of the loss is recognized in the consolidated income statement. If a loan or investment held to maturity has a variable interest rate, the discount rate to measure any impairment loss is the current effective interest rate defined by the contract. The Group can measure impairment on the basis of the fair value of a financial instrument using its observable market price.

If, in a later period, the amount of the impairment loss decreases and said decrease is objectively related to an event that occurred after the date on which the impairment was recognized (such as an improvement in the credit quality of the debtor), the reversal of the impairment loss previously recognized is recognized in the consolidated statement of comprehensive income.

(l) Inventories –

The inventory is basically made up of consumable operating material and some spare parts that are used to guarantee the adequate maintenance of the cable signal system (network) in the normal course of business. Important spare parts and permanent maintenance equipment, which the Group expects to use for more than one period, and that could only be used in connection with a fixed asset, are recognized as part of the property, networks, and equipment line item. Inventories are recorded at acquisition cost or at their net realizable value, whichever is less. The cost is determined using the average cost method. The net realization value is the estimated sale price in the normal course of business less the corresponding variable selling costs. See Note 7.

(m) Property, networks, and equipment –

Property, networks and equipment are expressed at historical costs, less depreciation. Historical cost includes the expenses that are directly attributable to the acquisition of said assets. See Note 9.

Costs related to a line item incurred subsequent to initial recognition are capitalized, as part of that item or a separate item, as appropriate, only when it is probable that future economic benefits will flow to the Group and that it is able to reliably measure the cost. It should be noted that the Group builds most of its cable system networks and facilities and the internal costs, such as labor costs in construction projects and directly associated redistribution and adaptation expenses so that the asset is in place and in the conditions necessary for that work are capitalized when they generate future economic benefits. Thus, new customer connections costs in the mass cable market are capitalized as part of fixed assets, considering as cost of connection the cost of materials and labor incurred while extending the network to the customer's home.

The book value of the components replaced is derecognized. Maintenance and repair expenses related to daily property, networks and equipment services are recognized in the consolidated statement of comprehensive income at the time they are incurred.

Land is not depreciated. Depreciation of the remaining properties, networks and equipment is systematically determined on the value of the assets, on a straight-line basis, which is applied to the cost of the assets without including their residual value and considering their useful lives expected by Management, which are as follows:

Asset Description	Depreciation rate 2019	Depreciation rate 2018	Estimated useful life 2019	Estimated useful life 2018
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
Furniture and office 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 and useful lives of the assets are reviewed and adjusted, if necessary, on the closing date of each year.

The value of property, networks and equipment is reviewed when there are indicators of impairment in the value of said assets. When the recovery value, which is the higher between the sale price and its use value (which is the present value of future cash flows) is less than the net book value, the difference is recognized as an impairment loss. For the years ended December 31, 2019 and 2018, there were no indicators of impairment. See Note 2o).

(n) Goodwill and 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 on acquisitions of subsidiaries is included in intangible assets and is recognized at cost deducting accumulated impairment losses, which are not reversed.

For impairment testing purposes, goodwill acquired in a business combination is allocated to each Cash Generating Unit (CGU) or groups of cash generating units, which are expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill has been assigned represents the lowest level within the entity to which goodwill is controlled for internal management purposes. Goodwill is controlled at the operating segment level.

Goodwill impairment reviews are carried out annually or more frequently if events or changes in circumstances indicate possible impairment. The book value of goodwill is compared to the recoverable amount, which is the highest value between the value in use and the fair value less costs of sale. Any impairment is recognized immediately as an expense and is not subsequently reversed.

As at December 31, 2019 and 2018, no impairment losses were recognized in goodwill. See Note 10.

b) Customer bases

Intangible assets acquired during 2019 that were not in a business combination were recorded at acquisition cost. Intangible assets acquired in a business combination are valued at their fair value at the date of purchase. The main intangible assets recognized by the acquisitions is the subscriber portfolio, which according to the study carried out has a useful life of approximately four years. They are amortized on a straight-line basis. 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 their fair value at the date of acquisition. Trademarks and patents have a defined useful life and are recorded at cost less their accumulated impairment and amortization. Amortization is calculated on a straight-line basis to distribute the cost of trademarks and patents based on their expected useful lives of 20 years. See Note 11.

(o) Impairment of non-financial assets –

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization and are subject to annual impairment tests.

Assets subject to amortization are tested for impairment when events or circumstances occur that indicate that their book value may not be recovered.

Impairment losses correspond to the amount by which the book value of the asset exceeds its recovery value. The recovery value of the assets is the greater between the fair value of the asset less the estimated costs for its sale and its value in use. For the purposes of impairment tests, assets are grouped at the smallest levels at which they generate identifiable cash flows (cash-generating units).

(p) Suppliers and other accounts payable –

Accounts payable are payment obligations with suppliers for the purchase of goods or services acquired in the Group's normal course of business. When they are expected to be paid in a period of one year or less from the closing date, they are presented under current liabilities. If they do not comply with the aforementioned, they are presented under non-current liabilities.

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

(q) Bank loans –

Loans are initially recognized at their fair value, net of costs incurred in the transaction. These loans are subsequently recorded at amortized cost; any difference between the funds received (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income during the loan period using the effective interest method.

Fees for maintaining current credit lines are capitalized as advance payments for services to obtain liquidity and are amortized over the term of the agreement.

(r) 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.

(s) Current and deferred income tax –

Income tax expenses include current and deferred taxes. Income tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized directly under other comprehensive income lines items or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Current-year income tax is recorded as a short-term liability net of prepayments made during the year.

Current-year income tax payable is calculated according to tax laws approved or substantially approved as of the date of the consolidated statement of financial position. Management periodically evaluates the position assumed in relation to its tax returns regarding situations in which the tax laws are subject to interpretation.

The Group then recognizes the necessary provisions based on the amounts it expects to pay to the Mexican Tax Administration Office (SAT, acronym in Spanish).

Deferred income tax is determined based on the asset and liability method, on temporary differences arising from tax bases of assets and liabilities and their respective carrying amounts. However, deferred income taxes arising from the initial recognition of an asset or a liability in a transaction that does not correspond to a business combination, which at the time of the transaction does not affect either the accounting or tax profit or loss is not recorded or recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using the tax rates and laws that have been enacted as of the date of the statement of financial position and that are expected to be applicable when the deferred tax asset is realized or the tax liability is settled. See Note 19.

Deferred tax asset is only recognized to the extent that it is probable that future taxable profit will be available against which the temporary liabilities can be utilized.

Deferred income tax is generated on the basis of temporary differences in investments in joint ventures and subsidiaries, except when the possibility that temporary differences will be reversed is under the Group's control and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax balances related to assets and liabilities are offset when there is a legal right to offset current tax assets with current tax liabilities and when deferred income tax assets and liabilities are related to the same tax authority or the same tax entity or different tax entities where there is the intention to settle the balances on a net basis.

(t) Employee benefits –

a) Defined benefit plans:

A benefit plan is defined as an amount of pension benefit that an employee will receive in retirement, usually dependent on one or more factors such as age, years of service, and compensation.

The liability recognized in the consolidated statement of financial position with respect to established benefit plans is the present value of the established benefit obligation at the date of the consolidated statement of financial position. The established benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the established benefit obligations is determined by discounting the estimated future cash flows using the discount rates that are denominated in the currency in which the benefits will be paid, and which have maturities that approximate the terms of the liability for pensions.

Actuarial gains and losses generated by adjustments and changes in actuarial assumptions are recorded directly in equity under other comprehensive income in the year in which they occur.

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

Past service costs are immediately recognized in the income statement.

Seniority premiums

Group companies have established a plan as required by the Federal Labor Act (LFT, acronym in Spanish) with respect to which Group companies that have personnel are bound to pay their workers and they are entitled to receive seniority premiums at the end of the employment relationship after 15 years of service.

The liability or asset recognized in the consolidated statement of financial position with respect to seniority premiums is classified as established benefits and is the present value of the established benefit obligation as of the date of the consolidated statement of financial position. The established benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of established benefit obligations is determined by discounting the estimated cash flows using the interest rates of government bonds denominated in the same currency in which the benefits will be paid and which have maturity terms that approximate the terms of the pension obligation.

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

Past service costs are recognized immediately in profit or loss, unless changes in the pension plan are subject to the employee continuing to work for a specific period of time (the period granting the right).

b) Defined contribution plans:

Pension plans

The subsidiary Tele Asesores, S.A. de C.V., has an established contribution plan, through which the Company pays fixed contributions to an independent fund. The Company has no legal or assumed obligations to pay additional contributions if the fund does not maintain sufficient assets to pay all employee benefits related to current or past services. Contributions are recognized as employee benefit expenses on the date the contribution obligation is due.

c) Employee profit sharing

The Group recognizes a liability and an expense for bonuses and employee profit sharing based on a calculation that takes into account the tax profit after certain adjustments. The Group recognizes a provision when it is contractually bound to do so or when there is a past practice that generates an assumed obligation.

(u) Capital stock –

Capital stock, the net premium in the placement of shares, the legal reserve, and retained earnings are expressed at historical cost. Common shares are classified as capital.

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

a) Net premium for placement of shares

The net premium for placement of shares represents the excess difference between the payment for the subscribed shares and the nominal value thereof.

b) Legal reserve

In accordance with the Mexican Corporations Act, the Company is required to appropriate at least 5% of the net income of each year to increase the legal reserve. This practice must be continued each year until the legal reserve reaches 20% of the value of the Company's share capital. The legal reserve may be capitalized but may not be distributed to the shareholders unless the Group is dissolved. Also, the legal reserve must be replenished if it is reduced for any reason.

c) Provision for repurchase of shares

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

(v) Leases –

Policy applicable from January 1, 2019

Leases under which the Group assumed substantially all the risks and rewards of ownership are classified as finance leases. At the time of initial recognition, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

As at December 31, 2019 and 2018, the financial lease held by the Group basically corresponds to the use of the fiber optic network that it pays to its related party GTAC, by contract executed before January 1, 2019. See Note 16.

Policy applicable from January 1, 2019

The change in the accounting policy was applied to leases in which the Group had previously determined, at contract inception, whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains* a Lease. See Note 2c).

(w) Borrowing costs –

Borrowing costs for general and specific loans attributable to the acquisition, construction, or production of a qualifying asset that necessarily takes a substantial period of time (12 months) to get ready for its intended use or sale are capitalized as part of the cost of the asset 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 rest of the costs derived from the loans are recognized when incurred or accrued in the income statement.

(x) Revenue recognition –

Revenue derived from the provision of services in the Group's normal course of business is recognized in amount of fair value of the consideration received or receivable. Revenue is presented net of bonuses and discounts and after eliminating intercompany sales. The Group recognizes revenue when the parties to 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 a commercial basis and can be measured reliably, it is probable that the economic benefits will flow to the entity in the future, and the specific criteria for each type of activity are met, which are described below.

Revenue is recognized based on the nature of the commitment, within the transactions recognized by the Group, when acting as a principal, since the Group can satisfy the performance obligation to provide the specified good or service to the customer on its own through the different Group companies and controls the specified good or service before it is transferred to the customer.

The services are provided in bundled packages and the transaction price is distributed using the independent relative selling price among the following performance obligations identified:

Cable television signal services

Cable television signal services are basically represented by monthly payments, as well as installation fees and other related charges. Monthly service payments are recognized as revenue over time as the services are provided and during the term of the contract. The services are deemed to have been provided when the Group transfers control over the service to a customer, which occurs when the cable television signal is transmitted. Other service revenues are recognized after the services are accepted by the customer.

Internet services

Internet signal service is basically represented by monthly payments, as well as installation fees and other related charges. Monthly service payments are recognized as revenue over time as the services are provided and during the term of the contract. The services are deemed to have been provided when the Group transfers control over the service to a customer, which occurs when the internet signal is transmitted. Installation and other related service charges are recognized as revenue as the customer uses the services received.

Digital telephone services

Telephone service revenue is represented by the monthly rent of said service. Monthly service payments for local calls are recognized as revenue over time as the services are provided and during the term of the contract. The services are deemed to have been provided when the Group transfers control over the service to a customer.

Revenue from the sale of communication systems is recognized in the income statement when control of the goods has been transferred to the buyer and the seller retains no significant control over the goods.

Discounts

The Group's cable television, internet, and digital telephone signal service revenues are reduced through discounts that are granted to subscribers who contract "packages (Triple Pack, Double Pack)", which the Group grants its customers to position itself in the market and to encourage the contracting of a larger number of services by subscribers as well as attracting new ones.

Discounts are recognized as a decrease in revenue when the services have been provided, which is over time during the term of the contract.

Installations for cable, internet, and telephone subscribers

The Group recognizes revenues from primary installations for cable, internet and/or telephone subscribers, through the average life of subscriptions, without considering this a separate performance obligation, which is determined by management based on the average age of subscribers.

Revenue from the sale of goods

The Group sells equipment and goods. The sale price of the goods is determined based on a fixed price agreed between the parties. The Group recognizes revenue from the sale of goods at the time control of the goods is transferred and there is no unfulfilled obligation that may affect the customer's acceptance of the product.

Advertising revenue

Advertising revenue is recognized when the services are provided, which is at a specific point in time. The services are deemed to have been provided when the Group transfers control over the service to a customer, which occurs when the TV spots are broadcast or the printed media is published.

Significant terms of payment

Based on its activities, the Group has determined two terms of payment related to most of its operations.

Mass market

In the case of mass market (which refers to customers in the Cable TV, Internet, and Digital Telephone segments) the payment period is within the first ten days after the monthly cut-off date established in each subscriber's contract.

Business market

In the case of the business market, Company receives the corresponding consideration on a monthly basis, in accordance with the amounts agreed to by both parties. The payment period for the services depends on the negotiations carried out between the Group and Customer, which in no case will be more than 12 months.

The Group recognizes a contract liability when it has an unconditional right to receive a consideration before transferring control over a good and/or customer service. When payment is received, the amount is recognized in trade advances and it must be derecognized (and recognized as revenue) upon transferring control over the goods or services to the customer.

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

Interest

Interest income is recognized using the effective interest method. Interest income are earned mainly from loans granted to related parties and it is recognized in profit or loss using the effective interest method. When a loan or account receivable is impaired, its book value is adjusted to its recoverable amount, which is determined by discounting the estimated future cash flow at the original effective interest rate of the instrument. Interest income on impaired loans or accounts receivable is recognized using the original effective interest rate.

Based on the payment conditions that maintained with both mass market and business market customers, the Group expects that the period between time that control of the goods or service is transferred and the time the customer pays will be less than one year. Therefore, there was no need to adjust the transaction price due to the effects of a significant financing component.

(y) Pending performance obligations –

The following table shows the pending performance obligations resulting from long-term business market contracts that are partially or totally unmet and are determined based on the agreed price of the monthly payments for the number of months pending at the end of the year:

		2020	2021	2022
Metrocarrier	$	1,179,900	917,114	690,091
Ho1a		138,725	135,219	–

The Group expects that 43% of the total amount of the transaction allocated of unpaid contracts as at December 31, 2019 will be recognized as revenue during 2020. The remaining 57% will be recognized in 2021 and 2022. The amount disclosed above does not include the variable consideration derived from the fact that they are immaterial. This revenue is recognized over time on a monthly basis.

The Group does not disclose the information regarding its outstanding obligations for the mass market since the contracts entered into by the Group in this segment establish compulsory terms of less than 12 months.

During 2019 and 2018, no revenue was recognized from performance obligations that were partially or totally satisfied in previous years.

(z) Customer contract costs (commissions) –

Management recognizes costs that are directly related to obtaining or fulfilling a contract as assets, since it considers that these may 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. Amortization is recognized based on the useful life of each subscription (three years).

An impairment loss is recognized in net profit or loss for the period when the book value of the asset exceeds the unrecognized amount of the consideration the entity expects to receive in exchange for providing the associated goods or services, less the remaining costs that relate directly to providing those goods or services and that have not been recognized as expenses.

(aa) Earnings per share –

Net earnings per share are calculated by dividing the profit for the year attributable to controlling interest by the weighted average number of ordinary shares outstanding during the year. As at December 31, 2019 and 2018, there are no dilution components of earnings; therefore, diluted earnings per share are not calculated or disclosed since it is the same amount as the basic earnings per share. See Note 18.

(bb) Distribution of dividends –

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.

(cc) Finance income and finance costs –

The Group's finance income and finance costs include the following:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- interest income or expense recognized using the effective interest method.
- the amortized cost of the financial liability.

(3) FINANCIAL RISK MANAGEMENT:

a) Financial risk factors

The Group has exposure to a variety of financial risks, such as market risk (which includes exchange rate risk, interest rate risk and price risk), credit risk, and liquidity risk. The Group's risk management plan aims to minimize the potential negative effects resulting from the unpredictability of the markets on the Group's financial performance.

Both the Group's management and the Finance Department are responsible for managing the financial risk in accordance with the policies approved by the Board of Directors. The Group identifies, evaluates, and covers financial risks in close cooperation with its operating units. The Board of Directors has issued general policies related to the management of financial risks, as well as policies on specific risks, such as foreign currency risk, interest rate risk, the use of derivative and non-derivative financial instruments, and the investment of surplus funds.

i. Market risk

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

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

ii. Currency risk

Since all of the Group's income is obtained from the local market and the transactions are denominated in Mexican pesos, the Company's operating activities do not expose to the exchange risk derived from various foreign currencies. Foreign exchange risk arises from financing activities as a result of exposure of the Mexican peso against the U.S. dollar, due to operations with programmers and suppliers expressed in that currency.

Management has established a policy that requires Group companies to manage exchange rate risk with respect to their functional currency. Group companies must hedge their exchange rate risk exposure through the Group's Treasury. Currency rate risk arises when future commercial and financing transactions and recognized assets and liabilities are held in a currency other than the entity's functional currency. As at December 31, 2019 and 2018, the Group did not hold hedges against foreign exchange risks.

As a risk management policy, the Group maintains an immediate realization investment account in U.S. dollars that seeks to cover its anticipated cash flows for the next 12 months (mainly due to bank and supplier liabilities) to reduce its exchange rate risk.

However, the Group is carrying out the following activities to reduce its exchange rate risk:

Negotiation with providers to convert consumable values to pesos (pesify). Two years ago, the Group began negotiating with its suppliers to translate the value of contracts to pesos to the extent possible. Consequently, certain programmers have changed their rates to pesos to ensure that everyone has greater certainty of business in terms of costs and that their channels continue to be included in the programming.

The Group has also negotiated with technology suppliers so that maintenance involving labor is denominated in Mexican pesos. As a general result, the Group lowered its exposition rates from 12% or 13% of operating expenses to 5% or 6%.

Regarding CAPEX, agreements were reached with the financial arm of a strategic technology supplier to translate purchase amounts of up to USD 30 million payable in four quarters to pesos with preferential financial costs. The Group was also able to pesify the equipment that is purchased from a subscriber equipment supplier for annual amounts estimated at USD 20 million.

If as at December 31, 2019 the Mexican peso had been devalued 10% in relation to the U.S. dollar, and the other variables had remained constant, the profit for the year after taxes would have dropped by $12 million ($108.7 million in 2018), primarily as a result of the profits/losses in the translation of bank loans and accounts payable to suppliers who perform their transactions in U.S. dollars.

As at December 31, 2019 and 2018, the Company had the following monetary assets and liabilities in thousands of U.S. dollars:

		2019	2018
Assets	$	34,292	70,800
Liabilities		(28,015)	(14,419)
Net position	$	6,277	56,381

The exchange rates used in the different translation processes in relation to the reporting currency as at December 31, 2019 and 2018 are as follows:

	Currency	Exchange rate 2019	Exchange rate 2018
U.S. dollar	$	18.8727	19.6566

iii. Price risk

The Group is not exposed to price risk for the costs of the services it provides, since they are not subject to market indices. In like manner, there were no relevant changes to the prices of the supplies acquired for the provision of the service during 2019 and 2018.

iv. Cash flow risk related to the interest rate

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

The Group analyzes its exposure to interest rate risk dynamically. Various situations are simulated taking into account the positions regarding refinancing, renewal of existing positions, alternative financing and coverage. Based on these scenarios, the Group calculates the impact on profit or loss of a defined movement in interest rates. In each simulation, the same movement defined in interest rates is used for all currencies. These simulations are only performed in the case of obligations that represent the main positions that generate interest.

Based on the simulations carried out at variable rates, the impact on profit after taxes as at December 31, 2019 due to a 1% movement would generate a maximum increase of $30,758 (37,411in 2018) or a decrease of $30,758 ($37,411 in 2018), respectively. Simulations are prepared quarterly to verify that the maximum potential loss is within the limit established by Management.

As at December 31, 2019 and 2018, the Group has fixed rate and variable rate loans.

b) Credit risk

Credit risk is managed at the Group level, including the credit risk of receivables; however, each company is responsible for analyzing the credit risk of each customer before offering payments, delivery terms, and other conditions. Credit risk arises from cash and cash equivalents, and deposits in banks and financial institutions, as well as credit exposure to customers, which include outstanding balances of accounts receivable and agreed transactions.

Regarding banks and financial institutions, only institutions with a solid operating track record and that have an excellent reputation in the market are accepted. In the case of the portfolio, the credit risk is limited, since the amounts to be recovered basically refer to the monthly payments of the services provided and the fact that there is no significant concentration of the portfolio due to the large number of subscribers comprising it. Irrespective of the above, the portfolio department assesses the customers' creditworthiness, taking into account their financial position (personal bank statements, credit cards, and others) and past experience, among other factors. Credit limits are generally established in accordance with the limits set by the Board of Directors based on the historical information available on the behavior of the portfolio and, where appropriate, of certain internal and/or external ratings. The use of credit limits is monitored on a regular basis.

The credit limits were not exceeded during the reporting period and Management does not expect the Group to incur any losses due to its performance.

Lastly, the maximum exposure to credit risk is limited to the carrying amount of each of account receivable (see table below). Consequently, the Group does not have a significant concentration of credit risk.

Creditworthiness of financial assets

		2019	2018
Accounts receivable:			
Group 1	$	674,343	343,895
Group 2		101,450	204,377
Total of trade receivables	$	775,793	548,272

Related parties

		2019	2018
Group 1	$	–	–
Group 2		1,151,542	1,185,076
Total of trade receivables	$	1,151,542	1,185,076

Group 1 - New customers - existing/related parties (less than 6 months).
Group 2 - Existing customers/related parties (more than 6 months).

		2019	2018
Cash in banks and bank deposits short-term	$	2,210,065	3,330,216
Maximum creditworthiness, with minimum credit risk (AAA)	$	2,210,065	3,330,216

c) Liquidity risk

The Group's cash flow projections are prepared by its operating entities, and the information is consolidated by the Group's Management and Finance teams. The Group's Management and Finance teams oversee the updating of the projections regarding liquidity requirements to ensure that there is sufficient cash to meet operational needs and permanently maintain sufficient margins on undrawn lines of credit, in such a way that the Group does not fail to comply with its credit limits or line of credit covenants. Said projections consider debt financing plans, compliance with covenants, compliance with financial reasons based on internal financial information and, where appropriate, applicable regulatory requirements.

The cash surplus held by the Group and the surplus balances that exceed the cash required for working capital are transferred to the Group Treasury, which invests the cash surplus in time deposits and negotiable securities, selecting instruments with appropriate maturities or with sufficient liquidity to provide sufficient margins. Cash surpluses may be invested in expanding the facilities generating cash flows, with prior authorization from the Board of Directors.

The table below shows the analysis of the Group's financial liabilities classified based on the period between the date of the consolidated statement of financial position and the date of maturity (including unearned interest). The following table has been prepared on the basis of undiscounted cash flows, from the first date that the Group will be required to pay.

As at December 31, 2019		Less than 1 year	Between 1 and 2 year	Between 2 and 5 year
Bank loans	$	79,922	1,945,532	4,482,315
Interest on bank loans		516,754	786,590	436,921
Suppliers		1,436,412	–	–
Related parties		275,534	353,972	381,428
Interest collected from related parties		39,262	94,851	89,828
Other accounts payable		916,060	–	–
	$	3,263,944	3,180,945	5,390,492

As at December 31, 2018		Less than 1 years	Between 1 and 2 years	Between 2 and 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
Interest collected from related parties		–	44,178	126,779
Other accounts payable		890,475	–	–
	$	7,158,790	688,640	268,660

The maturity analysis applies only to financial instruments and therefore, does not include the entity's non-financial liabilities, such as tax liabilities.

d) Capital risk management

The Group's objectives in relation to capital risk management are to safeguard its ability to continue as a going concern, provide shareholder returns and benefits to other stakeholders, and maintain an optimal capital structure to reduce costs.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends to be paid to shareholders, carry out a capital reduction, issue new shares or sell assets, and reduce debt.

Like other entities in the industry, the Group monitors its capital structure based on its leverage ratio. This financial ratio is calculated by dividing total liabilities by total capital according to the consolidated statement of financial position.

During 2019 and 2018, the Group's strategy was to maintain its leverage ratio within the range of 0 to 3.00.

The credit rating regarding the Group's overall ability to meet financial obligations has been maintained throughout the period. The leverage ratio as at December 31, 2019 and 2018 is as follows:

	2019	2018
Total liabilities	$ 12,292,831	10,955,262
Total equity	30,949,936	28,640,621
Leverage ratio	$ 0.40	0.38

e) Fair value estimation

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

- Unadjusted quoted prices in active markets for identical asset or liability (level 1).

  Assets and liabilities measured at fair value for disclosure purposes, within this hierarchy are related-party receivables and payables and bank loans (level 2). Information other than quoted prices included in level 1 that can be confirmed for the asset or liability, either directly (such as prices) or indirectly (that is, derived from prices) (level 2).

- Information about the asset or liability that is not based on data that can be confirmed in an active market (that is, unobservable data) (level 3).

The fair value of financial instruments traded in an active market is based on the market prices at the date of the consolidated statement of financial position. A market is understood as an asset with quoted prices that are normally available in an exchange, among negotiators, brokers, industry group, price services or a regulatory agency, and those prices represent real and recurring transactions in the market on the basis of free competition. The market price used in the financial assets held by the Group is the current offer price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market information when it is available and place the least possible confidence in the entity's specific estimates. If all the relevant variables to establish the fair value of a financial instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques for financial instruments include:

- Market listing prices or trading prices of similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of other financial instruments.

The book value of assets and liabilities measured at amortized cost as at December 31, 2019 and 2018 resembles the fair value, derived from the fact that their realization period is less than one year, except for those presented under the long-term that are described in Notes 12, 13, and 24.

The book value of trade receivables, other accounts receivable, suppliers and other accounts payable is similar to fair value, since it would be the amount payable in the short term.

(4) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

The estimates and judgments used are continuously evaluated and are based on historical experience and other factors, including the expectation of the occurrence of future events that are considered reasonable under current circumstances.

a) Critical accounting estimates and judgments

The Group makes estimates and judgments regarding the future. The resulting accounting estimates, by definition, will seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the book values of assets and liabilities during the following year are as follows:

Accounting judgments:

b) Concessions granted by the government

The provision of the aforementioned services is carried out through concessions granted free of charge by the competent authority in the regions indicated in Note 27 c) for a period of 30 years, which at the end of their validity will be consolidated into a single concession.

In January 2016, MEGA CABLE was granted a unique concession title for national coverage, with a 30-year validity, which allows the Group to provide any type of telecommunications services with the technical feasibility permitted by its infrastructure (limited only to having to request the radio spectrum required, as appropriate) anywhere in Mexico. Said model establishes the corresponding obligations such as, registering the services that it intends to provide; providing information on its passive and active infrastructure, rights of way and transmission media; coverage programs, and investment, quality and coverage commitments; refrain from engaging in discriminatory practices; establish and publish its Code of Business Practices; provide parental control for programming aimed at children and adolescents; provide information to the IFT allow it to inspect its premises; and present audited financial statements.

The concessions that expired before January 2016 have been renewed. The entities holding concession titles include: Mega Cable, Megacable Comunicaciones de México, Servicio y Equipos en Telefonía, Internet y TV, and Myc Red. For the purposes of its accounting treatment, the Group has evaluated that said titles do not fall within the scope of IFRIC 12, *Service concession agreements* since rates are registered with the government, but there is no residual value that must be returned to the government, among other reasons.

As at December 31, 2019 the Group has the following concessions in force:

Year		Number of concessions for:	
Beginning	Expiration	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 before 2017 that are still in force are as follows:

i. General

- Purpose and services: the concessionaire agrees to install, operate, and use the Network and provide the services indicated in the concession.
- The services are provided through affiliates, associates, or subsidiaries, as long as the authority is satisfied with the fact that said companies have the necessary financial, legal, and technical capacity to provide the services.
- Subscription or transfer of shares: it is an obligation to present to the authority, no later than 30 April of each year, a list of its main shareholders and respective share percentages.
- Appointment of a technical manager and legal representative.

ii. Provisions applicable to the services

- Quality of services: continuous and efficient provision of services.
- Quality control and measurement equipment: the concessionaire shall take the necessary steps to ensure the precision and reliability of the equipment for quality measurement purposes.
- Code of commercial practices: the concessionaire must prepare a code to describe the services it provides and the billing methodology and application of the corresponding rates.
- Emergency services: the concessionaire must present an action plan to prevent the interruption of services in the event of an act of God or force majeure.
- Modernization of the network: the concessionaire must keep its Network updated with the latest technological advances.

iii. Verification and information

- Information: the concessionaire must deliver the audited financial statements of its company within 150 calendar days following the closing of the corresponding year.
- Information on the network installation: the concessionaire must file quarterly progress reports on the installation of the network.
- Accounting information: the concessionaire must provide accounting information by service, region, function, and components of its Network.

iv. Commitments

- The concessionaire agrees to install with its own infrastructure, during the first three or five years, each of the stages of the coverage program indicated in the concession title.
- Term to start providing the service: the concessionaire must start to provide the service referred to in the concession no later than 365 calendar days after the date the concession is granted; however, an extension may be granted that is equal to half the term.
- As at December 31, 2019 and 2018, the Group has complied with all these disclosed commitments and the regulatory aspects to which it is subject.

Renewal

- As of January 2016, all concession titles that expire will be adhered to the aforementioned single concession title, as the Group provides the services on a continuous basis. The validity of the single concession is 30 years from the date of granting, which will be renewable, in accordance with the provisions of Article 113 of the Federal Telecommunications Broadcasting Act, which indicates concessions on public telecommunications networks, and which may be extended up to periods equal to those originally established. In order to obtain an extension, concessionaires must have complied with the conditions established in the concession that it wishes to have extended, and apply for the extension during the year in which the last fifth of the term of the concession begins, and accept the new conditions established by the authority in accordance with this Act and other applicable provisions. The IFT will issue its resolution within 180 calendar days.

v. Guarantees

- In January and June of each year, respectively, the concessionaire must contract a performance bond for the obligations contracted in each concession with a surety institution authorized by the Ministry of Finance and Public Credit (SHCP) for an amount equal to 4,000 days of the general minimum wage in force in the Federal District for the year to be guaranteed. The Federal Treasury must be the intended beneficiary of the performance bond. The guarantee must be updated annually in accordance with the CPI.

The withdrawal of any of the Group's concessions would have a significant adverse effect on its activities reported in the financial position and operating results, which would be directly reflected in operating income and costs, and possibly a reserve for impairment of its assets by ceasing to generate cash flows.

c) Consolidation of entities in which the Group holds than 51% of shares

Management considers that the Group has control with 51% of the voting rights. The Company is the majority shareholder with 51% of the shares, while the other shareholders individually do not own more than 40% of the equity. There is no record of shareholders who form a group to exercise their voting rights jointly. The total non-controlling interest as at December 31, 2019 and 2018 is $162,384 and $176,808, respectively.

The determining factors that establish such control are related to the power that is exercised over the subsidiaries, the right to obtain variable returns and the combination of these two factors, which results in the ability to exercise said power to influence the returns from such investments. The Group has power over its subsidiaries since it has rights that allow it to direct the relevant activities; that is, activities that significantly affect the investee's returns.

Its power arises from the voting rights granted by the shares it holds in each investment, which in all cases represent 51% of the total shares. In all cases, the rest of the shares are divided among several shareholders and in this sense, it is important to mention that there are no contractual agreements in which strategic alliances of any kind are established between the rest of the shareholders with voting rights, nor is there any precedent of such agreements.

The Group's interest in each one of its subsidiaries in all cases expose it, and grant it the right to obtain variable returns from its involvement in such companies, where it also has decision-making rights that directly influence obtaining the aforementioned returns. There are no legal or any type of barriers that prevent the Group from exercising its rights, and on the contrary, there are established practical mechanisms that allow the exercise of such rights when so determined by Management.

In most cases, the Board of Directors is comprised of the same number of members of the Group and the rest of the shareholders, although one of the directors of the rest of the shareholders does not have a vote. The Group also appoints the chair and treasurer within the board, and in the shareholders' meeting –the supreme corporate body of the company–, it still has the majority of votes, which allows it to make decisions about the relevant activities of the subsidiaries without the need for consent from the rest of the parties. The resolutions adopted in the meeting are final and do not require additional or subsequent approval by the Board of Directors, as long as the same shareholding percentage is maintained.

Details on the relevant totals of assets, liabilities and consolidated results of these subsidiaries are provided in Note 8.

Accounting Estimates:

d) **Goodwill impairment estimate**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy described in Note 2o). The recoverable amounts of the Cash Generating Units (CGU) have been determined based on calculations of their values in use. These calculations require the use of estimates (See Note 10).

In 2019 and 2018, there were no impairment effects in any of the CGUs 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 discount rate before taxes applied to the Company's CGUs had been 10% higher than Management's estimate, it would not give rise to a goodwill impairment.

e) **Income tax**

The Group is subject to the payment of income tax. Significant judgments are required to recognize current and deferred income tax. There are many transactions and calculations for which the tax computation is uncertain. In the event that a tax audit process is initiated, the Group would recognize a liability for those matters observed in the tax audits if it considers that it is probable that an additional tax to the original current tax will be determined. Should the final result of these processes produce a result other than the estimated liability, the differences would be recognized in the current and/or deferred income tax for the year.

Based on the simulations performed, the impact on the pretax income due to a 5% movement would give rise to a maximum increase or decrease of $288,660 in 2019 with $303,648 in 2018. Simulations are periodically prepared to verify that the maximum potential loss is within the limit established by Management.

The determination of the final tax calculation may be uncertain due to the complexity and judgments required to handle certain transactions. When the final result of this situation is different from the amounts that were initially recorded, the differences will impact the current and deferred income tax on assets and liabilities in the period in which it is determined. At the 2019 and 2018 year-end closing, the Group does not have uncertain tax positions.

f) **Allowance for bad debts**

The methodology the Group applied to determine the balance of this estimate is described in Note 2k).

If the allowance for bad debts as at December 31, 2019 and 2018 is modified by 10% above and/or below the estimates made by Management, the Group would have increased and/or decreased said estimate by $21,243 and $17,249, respectively, and the operating results would have been affected and/or benefited by the same amount.

g) **Allowance for obsolete inventories**

The Group's Management has an allowance for inventories with different kinds of defects and for slow-moving inventories. The goods that cannot be used for its own operation include products that will expire in the next few months, that have a broken label or a label in bad condition, or products in poor conditions. This allowance is determined based on the age and monitoring reports prepared by Management regarding said products.

h) **Estimated useful lives and residual values of property, networks and equipment**

The Group prepares the estimated useful lives of its property, networks and equipment to determine the depreciation expense to be recognized in a reporting period. The useful life of these assets is calculated at the time the asset is acquired, based on past experience with similar assets and taking into account anticipated technological changes or changes of any other nature. If technological changes occur faster than foreseen or in a different way than anticipated, the useful lives assigned to these assets may need to be shortened. This would result in the recognition of a higher depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of an impairment charge to reflect the reduction in the value of assets. The Group reviews the assets annually to see if they show signs of impairment, or when certain events or circumstances indicate that the book value may not be recovered throughout the remaining life of the assets. Should there be indicators of impairment, the Company conducts a study to determine the value in use of the assets. As at December 31, 2019 and 2018, there were no indicators of impairment.

i) **Pension plan benefits**

The present value of pension plan obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used to determine the net cost (income) for pensions include the discount rate. Any change in these assumptions will have an impact on the book value of the pension plan obligations.

As at December 31, 2019 and 2018, the Group used the zero coupon government bond curve of 7.50% and 9.00%, respectively, for the discount rate.

If the discount rate used as at December 31, 2019 and 2018 had been different by 1%, from the estimates made by Management, the book value of the obligations for pension plans would have been lower by approximately $21,756 and $17,718, respectively.

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

j) Fair value measurement

The Group applies the guidelines in IFRS 13, *Fair value measurements* ("IFRS 13") to measure the fair value of financial assets and liabilities recognized or disclosed at fair value. IFRS 13 does not require additional fair values other than those already required or permitted by other IFRS, and it does not intend to establish valuation standards or affect valuation practices outside of the financial report. Under IFRS, the fair value represents the "Sale Price" that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the valuation date, considering the credit risk of the counterparty in the valuation.

The selling price concept is based on the assumption that there is a market and market participants for the specific asset or liability. When there is no market and/or participants to form the market, IFRS 13 establishes a hierarchy of fair value for the input data of the valuation techniques used to determine the fair value. The highest priority hierarchy is that of unadjusted quoted prices in an active market for identical assets or liabilities (measurement level 1) and the lowest priority is that of calculations dealing with significant but unobservable input data (measurement level 3). The three hierarchy levels are as follows:

- Level 1 data are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to trade at the measurement date.
- Level 2 are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 are inputs for the asset or liability that are not based on observable market data.

The fair value of assets for disposal, along with unobservable input data, are estimated by specialized independent firms hired for each asset.

k) Fair value of derivative financial instruments

The fair values of derivative instruments that are traded in recognized markets are determined based on the prices issued by these markets. In cases in which the instruments are traded on the over-the-counter market, the fair value of the financial instruments is estimated based on recognized technical valuation models in the financial field, mainly using that of expected future flows discounted at present value and based on market information available at the valuation date.

To measure the fair values the Group has used conditions and assumptions based primarily on TIIE 28 rate structures, Mexican Interbank Interest Rate (TIIE) levels, and exchange rates under the MXN/USD parity available at the valuation date.

The Company has performed the effectiveness tests required to comply with hedge accounting, which are in the ranges allowed by IFRS.

l) Revenue recognition

Determination of whether service revenues are recognized over time or at a specific time.

m) Leases

Determining whether an arrangement contains a lease.

(5) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are described as follows:

		2019	2018
Cash and cash in banks	$	1,822,596	2,393,032
Readily marketable securities		387,469	937,184
Total	$	2,210,065	3,330,216

As at December 31, 2019 and 2018, the Company has no cash and cash equivalents subject to restrictions on their availability.

(6) ACCOUNTS RECEIVABLE, NET -

An analysis of this caption is as follows:

		2019	2018
Trade (1)	$	1,889,190	1,619,612
Sundry debtors		207,025	349,678
		2,096,215	1,969,290
Allowance for credit losses		(237,396)	(196,532)
Total	$	1,858,819	1,772,758

(1) The balance as at December 31, 2018, includes an account receivable from Teléfonos de México, S.A.B. de C.V., for $143,262, as principal, derived from the outstanding balances of invoices due in 2015 and 2014 and that after the judgment of the *amparo* (appeal for relief) trial in April 2018, it was confirmed as a final judgment and its collection was executed in February 2019.

As at December 31, 2019 and 2018, in general the amounts of accounts receivable fully comply with the contractual terms.

The following information related to customer contracts is as follows:

	Business market			Mass market		Other	
		2019	2018	2019	2018	2019	2018
Opening balance	$	1,357,054	963,306	85,323	49,453	52,838	31,418
Closing balance	$	1,804,826	1,357,054	48,989	85,323	35,375	52,838

As at December 31, 2019 and 2018, the Company has liabilities for contracts with customers as follows:

	Business market			Mass market	
		2019	2018	2019	2018
Opening balance	$	265,667	354,888	129,070	146,847
Closing balance	$	139,060	265,667	47,813	129,070

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

Accounts receivable that are more than 180 days old are analyzed as follows:

		2019	2018
More than 180 days	$	254,101	196,532

The movement of the allowance for credit losses is as follows:

		2019	2018
Balance at the beginning of the year	$	196,532	153,203
Increase			53,725
Charges		(12,775)	(10,396)
Balance at the end of the year		237,396	196,532

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

The maximum exposure to credit risk at the reporting date is the book value of each class of accounts receivable mentioned above. The Group does not request collateral in guarantee.

The book value of customers and other accounts receivable that are denominated in U.S. dollars are as follows:

		2019	2018
U.S. dollars (thousands)	$	5,772	7,079

(7) INVENTORIES -

An analysis of inventories is as follows:

		2019	2018
Materials and equipment for company operations	$	545,626	522,331
Prepayments to suppliers		172,065	176,461
		717,691	698,792
Allowance for obsolete inventories		(74,380)	(95,692)
Total		643,311	603,100

Movements in the obsolete inventory valuation are as follows:

		2019	2018
Balance at the beginning of the year	$	95,692	89,292
Increase		11,717	6,410
Charges or cancellations		(33,029)	(10)
Balance at the end of the year	$	74,380	95,692

(8) INVESTMENTS IN JOINT VENTURES -

Investment in joint ventures and other permanent investments is as follows:

	Interest		
Subsidiary	2019	2018	Corporate Purpose
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (joint venture) [1]	33.33%	33.33%	Concessionaire of the rights to operate the dark fiber owned by the Federal Electricity Commission.

[1] The joint venture presented below has a share capital consisting solely of ordinary shares, which the Group directly owns. Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) obtained a 20-year lease (through a bidding process) for a pair of fiber optic wires maintained by the Federal Electricity Commission and a concession to operate a public telecommunications network in Mexico. The concession will expire in 2030.

Nature of joint venture investment as at December 31, 2019 and 2018.

Entity Name	Place of Business	Interest %	Nature of the Relationship	Measurement method
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V.	Mexico City	33.33	Trunk capacity supplier	Equity method

Summarized Statement of Financial Position:

	Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. 2019	2018
Current		
Cash and cash equivalents	$ 433,375	163,672
Other current assets	554,305	257,392
Total current assets	587,680	421,064
Other current liabilities (including accounts payable)	82,774	218,607
Total current liabilities	82,774	218,607
Long-term		
Assets	1,410,054	2,184,637
Other liabilities - Total long-term liabilities	2,802,525	1,982,180
Net liabilities	$ (887,565)	(478,522)
Summarized Statement of Comprehensive Income:		
Income	$ 310,355	361,871
Depreciation and amortization	(17,526)	(2,879)
Expenses	(296,137)	(278,226)
Finance income	86,462	47,137
Finance expenses	(276,085)	(266,687)
Result of continuous operations	(192,931)	(138,784)
Income tax	–	–
Total comprehensive income	$ (192,931)	(138,784)

As at December 31, 2019 and 2018, the Group recorded the losses of the joint venture until its investment was valued at zero. The unrecognized losses from its participation in GTAC amounted to $64,304 and $46,153, as at December 31 2019 and 2018, respectively; and the unrecognized accumulated losses amount to $350,486 and $285,140 as at December 31, 2019 and 2018, respectively.

Main subsidiaries with 51% interest

The Group has the following subsidiaries (all are variable capital companies) as at December 31, 2019 and 2018.

Entity Name	Place of Business	Nature of the Business	Portion of ordinary shares held by shareholders (%)	Portion of ordinary shares held by the Group (%)	Portion of ordinary shares held by non-controlling interest	Portion of preferred shares held by the Group (%)
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	Fixed asset leasing	51	51	49	–

All subsidiary companies are included in the consolidation. The portion of voting rights in subsidiary companies held directly by the shareholder does not differ from the portion of ordinary shares held. Management considers that the Group has control with 51% of the voting rights. The Group is the majority shareholder with 51% of shares, while the other shareholders individually do not own more than 40% of the capital. There is no record of shareholders who form a group to exercise their vote jointly. The total non-controlling interest in 2019 and 2018 was $162,384 and $176,808, respectively. The summarized financial information for each subsidiary that has non-controlling interests that are material to the Group is as follows.

Summarized Statement of Financial Position as at December 31, 2019 and 2018 (all are variable capital companies):

	Myc Red		Servicio y Equipo en Telefonía Internet y Televisión		Corporativo de Comunicación y Redes de GDL	
	2019	2018	2019	2018	2019	2018
Short-term						
Assets	$ 11,546	10,660	209,574	337,057	1,509,801	1,116,537
Liabilities	(19,223)	(5,225)	(509,511)	(438,354)	(28,649)	(23,040)
Total short-term net assets (liabilities)	(7,677)	5,435	(299,937)	(101,297)	1,481,152	1,093,497
Long-term						
Assets	65,202	44,593	562,760	618,603	220,370	255,042
Liabilities	(3,026)	–	(24,682)	–	(61,414)	(69,943)
Total long-term assets, net	62,176	44,593	538,078	618,603	158,956	185,099
Assets, net	$ 54,499	50,028	238,141	517,306	1,640,108	1,278,596

Summarized Income Statement for the period ended December 31, 2019 and 2018 (all are variable capital companies):

	Myc Red		Servicio y Equipo en Telefonía Internet y Televisión		Corporativo de Comunicación y Redes de GDL	
	2019	2018	2019	2018	2019	2018
Income	$ 76,797	70,149	918,410	818,353	77,211	74,053
Pretax profit (loss)	5,783	9,069	(62,106)	248,296	523,282	303,901
Tax expense, net	(1,311)	(529)	(27,058)	(25,292)	(19,291)	(13,188)
Total comprehensive income	$ 4,472	8,540	(89,164)	223,004	503,991	290,713

Summary statement of cash flows for the period ended December 31, 2019 and 2018 (all are variable capital companies):

	Myc Red		Servicio y Equipo en Telefonía Internet y Televisión		Corporativo de Comunicación y Redes de GDL	
	2019	2018	2019	2018	2019	2018
Cash flows from operating activities - Interest expense	$ 469	252	39,930	–	–	–
Income tax paid	–	–	(42,410)	(39,072)	(27,821)	276
Net cash generated from operating activities	22,560	16,462	517,405	152,212	127,233	239,163
Net cash used in investing activities	(23,489)	(12,651)	(277,082)	(42,677)	39,273	(286,868)
Net cash used in financing activities	(1,017)	–	(232,232)	(80,000)	(129,979)	–
(Net decrease) net increase in cash and cash equivalents	(1,946)	3,811	8,091	29,535	36,527	(47,705)
Cash and cash equivalents at beginning of year	5,275	1,464	67,748	38,213	96,933	144,638
Cash and cash equivalents at end of year	$ 3,329	5,275	75,839	67,748	133,460	96,933

The information above represents the amount before eliminations between related parties.

As at December 31, 2019 and 2018, none of these subsidiaries has any commitments or contingent liabilities that could affect the figures.

(9) PROPERTY, NETWORKS AND EQUIPMENT:

An analysis of properties, networks and equipment is as follows:

As at December 31, 2019		Land	Buildings	Network and technical signal and distribution equipment	Office furniture, equipment and computers	Transportation equipment	Leasehold improvements	Telecommunications equipment	Projects in process, tools and equipment	Total
Initial net balance as at December 31, 2018	$	109,864	108,584	23,913,199	229,391	575,614	121,254	108,810	1,957,743	27,124,459
Finance lease reclassification		-	-	(1,323,925)	-	-	-	-	-	(1,323,925)
Net initial balance as at January 1, 2019		109,864	108,584	22,589,274	229,391	575,614	121,254	108,810	1,957,743	25,800,534
Additions		14,468	562	6,772,214	117,766	119,025	53,872	167	436,102	7,514,176
Withdrawals		-	-	(240,452)	(54)	(52,743)	-	-	(72)	(293,321)
Transfers		-	-	-	-	-	-	-	-	-
Depreciation charge		-	(4,772)	(3,303,630)	(98,026)	(70,346)	(41,192)	(9,190)	(34,367)	(3,561,523)
Net ending book balance		124,332	104,374	25,817,406	249,077	571,550	133,934	99,787	2,359,406	29,459,866
Cost		124,332	174,852	44,753,596	1,461,941	947,819	468,888	151,546	2,765,687	50,848,661
Accumulated depreciation		-	(70,478)	(18,936,190)	(1,212,864)	(376,269)	(334,954)	(51,759)	(406,281)	(21,388,795)
Net ending balance as at December 31, 2019	$	124,332	104,374	25,817,406	249,077	571,550	133,934	99,787	2,359,406	29,459,866

As at December 31, 2018		Land	Buildings	Network and technical signal and distribution equipment	Office furniture, equipment and computers	Transportation equipment	Leasehold improvements	Telecommunications equipment	Projects in process, tools and equipment	Total
Net initial balance as at December 31, 2017	$	106,424	102,170	21,647,846	309,104	481,526	106,839	121,150	1,503,637	24,378,696
Finance Lease (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
Withdrawals		-	-	(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 ending 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 ending balance as at December 31, 2018		109,864	108,584	23,913,199	229,391	575,614	121,254	108,810	1,957,743	27,124,459

a) Depreciation expense for the years ended December 31, 2019 and 2018 totaled $3,561,523 and $3,083,821, respectively, of which an amount of $3,191,175 and $2,564,417, respectively, was recorded under the cost of services line item, and the complement of $370,348 and $519,404, respectively, was recorded in selling and administrative expenses.

(*) On May 1, 2019, through its subsidiary Telefonía por Cable, S.A. de C.V. as a buyer, the Group entered into an asset purchase-sale agreement and assignment of rights with Axtel, S.A.B. de C.V., for intangible assets and fixed assets of the FTTH (Fiber To The Home) at $1,150,000 plus value added tax where the customer list was purchased for $266,731 as an intangible asset (see Note 11) and fixed assets for $883,269.

b) A list of finance leases, net of depreciation reclassified to January 1, 2019 is as follows (see Note 16):

Right-of-use assets		Reclassification at January 1, 2019
Network and technical equipment for signal distribution, net	$	1,323,925

c) In order to apply a depreciation rate in connection costs that did not exceed the average life of the materials and the average life of subscribers for cable television, internet and telephone services, and for changes in technological platforms and in its materials, Management decided to apply the depreciation rate of the costs of capitalized connections in its network asset as a change to its estimates as of 2018, going from 6.64% to 33.33%. This change in the estimate of useful life generated an increase in the amount of $181,375 in 2018 in the depreciation of the year charged to the income statement.

d) Due to the increase in the frequency of new cable subscribers in 2019 and 2018, the Group capitalized connection costs in the network asset for $889,077 and $757,607 (materials and labor necessary to physically extend and connect the Network to the new customer homes), respectively.

(10) GOODWILL -

An analysis of goodwill as at December 31, 2019 and 2018 is as follows:

Balances as at December 31, 2019 and 2018	Acotel	TCO	IMATEL	IRA	SIGETEL	Other	Total
Net opening balance	$ 2,296,815	381,098	331,811	240,378	54,893	1,073,402	4,378,397
Accumulated impairment	-	-	-	-	-	-	-
Net book value	2,296,815	381,098	331,811	240,378	54,893	1,073,402	4,378,397

Goodwill impairment tests:

Management reviews business performance based on geography and type of business. Geographical areas have been identified as the states in Mexico where the Group has a presence. In all geographic areas, the Group maintains cable, telephone, and internet services. Goodwill is analyzed by Management at the geographic area level for the mass (Cable, Telephone, and Internet) and business (Metrocarrier) markets. A summary of the goodwill allocation for each geographic area is as follows:

As at December 31, 2019 and 2018		Beginning balance	Additions	Ending balance
North	$	134,645	-	134,645
West		265,569	-	265,569
Pacific		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

The recoverable amount of all Cash Generating Units (CGU) is determined based on value in use calculations. These calculations use the projections of pretax cash flows based on financial budgets approved by Management that cover a five-year period. Cash flows that exceed the five-year period are extrapolated using the estimated growth rates mentioned below. Growth rates do not exceed the long-term average growth rate for the telecommunications business in which the CGU operates.

The recovery values of each of the CGUs as at December 31, 2019 and 2018 are as follows:

As at December 31, 2019 and 2018	2019	2018
North	$ 3,786,492	5,083,206
West	11,033,666	12,575,982
Pacific	10,515,700	17,247,225
Southeast	6,945,119	10,411,185
TCO	2,346,677	3,696,823
Bajío	7,556,697	9,926,752
Center	5,347,628	7,731,959
Gulf	3,698,643	6,327,447
Metrocarriers	6,985,090	8,696,786

The key assumptions used in the 2019 and 2018 value in use calculations are as follows:

2019	% of gross margin	Growth rate	Discount rate
North	54.2%	8.6%	11.72%
West	47.5%	9.0%	11.72%
Pacific	48.8%	7.6%	11.72%
Southeast	50.3%	9.2%	11.72%
TCO	51.6%	8.0%	11.72%
Bajío	50.4%	9.0%	11.72%
Center	50.8%	9.5%	11.72%
Gulf	49.2%	7.7%	11.72%
Metrocarriers	32.0%	10.0%	11.72%

2018	% of gross margin	Growth rate	Discount rate
North	52.3%	11.1%	15.78%
West	46.0%	10.1%	15.78%
Pacific	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%

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. The weighted average growth rates used are consistent with the projections included in the industry reports. The discount rates used are pre-taxes and reflect the specific risks related to the relevant geographic areas.

Sales volume is the weighted average rate of annual growth over a five-year forecast period. It is based on past performance and Management's expectations of market development.

The sale price is the weighted average rate of annual growth over the five-year forecast. It is based on current industry trends and includes long-term inflation forecasts.

(11) OTHER INTANGIBLE ASSETS, NET -

An analysis of intangible assets is as follows:

		2019	2018
With defined life:			
Customer base (i)	$	2,028,815	1,762,084
Accumulated amortization		(1,796,943)	(1,697,339)
		231,872	64,745
With defined life:			
Trademarks and patents, net (ii)		34	6,503
Total	$	231,906	71,248

i) Corresponds to the cost of acquisitions of portfolio/subscribers with a useful life of four years. The movements in the net customer base is as follows:

		2019
Net customer base:		
As at January 1, 2017	$	140,295
Amortization		(75,550)
As at December 31, 2018		64,745
Additions (*)		266,731
Customer base deletions		(4,623)
Amortization		(94,981)
As at December 31, 2019	$	231,872

(*) On May 1, 2019, through its subsidiary Telefonía por Cable, S.A. de C.V. as buyer, and Mega Cable, S.A. de C.V, the Group entered into an asset purchase and sale and assignment of rights agreement with Axtel, S.A.B. de C.V., for FTTH (Fiber To The Home) intangible assets and fixed assets valued at $1,150,000 plus value added tax where they purchased the customer list for $266,731 as an intangible asset and fixed assets.

Amortization is calculated based on the straight-line method, considering the estimated life of the assets, which is four years. As at December 31, 2019 and 2018, it was recorded in the cost of services as $94,981 and $75,550, respectively.

ii) Refers to the trademark registration title of "Video Rola música para tus ojos" (music for your eyes) and its design, granted by the Mexican Institute of Industrial Property (renewable according to applicable legal provisions) and which is applied to entertainment through video and elaboration of the same, discs, cassettes and videos covered in this class. It is amortized at the annual rate of 5%.

Brands and patents:

As at January 1, 2018	$	13,020
Deletions, net		(6,517)
As at December 31, 2018		6,503
Deletions, net		(6,469)
As at December 31, 2019	$	34

(12) FINANCIAL INSTRUMENTS BY CATEGORY -

		2019	2018
		Loans and accounts receivable	
Assets according to the statement of financial position:			
Accounts receivable, net	$	1,858,819	1,772,758
Related parties		1,151,542	1,185,076
Cash and cash equivalents		2,210,065	3,330,216
Total	$	5,220,426	6,288,050

	2019	2018
	Financial liabilities at amortized cost	
Liabilities according to statement of financial position:		
Bank loans	6,507,769	3,903,351
Suppliers	1,436,412	1,913,552
Related parties	1,010,934	1,073,882
Other accounts payable, excluding non-financial liabilities	916,060	966,398
Total	9,871,175	7,857,183

As at December 31, 2019, the Company has no derivative financial instruments or options instruments in force.

(13) BANK LOANS -

Bank loans are integrated as follows:

	2019	2018
Unsecured loan from Scotiabank Inverlat, S.A. a full-service banking institution, on July 25, 2019, for $3,000,000 (nominal), comprising two withdrawals, one for $2,000,000 with a fixed monthly interest rate of 7.88% and another for $1,000,000 with a monthly interest rate of at the TIIE plus 0.28 percentage points, and a July 29, 2024 maturity date. (1)	$ 2,982,609	-
Unsecured loan from BBVA Bancomer, S.A., a full-service banking institution, on July 25, 2019, for $1,500,000 (nominal), with a monthly fixed interest rate of 7.89%, and a July 29, 2024 maturity date. (1)	1,499,707	-
Unsecured loan from BBVA Bancomer, S.A., a full-service banking institution, on July 25, 2019, for $1,000,000 (nominal), with a monthly interest rate of TIIE plus 0.28 percentage points and a July 29, 2022 maturity date. Only $975,000 were drawn from this loan. (1)	958,548	-
Unsecured loan from Banco Santander, S.A., a full-service banking institution, on July 25, 2019, for $500,000 (nominal), with a monthly interest rate of TIIE plus 0.28 percentage points and a July 29, 2022 maturity date. (1)	474,281	-
Unsecured loan from Banco Nacional de México, S.A., a full-service banking institution, on July 25, 2019, for $500,000 (nominal), with a monthly interest rate of TIIE plus 0.28 percentage points and a July 25, 2022 maturity date. (1)	499,965	-
Unsecured loan for $2,100,000 (nominal) from Banamex, S.A., a full-service banking institution, BBVA Bancomer, S.A., a full-service banking institution y Scotiabank Inverlat, S.A., a full-service banking institution with a July 31, 2016 maturity date, which was renewed on July 31, 2016, for $2,000,000 (nominal) with a July 29, 2019 maturity date, with a monthly interest rate of TIIE rate plus an applicable margin of 0.50%. (2)	-	1,980,157
Unsecured loan for $1,700,000 (nominal) from Banamex, S.A., a full service banking institution and Scotiabank Inverlat, S.A., a full service banking institution which began on May 12, 2017, with a monthly interest rate of TIIE plus an applicable margin of 0.30% and a July 29, 2019 maturity date. (2)	-	1,683,134
Loan available on demand in a single payment from Banco Banamex, S.A., a full service banking institution, for a maximum amount of $90,000, signed on March 9, 2016, with a monthly TIIE interest rate plus an applicable margin of 0.75 percentage points, and a March 9, 2020 maturity date.	5,625	28,125
Loan available on demand in a single payment from Banco Banamex, S.A., a full service banking institution, for a maximum amount of 33,800, signed on March 9, 2016, with a monthly TIIE interest rate plus an applicable margin of 0.75 percentage points, and a March 9, 2020 maturity date. The effective rate as at December 31, 2018 amounts to 1.84%.	-	9,013
Loan available on demand in a single payment from Banco Banamex, S.A., for a maximum amount of $3,470, signed on 9 March 2016, with a monthly TIIE interest rate plus an applicable margin of 0.70 percentage points, and a March 9, 2019 maturity date. The effective rate as at December 31, 2018 amounts to 1.35%.	-	289
Line of credit up to the principal sum of $8,080 (USD 460,000) with Banco Banamex, S.A., a full service banking institution, contracted on January 22, 2016 and maturing on January 22, 2021, with a Libor rate plus 1.8 basis points.	2,170	4,069
Loan available on demand in a single payment from Santander, S.A., a full service banking institution, for a maximum amount of $190,000, with a monthly TIIE interest rate plus an applicable margin of 0.40 percentage points, and a December 19, 2020 maturity date.	63,333	126,667
Unsecured loan for $45,000 with Scotiabank Inverlat, S.A., a full service banking institution, for the acquisition of assets signed on April 11, 2017. Of which a first amount of $20,000 was withdrawn on 11 April 2017, plus a second withdrawal for $5,000 on May 17, 2017; plus a third withdrawal for $20,000 on July 11, 2017; effective for 60 months, and accruing monthly interest at the TIIE rate plus 2 percentage points due in April 2022.	21,531	35,229
Loan available on demand in a single payment from Banamex, S.A., a full service banking institution, for a maximum amount of $55,000, with a 0.70% rate plus TIIE.	-	36,668
Total bank loans	6,507,769	3,903,351
Minus:		
Short-term portion of long-term bank loans	79,922	3,778,569
Bank loans with maturities greater than one year	$ 6,427,847	124,782

(1) On July 25, 2019, Mega Cable, S.A. de C.V. as an accredited subsidiary and Megacable Holdings, S.A.B. de C.V., Telefonía por Cable S.A. de C.V., Servicios Especiales Turandot, S.A.P.I de C.V., and Werther Administración Integral, S.A. de C.V., as joint and several obligors, took out loans with Scotiabank Inverlat, S. A. for $3,000,000, BBVA Bancomer, S.A. [for] $2,475,000, Banco Santander, S.A. for $500,000, and Banco Nacional de México, S. A. for $500,000. These contracts mature on July 29, 2022 and July 29, 2024.

In relation to the loans indicated in the previous paragraph, the Group determined an effective interest rate in 2019 of 7.88%, 7.84%, 7.89% and for the last three 7.84%, respectively, on which the financial cost of said loan is recorded. In like manner, the fair value for all loans is $6,404,319, which was determined by using the discount rate at fixed market value and TIIE plus 0.28% percentage points, and is within level 2 in the fair value hierarchies.

(2) As at December 31, 2018, with respect to the most significant loans of $2,000,000 and $1,700,000, the Group determined an effective interest rate in 2018 of 8.56% and 8.33% respectively, on which the financial cost of said loan is recorded. In like manner, its fair value at said dates is $3,672,157, which was determined using the TIIE discount rate at market value plus 0.50% percentage points, within level 2 in the fair value hierarchies.

The current loan agreements establish different obligations to do and not do for Megacable Holdings and its subsidiaries, including limitations to: (a) merge or consolidate with third parties; (b) sell, transfer or lease some of its assets, except in the case of a cash transaction; (c) certain investments; (d) the amount of indebtedness; (e) certain dividend payments or distributions of the capital stock of Megacable Holdings or its subsidiaries, or the purchase, redemption or other acquisition of the capital stock of any of its subsidiaries; (f) enter into hedging contracts, unless they help mitigate certain risks or acquire benefits; and (g) changes in accounting, as well as requiring Megacable Holdings and subsidiaries to comply with certain financial ratios, including a consolidated leverage rate not greater than 3.00 and a consolidated interest coverage rate greater than 3.50.

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

	2019	2018
Less than 6 months	$ 16,589	24,598
From 6 to 12 months	63,333	3,753,971
More than 1 year up to 5 years	6,427,847	124,782
	$ 6,507,769	3,903,351

The book value and fair value of the long-term loans is as follows:

	Book value		Fair value	
	2019	2018	2019	2018
Loans	$ 6,427,847	124,782	6,404,319	112,353

Fair values are based on discounted cash flows using the discount rate calculated by Management and are within level 2 in the fair value hierarchies.

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

	2019	2018
U.S. dollars (thousands)	$ 115	207

(14) OTHER ACCOUNTS PAYABLE AND ACCRUED LIABILITIES -

The other accounts payable and accumulated liabilities are integrated as follows:

	2019	2018
Benefits payable	$ 108,612	96,167
Miscellaneous creditors and other accounts payable	576,123	518,175
Accrued income	186,873	325,833
Employee participation in profits	44,452	40,270
Total	$ 916,060	980,445

(15) EMPLOYEE BENEFITS -

The value of the obligations for acquired benefits is as follows:

	2019	2018
Seniority premiums	$ 191,633	150,957
Retirement benefits	86,074	75,206
Total	$ 277,707	226,163

The net cost for the period of the years ended December 31, 2019 and 2018, is as follows:

	2019	2018
Seniority premiums	$ 40,676	9,999
Retirement benefits	10,868	(2,763)
	$ 51,544	7,236

a) **Seniority premium**

The economic assumptions in nominal and real terms used were:

	2019	2018
Discount rate	7.50%	9.00%
Inflation rate	3.50%	3.50%
Salary increase rate	4.50%	4.50%

The net cost of the period is integrated as follows:

	2019	2018
Labor cost	$ 20,331	15,877
Actuarial losses (gains) recognized in OCI	7,933	(15,673)
Finance cost	12,412	9,795
Net period cost	$ 40,676	9,999

The amount included as a liability in the consolidated statements of financial position is integrated as follows:

	2019	2018
Defined benefit obligations	$ 191,633	150,957
Liabilities in the consolidated statement of financial position	$ 191,633	150,957

The movement of the established benefit obligation was as follows:

	2019	2018
Initial balance at January 1,	$ 150,957	140,959
Labor cost	20,331	15,877
Finance cost	12,412	9,795
Remeasurement:		
Reductions and early settlement	–	–
(Gains) losses from experience	7,933	(15,674)
Final balance at December 31	$ 191,633	150,957

b) **Retirement benefits**

The economic assumptions in nominal and real terms used were:

	2019	2018
Discount rate	7.50%	9.00%
Inflation rate	3.50%	3.50%
Salary increase rate	4.75%	4.50%

The net cost of the period is integrated as follows:

	2019	2018
Labor cost	$ 367	174
Plan improvements or modifications	8,456	(4,783)
Finance cost	2,045	1,846
Net period cost	$ 10,868	(2,763)

The amount included as a liability in the consolidated statements of financial position is integrated as follows:

	2019	2018
Defined benefit obligations	$ 86,074	75,206
Plan assets	-	-
Liabilities in the consolidated statement of financial position	$ 86,074	75,206

The movement of the established benefit obligation was as follows:

	2019	2018
Initial balance at January 1,	$ 75,206	77,969
Labor cost	366	174
Finance cost	2,045	1,846
Remeasurement:		
(Gains) losses from experience	8,457	(4,783)
Final balance at December, 31	$ 86,074	75,206

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

	Impact on established benefit obligations	
	Change of assumption	Change in obligation
Discount rate	+1%	Decreases by 3.87%
Discount rate	–1%	Increases by 4.16%

The weighted average duration of the established benefit obligation is 7.58 years.

c) **Pension plan**

Management has a ten-year pension plan based on annual contributions. These contributions are managed in the Sura Investment Management México account. The annual contributions made during 2019 and 2018 were $8,798 and $9,757, respectively.

Pursuant to the provisions of the plan, employees who meet the following are eligible to participate in the plan: be an employee with an indefinite-term individual employment contract, be an executive-level employee with three or more years of pensionable service at the date of implementation of the plan, stay in the company for a minimum period of five years after the date of implementation of the plan, determine the percentage of savings that will be allocated to the long-term savings vehicle, as well as the designation of its contingent beneficiaries for delivery of the benefits. The period of pensionable service will be considered in years and complete months of uninterrupted services from the time employees are hired and through their retirement, death or declaration of total or permanent disability dates. The retirement date will be the first day of the month immediately after the day they turn 65. The defined contribution must be a minimum equivalent to 1% of the salary established to this end. The company will match employee contributions. Employees may apply for early retirement (60 years), or continue working after they turn 65, as long as these exceptions are authorized by the Pension Plan Committee.

(16) LEASE ASSETS (RIGHT-OF-USE) AND LEASE LIABILITIES -

The Group has entered into various operating lease agreements for buildings in which it operates some of offices, customer service centers (CSC) and warehouses. The terms stipulated in these contracts fluctuate mainly between one and 10 years and most contain automatic renewal options. The minimum amounts to be paid are adjusted primarily according to the CPI and all are in pesos. The Group is subject to sublease agreement restrictions in certain cases.

The Company leases minimum IT equipment under one to three year contracts. These leases are short-term and/or low-value item leases. The Group has decided not to recognize the right-of-use assets and liabilities for these leases.

Information on leases for which the Company is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are comprised of the following:

	Network and technical signal distribution equipment, net	Building (offices, warehouses and CSC)	Total
Balance at January 1, 2019	$ 1,323,925	355,079	1,679,004
Additions	155,550	184,029	339,579
Annual depreciation	(141,963)	(160,962)	(302,925)
Balance at December 31, 2019	$ 1,337,512	378,146	1,715,658

The short and long-term lease liabilities for buildings (offices, warehouses and CSC) leased at December 31, 2019 are $132,652 and $266,963, respectively.

Amounts recognized in the income statement Building (offices, warehouses and CSC):

Leases under IFRS 16	2019
Interest on lease liabilities	$ 135,075
Interest on income from leases	63,076

Leases under IAS 17	2018
Lease expense	$ 245,875

Total cash outflows for leasing during 2019 were $202,570.

Network leasing and technical equipment for signal distribution (contracted before 2018)

On June 30, 2011, the subsidiary Mega Cable, S.A. de C.V. (MEGA), entered into a capacity provision agreement for high-capacity telecommunications services with Grupo de Telecomunicaciones de Alta Capacidad S.A.P.I. de C.V. (GTAC), which was granted a Concession Title by the Secretariat of Communications and Transportation (SCT) to install, operate and use a public telecommunications network, provide conveyance emission services, transmission of signals to concessionaires of public telecommunications networks, which is valid for 20 years and may be renewed in whole or in part.

These concessions cover the Pacific, Central and Gulf areas in Mexico, so MEGA will be making advance annual payments in the amount of $41,400 from July 2013 to 2029, for use of the trunk capacity until 2029; said payments are so that GTAC can maintain and repair the public network.

Following is a breakdown of the liability and payments, as well as the maturities of the financial lease that began in 2018, which liability is recorded in the Related parties Note (see Note 24).

Future minimum payments are summarized as follows:

	2019	2018
Up to 1 year	$ 210,767	202,849
More than 1 year and up to 5 years	474,181	604,028
More than 5 years	325,986	230,287
	$ 1,010,934	1,037,164

A breakdown of the payment reconciliation is as follows:

	2019	2018
Total financial lease:		
As at January 1	$ 1,037,164	1,011,407
Increments	155,550	237,903
Payments	(181,782)	(212,146)
	$ 1,010,934	1,037,164

(17) EQUITY -

a. The exhibited share capital and the number of shares are as follows:

	Number of Series "A" Shares	
	Variable	Amount
Share capital as at December 31, 2019 and 2018	$ 1,721,355,673	910,244

The shares representing the Group's capital stock issued and outstanding are fully paid, without par value.

As at December 31, 2019 and 2018, there were 1,721,355,673 shares outstanding.

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

The reconciliation of the outstanding shares at the beginning and end of the year is as follows:

	2019	2018
	Common shares	
As at January 1	$ 1,720,888,407	1,720,300,967
Movement in the year, (purchases) net sales (i)	(2,107,886)	587,440
As at December 31	1,718,780,521	1,720,888,407
Treasury shares	2,575,152	467,266
Total subscribed shares	$ 1,721,355,673	1,721,355,673

As at December 31, 2019 and 2018, the Group owned 2,575,152 and 467,266 series "A" shares (treasury shares), respectively.

In the periods ended December 31, 2019 and 2018, no expenses were incurred in issuing, placing and registering shares.

Repurchase of shares

Ordinary Participation Certificates (CPO, acronym in Spanish) are registered securities representing the provisional right on the returns and other benefits of titles or assets integrated in an irrevocable trust issued by the Group to be listed on the Mexican Stock Exchange, one CPO is equivalent to two series "A" shares.

i. During the year ended December 31, 2019, the Group purchased 1,287,576 Ordinary Participation Certificates (CPOs), which are equivalent to 2,575,152 shares of the variable portion of series "A" shares. The amount for said purchase was $103,452.

   During the year ended December 31, 2019, the Group sold 233,633 CPOs, equivalent to 467,266 shares of the variable portion of series "A" shares, for $20,241.

   The result of the operations mentioned in the two paragraphs above generated an effect of net purchases of CPOs for 1,053,943, equal to 2,107,886 shares of the variable portion of series "A" shares, these operations represent 0.12% of the total shares, resulting in a net movement of ($ 83,211).

ii. During the year ended December 31, 2018, the Group purchased 233,633 Ordinary Participation Certificates (CPOs), equal 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, equal to 1,054,706 shares of the variable portion of series "A" shares, for $41,300.

   The result of the operations mentioned in the two paragraphs above generated an effect of net sales of CPOs for 293,720, equal to 587,440 shares of the variable portion of series "A" shares. These operations represent 0.03% of the total shares, resulting in a movement net of $21,823.

Dividends

At the Ordinary Shareholders' Meetings held in 2019, the Company's shareholders agreed to decree dividends by cash payment via bank transfer for a net amount of $1,875,602. Said dividend represented a dividend per share of $1.09 per series "A" share and $2.18, per "CPO" equal to two series "A" shares.

At the Ordinary Shareholders' Meetings of the subsidiaries, Corporativo de Comunicación y Redes de Gdl, S.A. de C.V. and Entretenimiento Satelital S.A. de C.V. declared dividends of $63,689 and $1,945, respectively, corresponding to the minority shareholders of both companies.

At the Ordinary Shareholders' Meetings held in 2018, the Company's shareholders agreed to decree dividends by payment by bank transfer for a net amount of $1,531,087. Said dividend represented a dividend per share of $0.89 per series "A" shares and $1.78, per "CPO" equal to two series "A" shares.

The Ordinary Shareholders' Meeting held in 2018 by the subsidiary, Liderazgo Empresarial en Tecnologías de la Información S.A.P.I. de C.V., declared dividends of $21,750 corresponding to minority shareholders.

The Ordinary Shareholders' Meetings held in 2018 by the subsidiaries Servicio y Equipos en Telefonía, Internet y Televisión S.A. de C.V. and Corporativo de Comunicación y Redes de GDL S.A. de C.V. decreed dividends of $39,200 to the minority shareholders of both companies.

b. **The balances of the fiscal accounts of the Company's equity (Megacable Holdings) are:**

		2019	2018
Capital contribution account (CUCA)	$	4,936,381	4,800,993
Net taxed profits account (CUFIN)		191,302	191,453
Total	$	5,127,683	4,992,446

c. **Tax provisions related to equity:**

The profit for the year is subject to the legal provision that requires that at least 5% of the profit for each year be used to increase the legal reserve until it is equal to one fifth of the amount of paid-in capital.

In October 2013, the Mexican Congress and Senate approved the issuance of a new Income Tax Act (LISR) that entered into force on January 1, 2014. Among other aspects, this Law establishes a 10% profits tax generated as of 2014 on dividends paid to residents abroad and individuals.

In the event of a capital reduction, the procedures established by the Income Tax Act (LISR) provide that any surplus of equity over the balances of the contributed capital accounts be given the same tax treatment as that applicable to dividends.

(18) EARNINGS PER SHARE -

Net profit per share results from the division of net profit for the year by the weighted average of the Company's outstanding shares during the year, excluding the common shares acquired by the Company and held as treasury shares.

		2019	2018
Profit from the controlling interest	$	4,290,211	4,557,613
Weighted average shares	$	1,721,356	1,717,844
Ordinary earnings per share (pesos)	$	2.49	2.65
Earnings per CPO (1)	$	4.98	5.31

(i) It should be noted that a CPO corresponds to two series "A" shares.

(19) INCOME TAX -

Income Tax (LISR)

The Income Tax Act that entered into force on January 1, 2014 establishes that the applicable income tax rate for 2014 and subsequent years is 30% on the taxable profit.

For investors in the Real Estate Companies (SIBRAS) regime, the 2014 Tax Reform raises the probability of paying the tax for the profit generated by their contributions to said entities. As at December 31, 2018, the Group had a short-term liability of $945,000, however, during the month of July 2019, a payment of $1,170,638 was made, $788,574 of which covered the restated tax plus $382,064 for surcharges.

a) **Profits tax are comprised as follows:**

		2019	2018
Current income tax	$	(1,214,943)	(1,054,230)
Deferred income tax		(105,668)	(299,989)
Total	$	(1,320,611)	(1,354,219)

b) The reconciliation between the current and effective rates of the consolidated income tax are analyzed as follows:

	2019	2018
Earnings before profits tax	$ 5,773,206	6,072,968
Current rate	30%	30%
Income tax at the current legal rate	1,731,962	1,821,890
More (less) effect on the income tax of the following items:		
Annual adjustment for inflation, net	(58,755)	(1,137)
Non-deductibles	84,914	58,775
Infrastructure tax deduction	(437,510)	(525,309)
	$ 1,320,611	1,354,219
Effective rate	23%	22%

c) The deferred income tax balance is integrated as follows:

	2019	2018
Deferred tax asset		
Tax loss carryforwards	$ 410,728	104,714
Property, networks and equipment, net	-	33,279
Intangible assets	448,276	481,895
Estimate of credit losses	71,219	64,601
Inventory reserve	22,314	-
Labor obligations	40,519	71,801
Provisions	165,702	124,079
Trade advances	11,695	-
	$ 1,170,453	880,369
Deferred income tax		
Property, networks and equipment, net	$ (2,712,573)	(2,509,400)
Inventories	-	(220,971)
Advance payments	(100,784)	-
Right-of-use lease, net	(101,430)	-
	$ (2,914,787)	(2,730,371)
Total of profits tax deferred, net	$ (1,744,334)	(1,850,002)

d) The movement of deferred tax assets and liabilities in the year is as follows:

Deferred tax asset:	Property, networks and equipment	Tax loss carryfor-wards	Intangible Assets	Bad debt reserve	Labor obligations and others	Total
As at January 1, 2018	$ 79,705	74,733	348,162	64,914	205,771	773,285
Credited (charged) to Statement of income	(46,426)	29,981	133,733	(313)	(9,891)	107,084
As at December 31, 2018	33,279	104,714	481,895	64,601	195,880	880,369
Credited (charged) to Statement of income	(33,279)	306,014	(33,619)	6,618	44,350	290,084
As at December 31, 2019	$ -	410,728	448,276	71,219	240,230	1,170,453

Deferred income tax liability:	Property, networks and equipment	Inventories and others	Total
As at January 1, 2018	$ (2,191,351)	(106,741)	(2,298,092)
(Charged) credited to the income statement	(318,049)	(114,230)	(432,279)
As at December 31, 2018	(2,509,400)	(220,971)	(2,730,371)
(Charged) credited to the income statement	(203,173)	18,757	(184,416)
As at December 31, 2019	$ (2,712,573)	(202,214)	(2,914,787)

The Group does not recognize deferred taxes for the purposes of deferred taxes on investments in subsidiaries and associates.

e) As at December 31, 2019 and 2018, the Group maintains accumulated consolidated tax losses for a total of $1,336,182 and $353,958, respectively, which right to be amortized against future consolidated earnings expires as follows:

	December 31, 2019	
Year of loss	Restated amount	Year of expiration
2011	$ 498	2021
2012	2,046	2022
2013	1868	2023
2014	25,167	2024
2015	31,808	2025
2016	81,948	2026
2017	94,993	2027
2018	180,232	2028
2019	950,533	2029
	$ 1,369,093	

	December 31, 2018	
Year of loss	Restated amount	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	2026
2017	76,432	2027
2018	146,428	2028
	$ 353,958	

(20) COSTS AND EXPENSES BY NATURE –

The cost of services, and selling and administrative expenses are integrated as follows:

	2019	2018
Cost of services:		
Depreciation	$ 3,191,175	2,564,417
Programming	2,571,787	2,342,357
Technical staff labor	1,443,381	1,203,542
Links	416,781	429,560
Publicity and promotion	394,914	351,152
Connections	672,253	380,164
Power sources	252,137	229,038
Amortization	272,257	211,022
Lease depreciation	302,925	-
External works	63,765	42,981
Other minor [works]	26,348	16,009
Call traffic	53,370	49,141
Total cost of services	$ 9,661,093	7,819,383

		2019	2018
Selling expenses			
Labor and benefits	$	2,681,618	2,266,995
Maintenance and conservation expenses		812,232	911,771
Depreciation		343,284	481,448
Leases		259,333	226,193
Sales commissions		232,060	246,637
Electric power		188,274	158,030
Insurance		115,539	106,586
Account statement preparation and courier services		81,722	88,246
Non-deductibles		45,468	80,993
Travel expenses		66,477	75,591
Transfer of securities		74,410	68,369
Stationery and office supplies		62,916	58,579
Bad debt reserve		53,639	53,725
Freight		41,791	37,218
Safety and hygiene		40,851	32,986
Training and recruitment		32,969	32,370
Surveillance services		34,085	30,430
Telephones		28,866	23,542
Conventions		22,273	22,939
Professional fees		–	17,883
Equipment recovery		9,909	15,266
Fees and licenses		16,121	13,484
Other expenses		76,350	67,145
Total selling expenses	$	5,320,187	5,116,426

		2019	2018
Administrative expenses			
Advisory services	$	184,093	156,442
Labor and benefits		211,411	178,723
Bank fees		76,708	75,922
Depreciation		27,064	37,956
Leases		11,635	19,682
Safety and hygiene		3,221	2,600
Total administration expenses	$	514,132	471,325

		2019	2018
Cost of services, selling and administrative expenses			
Labor and benefits (*)	$	4,336,410	3,649,261
Depreciation		3,561,523	3,083,821
Programming		2,571,787	2,342,357
Maintenance and conservation expenses		812,232	911,771
Links		416,781	429,560
Publicity and promotion		394,914	351,152
Connections		672,253	380,164
Lease depreciation		302,925	–
Sales commissions		232,060	246,637
Leases		270,968	245,875
Power sources		252,137	229,038
Amortization		272,257	211,022
Advisory services		191,173	156,442
Electric power		188,274	158,030
Insurance		115,539	106,586
Account statement preparation and courier services		81,722	88,246
Non-deductibles		45,468	80,993
Bank fees		76,708	75,922
Travel expenses		66,477	75,591
Transfer of securities		74,410	68,369
Stationery and office supplies		62,916	58,579
Bad debt reserve		53,639	53,725
External works		63,765	42,981
Call traffic		53,370	49,141
Freight		41,791	37,218
Safety and hygiene		44,072	35,586
Training and recruitment		32,969	32,370
Surveillance services		34,085	30,430
Telephones		28,866	23,542
Conventions		22,273	22,939
Equipment recovery		9,909	15,266
Professional fees		18,899	17,883
Fees and licenses		16,121	13,484
Other expenses		76,719	83,153
Total	$	15,495,412	13,407,134

(*) Employees benefits and compensation is as follows:

		2019	2018
Salaries, benefits and bonuses	$	2,427,015	1,993,611
Commissions		1,025,592	896,235
Taxes and fees		855,353	729,365
Employee profit sharing		28,450	30,050
	$	4,336,410	3,649,261

(21) ANALYSIS OF OTHER INCOME, NET -

		2019	2018
Other income			
Exempt income	$	35,248	31,119
Provision reconciliations		-	6,302
Cash surpluses		1,699	1,621
Tax restatement		525	1,022
Others		8,393	13,392
Total other income	$	45,865	53,456
Other expenses			
Sale of fixed assets	$	2,320	5,263
Increase in provisions		285	-
Total other expenses	$	2,605	5,263
Total other income, net	$	43,260	48,193

(22) FINANCE INCOME AND COSTS -

		2019	2018
Finance costs:			
Interest on bank loans	$	(539,262)	(322,947)
Interest on loans with related parties		(59,469)	(103,172)
Interest on leases		(63,076)	-
Changes losses, net		(39,131)	(18,013)
Finance costs		(700,938)	(444,132)
Finance income:			
Interest income from short-term bank deposits		191,621	238,655
Interest income from loans to related parties (Note 24)		119,465	103,172
Finance income		311,086	341,827
Total	$	(389,852)	(102,305)

(23) COMMITMENTS AND CONTINGENCIES -

a) Commitments

i. Concessions

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

Failure by the Group to comply with said obligations could imply penalties. In addition, the Group's concessions are subject to revocation only for serious causes, such as interruption of service, repeated failure to comply with the obligations or conditions established in the concession titles, the assignment or transfer of the rights conferred by the concessions in contravention of the provisions of the Law.

In any of these cases, the concession may be revoked without the government being bound to pay any compensation to Mega Cable, S.A. de C.V. If the IFT revokes any of the Group's concessions, it could not operate within the area of the revoked concession or obtain new concessions to operate in said or any other area for a five-year period.

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

ii. Contractual

The Group has obligations to do and not to do with financial institutions in relation to current loan contracts. Said contracts include clauses that prohibit the Group from carrying out activities such as the sale of fixed assets or the merger with a third party (except with prior notice and authorization from the financial institution).

Additionally, the loan agreement requires the fulfillment of certain financial ratios.

b) Contingencies

As of the date of issuance of these financial statements, the following relevant lawsuits have been brought against the Group that could represent an economic impact:

Various labor lawsuits with an initial claimed amount of $130,221 of which the Group Attorneys have confirmed that the high risk litigation of obtaining an unfavorable judgment amounts to $16,165. The Group set aside an accounting reserve from previous years on this last amount.

Appeals and amparo or relief proceedings for claims filed by Televisa against Group subsidiaries, for breach of license contracts and the payment of royalties for the use of signals on demand between 29 September and December 31, 2016. According to the opinion of the 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 as follows:

As of the date of issuance of these financial statements, two of its subsidiaries (Telefonía por Cable, S.A. de C.V. and Mega Cable, S.A. de C.V.) have received notifications from the General Administration of Large Taxpayers (SAT), determining tax credits by the subsidiaries for $4,465,299 for Income Tax (ISR) and Special Tax on Production and Services (IEPS), both include surcharges and fines for fiscal years 2008, 2009 and 2011; however, the Group's Management and its attorneys confirm that they have the necessary elements to obtain a favorable ruling, in the means of defense that it has filed.

(24) RELATED PARTIES -

a) The main balances with related parties are as follows:

Entity	Type of relationship	Line item	2019	2018
Long-term accounts receivable:				
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) (1)	Joint venture	Loan granted	$ 1,151,542	1,086,983
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) (2)	Joint venture	Prepayments	-	98,093
Total			$ 1,151,542	1,185,076
Accounts payable:				
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) (3)	Joint venture	Lease	$ 1,010,934	1,073,882
Minus short-term accounts payable			(275,534)	(412,321)
Total long-term accounts payable			$ 735,400	661,561

(1) The long-term account receivable as at December 31, 2019 and 2018 is originated by a current account loan granted to its joint venture GTAC, for up to USD 20 million. The loan is due on December 31, 2030 and accrues monthly interest at the 28-day interbank rate plus two percentage points. The effective rate as at December 31, 2019 and 2018 was 10.34% and 9.97%, respectively. As at December 31, 2019 and 2018, the fair value of the account receivable is $957,515 and $1,042,416, respectively, and is at level 2 of fair value.

(2) The account receivable as at December 31, 2018 corresponds to advances for network maintenance (fiber optics) granted by the Group to its joint venture GTAC.

(3) The account payable for leases as at December 31, 2019 and 2018, corresponds to the contract entered into for the provision of capacity for telecommunications services with GTAC executed on August 1, 2012. Said contract specifies that the Group will make annual payments of $41,400 over the next 18 years, that will be increased annually through the National Consumer Price Index (CPI). The contract also establishes that the payments corresponding to years 10 through 18 can be paid in advance. In addition, this account payable corresponds to the financial lease additions acquired by a Group subsidiary, which is paid at 10 years, according to the present calculation value. According to IAS 17, it meets the requirements to be considered as a financial lease, until December 31, 2018. See Note 16.

The implicit annual interest rate determined for the payments that the Group will make will be TIIE plus 1.22 percentage points or 6%, whichever is less. In 2019 and 2018 the effective rate was 6.0%.

The fair value as at December 31, 2019 and 2018 of the account payable is $885,842, and $941,001, respectively. Said fair value is based on discounted cash flows using the discount rate calculated by Management and are within level 2 in the fair value hierarchies.

b) The following transactions were completed over the course of the year:

Entity	Type of relationship	Line item	2019	2018
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Interest income	$ 119,465	103,172
Altán Redes, S. A. P. I. de C. V.	Joint venture	Service revenues	273,038	250,355
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Interest expenses	59,469	103,172
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Maintenance	100,317	105,187

The goods are acquired from the joint venture under regular commercial terms and conditions.

c) Compensation of key personnel

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

	2019	2018
Short-term benefits	$ 67,488	59,642
Termination benefits	5,017	4,770
	$ 72,505	64,412

d) Loans to related parties

	2019	2018
Total loans to related parties (1):		
As at January 1	$ 1,086,983	960,678
Loans granted in the year	204,442	208,784
Loan collections	(139,875)	(98,872)
Interest collected	(119,473)	(102,093)
Interest charged	119,465	118,486
As at December 31	$ 1,151,542	1,086,983

(1) See subsection a).1) above.

For the years ended December 31, 2019 and 2018, there are no loan balances granted to key administration personnel.

(25) OTHER ASSETS -

		2019	2018
Other permanent investment [1]	$	451,515	311,777
Commissions		140,785	173,971
Prepayments and others		37,262	35,038
Total other non-current assets	$	629,562	520,786

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

In 2016, Altán won the international bidding process published by the Secretariat of Communications and Transportation, to build and operate the shared wholesale network. In January 2017, Altán obtained a 20 year concession title for commercial use as a wholesale shared network.

Grupo Megacable holds 3.83% of Altán's equity, obtained through cash contributions and through a telecommunications services provision plan. Grupo Megacable may not have significant influence on the Altán operation, therefore, its participation is made through the acquisition of a special series of shares without voting rights that consists primarily of contributing services and capabilities.

Currently, Grupo Megacable, is an Altán shareholder, provider and telecommunication services customer and will be a potential customer once the shared network begins operations.

(26) CASH CHANGES CONSIDERED PART OF FINANCING ACTIVITIES -

The net debt as at December 31, 2019 and 2018 is integrated as follows:

Net debt (liabilities arising from financing activities)		2019
Bank loans payable in 1 year	$	(79,922)
Bank loans payable after 1 year		(6,427,847)
Related party payables within one year		(275,534)
Related party payables in more than one year		(735,400)
Net debt as at December 31, 2019	$	(7,518,703)

Net debt (liabilities arising from financing activities)		2018
Bank loans payable in 1 year	$	(3,778,569)
Bank loans payable after 1 year		(124,782)
Related party payables within one year		(412,321)
Related party payables in more than one year		(661,561)
Net debt as at December 31, 2018	$	(4,977,233)

		Related party payables in less than one year	Loans payable over one year with related parties	Bank loans of less than 1 year maturity	Bank loans valid for more than 1 year	Total
Net debt as at December 31, 2019						
Net debt at January 1, 2019	$	(412,321)	(661,561)	(3,778,569)	(124,782)	(4,977,233)
Accrued interest		(59,469)	-	(314,007)	(225,255)	(598,731)
Cash flow - Principal payments [1]		242,957	-	3,808,716	-	4,051,673
Cash flow - Interest payments		42,156	-	315,982	225,255	583,393
Cash flow - Obtaining loans			-	(5,417)	(6,409,692)	(6,415,109)
Increase in accounts payable		(162,696)	-	-	-	(162,696)
Short-term transfer		73,839	(73,839)	(106,627)	106,627	-
Net debt as at December 31, 2019	$	(275,534)	(735,400)	(79,922)	(6,427,847)	(7,518,703)
Net debt as at December 31, 2018						
Net debt at 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		-	-	-	-	-
Foreign currency exchange rate adjustment		-	-	(62,364)	-	(62,364)
Increase in accounts payable		-	(237,903)	-	-	(237,903)
Short-term transfer		(177,127)	177,127	(3,759,959)	3,759,959	-
Net debt as at December 31, 2018	$	(412,321)	(661,561)	(3,778,569)	(124,782)	(4,977,233)

[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 material impact on the entity in current or future reporting periods, and in foreseeable future transactions.

(27) FINANCIAL INFORMATION BY OPERATING SEGMENTS -

The Chief Executive Officer is the highest authority in the Group's operational decision-making. Consequently, Management has determined the operating segments to report based on the internal management reports reviewed by that body to make strategic business decisions.

The Chief Executive Officer analyzes the business from a geographic and product perspective. As at December 31, 2019 and 2018, there were no changes based on this analysis.

The Chief Executive Officer evaluates the performance of operating segments based on operating profit. The result for interest earned and lost is not assigned to the segments, since this activity is the responsibility of the treasury, which manages the Group's liquidity.

Segment information is reported based on the information used by the Chief Executive Officer for strategic and operational decision making processes. An operating segment is defined as a component of an entity for which there is separate financial information that is regularly evaluated.

The Group's segment revenues are as follows:

Cable

It includes the operation of cable television systems in different states of Mexico and generates income mainly from basic and premier services. This segment also includes cable subscriber setup, pay-per-view fees, local and national advertising sales.

Internet

Includes high-speed services provided to residential and commercial customers.

Telephony

Although the Telephony segment does not meet the quantitative limits required under IFRS 8 to be reported separately, Group Management has done so because it believes that the potential growth of this segment will imply that it contributes significantly to the income of the Group in the future. The telephony receives its income from digital fixed telephony from the internet protocol, from services provided to residential and commercial customers.

Business

It includes the Metrocarrier, MCM, Ho1a and PCTV units, focused on the different connectivity, equipment, administrative services and content segments.

Other segments

It represents operating segments that individually comprise less than 10% of the consolidated total. Others include TV and broadcast program production operations, point distribution services, virtual private network and other network services.

Corporate costs are distributed in the different segments.

IFRS 8 requires the disclosure of a segment's assets and liabilities if the measurement is regularly provided to the decision-making body; however, in the Group's case, the Chief Executive Officer only evaluates the performance of the operating segments based on the analysis of the income, operating profit and assets, but not the liabilities of each segment.

The income reported by the Group represents the income generated by external customers since there are no inter-segment sales.

a) Income and results by segment:

December 31, 2019		Cable	Internet	Telephony	Business	Others (*)	Consolidated Total
Service revenues	$	8,962,186	6,622,493	1,599,141	4,256,023	175,367	21,615,210
Cost of services, and selling and administrative expenses		6,424,772	4,747,502	1,146,385	3,051,037	125,716	15,495,412
Earnings before other income		2,537,414	1,874,991	452,756	1,204,986	49,651	6,119,798
Other income, net		(29,721)	(4,471)	75,930	323	1,199	43,260
Operating profit		2,507,693	1,870,520	528,686	1,205,309	50,850	6,163,058
Finance cost, net							(389,852)
Income tax							(1,320,611)
Consolidated net income	$						4,452,595

December 31, 2018		Cable	Internet	Telephony	Business	Others (*)	Consolidated Total
Service revenues	$	8,137,400	6,079,926	1,669,224	3,447,788	199,876	19,534,214
Cost of services, and selling and administrative expenses		5,585,032	4,172,903	1,145,657	2,366,359	137,183	13,407,134
Earnings before other income		2,552,368	1,907,023	523,567	1,081,429	62,693	6,127,080
Other income, net		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
Finance cost, net							(102,305)
Income tax							(1,354,219)
Consolidated net income	$						4,718,749

(*) The "Others" segment is comprised primarily of revenues from megacanal, video rola, and others.

The presentation by segments previously disclosed is the same one Management used in the periodic review processes on the Group's performance.

Taxes and financial costs are managed at the Group level and not within each of the reported segments. As a result, this information is not presented as distributed in each segment reported. Operating profit is the key performance indicator for the Company's management, which is reported monthly to the Chief Executive Officer.

b) **Other information by segments:**

December 31, 2019		Cable	Internet	Telephony	Business	Others (*)	Consolidated total
Property, networks and equipment by segment	$	21,549,057	4,825,826	729,586	1,829,376	526,021	29,459,866
Acquisitions and net disposals in the year of property, networks and equipment	$	5,161,302	1,320,656	174,746	438,161	125,989	7,220,854
Depreciation of fixed assets	$	2,591,345	599,199	87,735	219,988	63,256	3,561,523

December 31, 2018		Cable	Internet	Telephony	Business	Others (*)	Consolidated total
Property, networks and equipment by segment	$	18,735,777	5,775,859	724,974	1,497,951	389,898	27,124,459
Acquisitions and net disposals in 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

The balance as at December 31, 2019, presents the reclassification based on the accounting change of IFRS 16 "Leases" of technical signal distribution equipment. (See Notes 2c), 9, and 16).

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

c) Information by geographic location:

i. Analysis of net income by geographic location:

	Total service revenues	
	2019	2018
State		
Jalisco	$ 2,868,453	2,348,304
Mexico City	2,110,786	2,033,813
Sonora	2,115,253	1,953,968
Sinaloa	1,798,008	1,649,791
Puebla	1,679,253	1,574,197
State of Mexico	1,695,002	1,540,293
Guanajuato	1,659,435	1,474,659
Michoacán	1,536,799	1,385,689
Veracruz	1,436,020	1,380,757
Durango and Coahuila	1,238,477	1,095,208
Queretaro	987,542	818,223
Chiapas	531,966	465,668
Nayarit	419,224	375,175
Baja California Sur	325,693	305,765
Colima	265,625	239,318
Oaxaca	260,071	237,555
Zacatecas	245,927	232,082
Nuevo León	66,472	108,341
Morelos	128,722	104,896
Guerrero	95,925	86,664
Chihuahua	59,959	44,625
Quintana Roo	19,684	34,921
Hidalgo	28,973	26,755
Tabasco	5,495	5,140
San Luis Potosí	4,179	4,217
Others	32,267	8,190
Consolidated total	$ 21,615,210	19,534,214

	Property, networks and computers		Network and equipment acquisitions	
	2019	2018	2019	2018
State				
Jalisco	$ 9,198,081	7,605,681	4,137,394	3,217,774
Sonora	2,249,040	2,398,118	157,626	295,768
Sinaloa	1,838,149	1,897,534	209,933	249,449
Puebla	2,441,515	2,318,069	439,974	208,277
Veracruz	1,982,022	1,973,844	214,881	259,649
State of Mexico/Mexico City	2,561,176	2,317,123	493,673	363,576
Guanajuato	1,987,461	1,853,105	355,877	206,147
Durango and Coahuila	1,495,710	1,481,438	169,690	205,455
Michoacán	1,373,061	1,260,076	276,493	240,337
Querétaro	1,463,921	1,257,041	344,217	167,692
Chiapas	670,584	656,798	83,565	90,598
Colima	355,035	348,567	43,073	66,276
Baja California Sur	376,626	364,120	58,115	36,648
Oaxaca	323,013	325,915	40,275	43,926
Nayarit	350,438	354,777	45,562	60,873
Zacatecas	307,600	294,619	40,914	50,419
Guerrero	150,377	150,510	13,925	17,377
Morelos	128,226	113,265	28,412	24,992
Chihuahua	114,521	105,453	20,269	16,145
Other smaller [entities]	93,310	48,406	46,986	8,206
Consolidated total	$ 29,459,866	27,124,459	7,220,854	5,829,584

ii. Analysis of income from services to external customers by product:

		2019	2018
Cable Segment			
Basic Cable	$	4,133,177	3,560,399
Lifeline Cable		2,126,667	1,948,366
Premier Cable		2,548,728	2,435,312
Other services		153,614	193,323
Total cable segment		8,962,186	8,137,400
Internet segment			
High speed residential internet		5,980,129	5,487,091
High speed commercial internet		642,364	592,835
Total Internet segment		6,622,493	6,079,926
Digital telephone segment			
Residential telephony		1,423,509	1,498,385
Commercial telephony		175,632	170,839
Total digital telephony segment	$	1,599,141	1,669,224
Business Segment			
Metrocarrier	$	1,838,387	1,548,092
MCM		1,046,827	960,357
Ho1a		1,049,104	639,248
PCTV		321,705	300,091
		4,256,023	3,447,788
Others		175,367	199,876
Total business segment and others		4,431,390	3,647,664
Consolidated total		21,615,210	19,534,214

(28) SUBSEQUENT EVENT –

The World Health Organization has declared the SARS-CoV2 virus outbreak (COVID-19) as a global pandemic. In Mexico, by decree published on March 30, 2020 in the Official Gazette of the Federation (DOF), a health emergency is declared due to force majeure caused by the COVID-19 outbreak, which establishes strict extraordinary actions to contain and/or delay the spread of the virus. This has resulted in a significant interruption of commercial operations and a significant increase in economic uncertainty, with a devaluation of the peso against the U.S. dollar in Mexico of approximately 29% and a marked decrease in long-term interest rates of approximately 4% between January 1 and March 31, 2020. The Company has implemented internal measures to prevent the spread of COVID-19 among its personnel, customers and providers. However, since this situation is changing and unprecedented, at the date of issuance of the financial statements, the Company reasonably estimates that the magnitude and duration of this pandemic would have moderate effects on its results, considering that the Group is dedicated to the entertainment industry, and distributes cable television, internet and telephony signal systems considered linkage products for and among subscribers that have become a necessity at this time.

(29) AUTHORIZATION TO ISSUE THE CONSOLIDATED FINANCIAL STATEMENTS –

The issuance of the consolidated financial statements and the corresponding notes was authorized by Enrique Yamuni Robles (Chief Executive Officer) and CP Luis Antonio Zetter Zermeño (Chief Finance and Administration Officer), on 23 April 2020, for approval by the Committee Audit and the Board of Directors. These consolidated financial statements will be presented at the Shareholders Meeting for approval.

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