MAXCOM TELECOMUNICACIONES, S.A.B. de C.V.

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Ticker Symbol BMV: "MAXCOM CPO"
Ticker Symbol OTCQX: "MXMTY"

ANNUAL REPORT

Presented according to the general provisions applicable to the issuers of securities and other market participants in the year that ended on December 31, 2015.

Security's features: The shares quoting on the Mexican Stock Market are Certificados de Participación Ordinaria ("CPOs") with no amortizations. Each one representative of 3 (three) ordinary, registered, Series "A", Class II shares representatives of the capital stock of Maxcom Telecomunicaciones, S.A.B. de C.V. The securities quoting on the OTC ("OTC Markets") are American Depositary Shares ("ADSs"), each one representative of 7 (seven) Common Share Certificates ("CPOs"). To the date of this report there are 1,578,752,954 outstanding CPOs. The total capital stock of Maxcom is represented by 4,829,248,539 ordinary, nominative, registered shares with no par value, representatives of the fixed and variable portion of the capital stock accordingly.

Series "A" shares, underlying the CPOs, are listed in the National Securities Registry ("RNV") and quote on the Mexican Stock Market ("BMV"), which does not imply certification of the worthiness of the securities issued by the Company or solvency of the Company or the CPO Trust, or the accuracy or truthfulness of the information contained on this Annual Report, nor validates the facts that would have been committed in contravention of the law.

For any inquiry regarding this Annual Report, please call to the Department of Investor Relations' number +52 (55) 4770-1120 or e-mail to sofia.carstens@maxcom.com. This Annual Report can be found at Maxcom's webpage *ri.maxcom.com* and at the corresponding web site of the BMV *www.bmv.com.mx*.

Mexico City, April 29th, 2016.

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The annexes to this Annual Report form an integral part thereof.

No intermediary, authorized to execute operations with the public, or any other person has been authorized to provide information or make any statement that is not contained in this Annual Report. As a result of the foregoing, any information or statement not contained herein shall be construed as unauthorized by the Company.

1. GENERAL INFORMATION

a) GLOSSARY.

For the effects of the present annual report, the following terms will have the below described meaning:

"3G y 4G"…………………....	In telecommunications, 3G and 4G are the acronyms used to refer to the third and fourth generation mobile phone technologies.
"ADSL"	(Asymmetrical Digital Subscriber Line) ADSL is a physical-layer protocol that supports up to 8 Mbps bandwidth downstream and up to 1 Mbps upstream. The asymmetrical aspect of ADSL technology makes it ideal for Internet browsing, video on demand, and remote LAN access. Users of these applications typically download more information than they send. ADSL also allows simultaneous voice communication by transmitting data signals outside of the voice frequency range.
"ADSs"	The *American Depositary Shares*, representatives of 7 (seven) CPOs each of one subject of the International Offering.
"Alcatel"	Alcatel Bell, N.V. and Alcatel México, S.A. de C.V. jointly.
"ARPU"...........................	*Average Revenue per User*, is the average income per user of telecommunication services that Maxcom obtains from its clients and which is the used standard in the telecommunications' industry. The company calculates the ARPU by dividing the total voice revenues in a specified period between the average number of voice lines in service during that time.
"Backbone"	The main connectivity axis of a telecommunications network, a connection hub for different communication networks located in different cities and countries.
"Bancomext"..……………...	Banco Nacional de Comercio Exterior, S.N.C., Banca de Desarrollo (Mexico's development bank in charge of financing international trade)
"Band"	A frequency range between two defined limits.
"Bandwidth".......................	The relative range of analog frequencies or digital signals that can be passed through a transmission medium, such as glass fibers, without distortion. The greater the bandwidth, the greater the information carrying capacity. Bandwidth is measured in Hertz (analog) or Bits Per Second (digital).
"bill & keep".......................	A liquidation payment procedure for interconnection charges, whereby each telephony provider tracks & bills its customer base for any traffic originated on its network, but ended at another network provider; retaining all revenues generated from it.
"BMV"	Bolsa Mexicana de Valores, S.A.B. de C.V. (Mexican Stock Exchange)
"Capacity"	Refers to the ability to transmit voice or data over a telecommunication network.
"Centrex Service"...............	A business telephone service developed originally by Lucent Technologies which offers private branch exchange type features directly from the local telephone company central office, such as voicemail, call pick-up group, abbreviated dialing and multi-line hunting.

“CETES”............................	Certificados de la Tesorería de la Federación (Mexican federal treasury certificates)
"Circular Única"	The provisions of general character applicable to the issuers of securities and other stock market's participants, published on the Official Journal of the Federation on March 19, 2003, according to its amendments and additions to the date of this Annual Report.
“Churn”	Refers to customer line attrition and is measured as the percentage of disconnects from service relative to the total subscriber base over a given period of time.
“*Clusters*” ……………………	Area of a municipality or specified region with little penetration, having the greatest potential for the installation of new phone lines or telecommunications services.
“CNBV”	Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission).
“COFETEL”.......................	Comisión Federal de Telecomunicaciones (Federal Commission of Telecommunications).
"Convergence Regulations"	Convergence Agreement of Fixed Local Telephone Services and Restricted Television and/or Audio provided through wire and wireless public networks.
“CPE”	*Customer Premises Equipment* or equipment physically located with the client.
“CPOs”...........................	Certificados de Participación Ordinaria. Non-amortizable ordinary participation certificates, representatives of 3 (three) Series “A" shares each, issued by the Trustee of the CPOs trust. See "Description of the CPOs trust"
"CPOs issuing certificate"	The certificate dated October 18, 2007, featuring the emission of CPOs by the Trustee of the CPO trust, which had a first amendment derived from the restructuring on October 28, 2013.
“CPOs Trust”	Trust 80526 created on October 17, 2007, between the Company (as well as the adherents and those persons that from time to time contribute their Series “A” shares to the trust, in its character as trustor, and Nafin as a Trustee.
“Digital”	Describes a method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission/switching technologies employ a sequence of discrete, distinct pulses to represent information, as opposed to the continuously variable analog signal.
“Disconnection”..................	Migration of residential or commercial landlines' clients to other carriers.
"Double Play Services" or "Double Play"	Combination of voice and data services offered as a bundled service at a lower price than the price of each one of the individually acquired services.
“DSL”..................................	*Digital Subscriber Line*.
“DSLAM”	Digital Subscriber Line Access Multiplexer. A technology to concentrate traffic in ADSL implementations through time division multiplexing at the central office.
“E1”.....................................	A digital telephony format that carries data at the rate of 2.048 Mbps (DS-1 level). E-1 is the European and Latin American version of North American T-1, though T-1 is 1.544 Mbps.

"Fiber Optic Technology" ..	Fiber optic systems use laser-generated light to transmit voice, data and video in digital format through ultra-thin strands of glass. Fiber optic systems are characterized by large circuit capacity, good sound quality, resistance to external signal interference and direct interface to digital switching equipment and digital microwave systems. A pair of fiber optic strands using advanced transmission technologies is capable of carrying multiple 2.5 or 10 Gbps communication streams. Because optical signals disperse over distance, they must be regenerated/amplified at sites located along the fiber optic cable. Fiber optic systems using earlier generation fiber require frequent intervals between regeneration/amplifier sites. Greater distances between regeneration/amplifier sites afforded by the use of advanced fiber generally translate into substantially lower installation and operating costs and fewer potential points of failure.
"Fixed wireless local loop" .	Local wireless telephony service that uses the 3.4-3.7 GHz frequency band
"FTTH"...............................	Fiber-to-the-home, reference to an all fiber-optic public telephone network design, where broadband services are delivered to the customer premises/network interface by fiber optic.
"Gbps".................................	Gigabits per second. A measurement of speed for digital signal transmission expressed in billions of bits per second (Gbps).
"Global Offer"	The offer in Mexico together with the international offer.
"Gulf region"	115 cities and towns in eleven states in eastern Mexico, which includes the cities of Puebla, Tampico, Veracruz, Reynosa, Cancun, Chetumal, Merida, Ciudad del Carmen, Campeche, Coatzacoalcos and Tuxtla Gutiérrez, among others.
"Hertz"................................	The unit measuring the frequency with which an alternating electromagnetic signal cycles through the zero-value state between lowest and highest states. One hertz (abbreviated Hz) equals one cycle per second. KHz (kilohertz) stands for thousands of hertz; MHz (megahertz) stands for millions of hertz and GHz (gigahertz) stands for billions of hertz.
"IFT"...................................	Instituto Federal de Telecomunicaciones (Federal Telecommunications Institute)
"Indeval".............................	S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V. (Mexican Central Securities Depository)
"INEGI"	Instituto Nacional de Estadística, Geografía e Informática (National Institute of Statistics, Geography and Informatics)
"Internet"............................	The worldwide network of information services, through which servers and protocols connect computers and other smart devices.
"Internet Protocol" or "IP"	Not connection-oriented protocol. Used by the originator and receiver through a packet-switched network.
"IPTV"	TV over Internet Protocol.
"Kbps".................................	Kilobits per second, a measurement of speed for digital signal transmission expressed in thousands of bits per second.
"Lambdas"..........................	Lambdas are used as a symbol of wavelength in light waves systems. Optical Fiber systems can use multiple light wave lengths, and every range of wavelength appears

	in a "window" that approximately corresponds to a color in the visible light spectrum.
"LMV"	Ley del Mercado de Valores (Mexican Stock Exchange Act)
"LTE"..................................	*Long Term Evolution*. It is a standard for wireless transmission of high-speed data for mobile phones and data terminals.
"Maxcom" or "Company".	Maxcom Telecomunicaciones, S.A.B. de C.V.
"Mbps"................................	Mega Bits per second, a measurement of speed for digital signal transmission expressed in millions of bits per second (Mbps).
"Megacable"	Operadora Central de Cable, S.A. de C.V.
"México"	Estados Unidos Mexicanos (United Mexican States).
"Microwave technology"	Although limited in capacity compared with fiber optic systems, digital microwave systems offer an effective and reliable means of transmitting lower volume and narrower bandwidths of voice, data and video signals over short and intermediate distances. Microwaves are very high frequency radio waves that can be reflected, focused and beamed in a line-of-sight transmission path. As a result of their electro-physical properties, microwaves can be used to transmit signals through the air, with relatively little power. To create a communications circuit, microwave signals are transmitted through a focusing antenna, received by an antenna at the next station in the network, then amplified and retransmitted. Because microwaves disperse as they travel through the air, this transmission process must be repeated at repeater stations, which consist of radio equipment, antennae and back-up power sources, located on average every 30 kilometers along the transmission route.
"Multiline search"	A value-added service that makes it possible to receive multiple calls in a single phone number.
"Must carry"	Duty of the pay-tv concessionaires to provide their TV signal to the broadcast TV concessionaries.
"Must offer"	Duty of the broadcast TV concessionaires to provide their TV signal to the pay-tv concessionaries.
"MVNO".............................	Mobile Virtual Network Operator. A MVNO provides mobile services to its customers without having a distribution spectrum.
"NIIF"……………………..	"Normas Internacionales de Información Financiera"; English acronym IFRS (International Financial Reporting Standards).
"OTC market"…………….	Over-the-counter market, where trades can be executed directly between two participants in some context other than a formal exchange
"PCS"	Personal Communications Services. PCS has come to represent two things: first, a digital wireless communications service operating over the 1.9 GHz band; and second, more generically, a wireless communications service utilizing a digital network that offers typical features such as voice, video and data applications, short messaging, voicemail, caller identification, call conferencing and call forwarding. Generic PCS suppliers promote this service on the ability of its features to be customized, or "bundled," to the needs of the individual customers.

“Point-to-multipoint microwave transmission”....	A transmission using microwave technology by which a single signal goes from one origination point to many destination points.
“Point-to-point microwave transmission”	A transmission using microwave technology by which a signal goes from one point to another, usually connected by a dedicated transmission line.
“POTS”	Plain Old Telephone Service. The basic service supplying standard single line telephones, telephone lines and access to the public switched network.
“Ps.”, “Peso” or “Pesos”	Mexican currency of legal tender
"Revenue-generating Unit (RGU)"	The term RGU represents a subscription to an individual service that generates recurrent revenues for the company.
“RDSI”	“Red Digital de Servicios Integrados” (ISDN - Integrated Services Digital Network) is an international standard that provides digital end-to-end connectivity to support a wide range of voice, data and video services.
“RNV”	Registro Nacional de Valores (National Securities Registry)
“SCT”	Secretaría de Comunicaciones y Transportes (Secretary of Communications and Transport)
“SEC”	*U.S. Securities and Exchange Commission*) is an agency of the United States federal government. It holds primary responsibility for enforcing the federal securities laws and regulating the securities industry, the nation's financial markets, as well as the stock and options exchanges, and other activities and organizations, including the electronic securities markets in the United States.
“Series “A” shares	The ordinary, nominative, without par value, series “A” shares, representative of the shareholders’ equity of Maxcom Telecomunicaciones, S.A.B. C.V.
“Switch”	A device that opens or closes circuits or selects routes or circuits that will be used for information transmission. Switching is the process of interconnecting circuits to create a transmission path among users.
“Telcel”................................	Radiomóvil Dipsa, S.A. de C.V.
“Teledensity”	Teledensity is a measure of telephony service in a population. It is calculated by dividing the total subscriber base (number of lines in service) by the inhabitants and multiplying by 100. It is generally used as a comparative measure of network development. All teledensity figures are reported in subscribers per 100 inhabitants.
“Telmex”	Teléfonos de México, S.A.B. de C.V.
“TIIE”	Tasa de Interés Interbancaria de Equilibrio (interbank equilibrium interest rate)
"Triple play services" or "triple play"	Triple play services consist of the combination of voice, data, and video services offered in bundled for a price that is less than the price of the individual services acquired individually.
“Trustee” or “Nafin”..........	Nacional Financiera, S.N.C., Development Bank, Fiduciary, in its character of Trustee of the CPOs Trust.
"United States"	United States of America.

"USD$", "Dollar" or "Dollars".......................... Legal currency of the United States of America.

"VOD"................................ Video On Demand.

"VoIP"................................ Voice over Internet Protocol services consist in the technology that provides telephone companies with the ability to carry normal telephony-style voice over an Internet Protocol-based Internet with POTS-like functionality, reliability, and voice quality.

"VPN"................................. Virtual Private Network. A network design offering the appearance and functionality of a dedicated private network.

"xDSL" .... Technology that provides a great width band allowing both the symmetric and asymmetric information to flow at high-speed

b) EXECUTIVE SUMMARY.

This summary does not pretend to include all relevant information to make investment decisions about the securities here mentioned. Therefore the investors should read all the Annual Report, including the financial information and its integral notes, before making any investment decision. The following summary was written according, and is subject, to the detailed information and the financial statements contained in this Annual Report. It is recommended to pay special attention to the section "Risk Factors" of this Annual Report to determine the convenience of making any investment in the securities issued by the Company.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements. Statements that are not statements of historical facts, including statements about our beliefs and expectations are forward-looking statements. The words "anticipates," "believes," "estimates," "forecasts", "expects," "forecasts," "intends," "plans," "predicts," "projects," "targets," "will," "could," "may," "should" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties. Accordingly, our actual results of operations may be different from our current expectations and the reader should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date they are made and we do not undertake any obligation to update them in light of new information or future developments.

These statements are based on management's assumptions and beliefs in light of the information currently available. These assumptions also involve risks and uncertainties which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Potential risks and uncertainties include, without limitation:

- Competition in local services, data, Internet and Voice over Internet Protocol services.
- Our ability to service our debt.
- Limitations on our access to sources of financing on competitive terms.
- Significant economic or political developments in Mexico and the U.S, as well as in global markets.
- Changes in our regulatory environment, particularly developments affecting the regulation of the telecommunications industry.
- Our need for substantial capital.
- General economic conditions, including the economic slow-down in the U.S. and Mexico, due to the global financial crisis.
- The global downturn on telecom prices.
- Performance of financial markets and thus our ability to refinance our financial obligations when they come due.
- Our history of operating losses.
- The risks associated with our ability to implement our strategy.
- Loss of customers
- Technological innovations.
- Inflation and currency exchange rates fluctuations, including the Mexican Peso - U.S. dollar exchange rate.
- Changes in the policies of central banks and/or foreign governments; and
- The risk factors discussed under "Risk Factors."

THE COMPANY

Maxcom Telecomunicaciones, S.A.B. de C.V. is a limited liability public stock corporation (sociedad anónima bursátil de capital variable) with indefinite life, organized under the laws of Mexico, incorporated on February 28, 1996. We were originally organized under the name "Amaritel, S.A. de C.V." We changed our legal name to "Maxcom Telecomunicaciones, S.A. de C.V." on February 9, 1999. In connection with our initial public offering, our corporate name was changed to "Maxcom Telecomunicaciones, S.A.B. de C.V." on October

19, 2007, when we adopted the form of a public company or limited liability public stock corporation (sociedad anónima bursátil de capital variable). Our legal name is also our commercial name.

Though a Plenary session of the then Cofetel on December 6 of 1996, it was resolved to grant Maxcom one competitive wireline local and long-distance telephony concession, covering Mexico City and over 100 cities and towns in the Gulf region for local service and the whole nation for long-distance service, with a term of 30 years; concession that was granted on December 20 of 1996. The local telephony portion of our concession was expanded in September 1999 to cover most of the Greater Mexico City area and a wider area within the Gulf region. In September 2001, our concession was further expanded to allow us to provide nationwide wireline local telephone service. In October 1997, the Plenary of the then Cofetel resolved to grant 7 (seven) nationwide point-to-point and 3 (three) point-to-multipoint microwave concessions, with their respective network title. On June 4 of 1998 the point to point concessions were granted and on April 1 of 1998 the ones of point to multipoint were granted with their respective network titles, all of them have a term of 20 years.

We commenced commercial operations on May 1, 1999. We are currently offering local and long-distance voice telephony, Internet, Voice over Internet Protocol (VoIP) services, paid TV, mobile services, other value-added services and data services in the cities of Mexico City, Puebla, Queretaro and San Luis Potosi.

On October 24, 2007, we completed a global initial public offering of 12,296,970 ADSs in the United States and 16,969,697 Ordinary Participation Certificates (Certificados de Participación Ordinaria, which we also refer to as “CPOs” for its initials in Spanish) in Mexico. Approximately 16% of the ADSs and the CPOs were sold by existing Maxcom shareholders. Each ADS represents seven CPOs, while each CPO represents three Series “A” common shares.

In connection with our initial public offering, each issued and outstanding share of our Series “A”, Series B and Series N common stock was converted into one new share of Series “A” common stock. Upon completion of the conversion, which took place prior to the closing of the initial public offering, we had 484,357,036 shares of Series “A” common stock issued and outstanding. The initial public offering resulted in Maxcom receiving gross proceeds of approximately USD$260 million.

On December 4, 2012 Maxcom received an offer from Ventura Capital Privado, S.A. de C.V. (“Ventura”) to acquire for cash, at a price equal to Ps.2.90 (two Pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom pursuant to a public tender to be conducted, upon authorization of the Mexican and U.S. corresponding governmental authorities. As part of such transaction, Ventura committed to subscribe a capital increase of at least USD$22 million dollars.

Ventura’s obligation to consummate the tender was subject to i) acquiring more than 50% of all shares outstanding and ii) a successful completion of an offer to exchange Maxcom’s the outstanding 11% Senior Notes Due 2014.

On February 20, 2013 Maxcom commenced an offer to exchange all of its then outstanding 11% Senior Notes due 2014 (the “Senior Notes 2014) for new Step-Up Senior Notes due 2020 (the “Step-Up Senior Notes” or “Step-Up Senior Notes 2020”). On the same date, Ventura initiated an equity tender offer to acquire 100% of the issued and outstanding shares of Maxcom.

Maxcom informed on April 24 of 2013 that, since the conditions for the consummation of the exchange offer were not satisfied, the purchase offer issued by Ventura was not carried out.

On June 18, 2013 Maxcom announced its intention to use a 30-day grace period with respect to its scheduled interest payment of approximately USD$11 million on its 11% Senior Notes 2014 to implement a comprehensive plan of recapitalization.

On July 3, 2013, Maxcom, Ventura, an ad hoc group of bondholders (the “Ad Hoc Group”) holding an aggregate amount of approximately USD$84 million of Maxcom’s Senior Notes 2014, and certain of its current equity holders reached an agreement on the terms of a restructuring and support agreement, a recapitalization agreement. In connection with this comprehensive restructuring process, Maxcom entered into a recapitalization agreement with Ventura and certain related shareholders, pursuant to which Ventura also agreed to make a capital contribution of at least USD$45 million dollars and conduct a tender offer to acquire for cash, at a price equal to Ps.2.90 (two Pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom.

On July 23, 2013, the Company initiated proceedings under Chapter 11of the United States Bankruptcy Court for the District of Delaware to effect the restructuring as set forth in the plan of reorganization (the “Plan”), including the issuance of new step-up senior notes by the Company.

On September 10, 2013, the U.S. Bankruptcy Court for the District of Delaware confirmed the Plan. The only class of creditors entitled to vote, voted by an overwhelming majority in favor of the Plan and no party objected to confirmation of the Plan.

On September 27, 2013 Ventura completed the public equity tender offer, acting through the Trust 1387 held by Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, a banking institution organized and existing under the laws of the United Mexican States and other investors. As part of this transaction, Ventura investors became the major shareholder in the Company.

On October 2, 2013, Maxcom held a general ordinary shareholders’ meeting that approved among other things, a capital increase of Ps.2,999.1 million. 2,328,351,728 Series "A" shares were subscribed and paid.

According to the terms of the Plan, on October 11, 2013, Maxcom issued Step-Up Senior Notes in an aggregate principal amount of USD$180,353,962, which reflects the amount of the Senior Notes 2014 less the amount of Senior Notes 2014 held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest (i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum, (ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and (iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Senior Notes 2014; and (iv) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom’s direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item “Telephone Network System and Equipment”, including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

In 2014 we launched an ambitious restructuring program with the aim of, among other things, creating and organizational culture focused on the customer, improving the supply of products and services to close the gap between our product portfolio and that of our competitors, increasing capacity and redundancy of our network infrastructure and strengthening sales areas.

At the end of 2014 we integrated a sales force dedicated to the government sector, with executives who had actively participated in bidding processes for public entities. This new direction aims to address the entities in the middle and lower layers of the federal government, as well as states and municipalities.

During the second half of 2015 we implemented an important cost reduction program in both staff costs and administrative expenses, during 2016 we will continue this effort to identify greater efficiencies throughout the organization.

On October 14 of 2015 Maxcom entered into and executed a loan agreement with Bancomext totaling Ps.150 million. The loan will be amortized over a period of five years and has an annual interest rate of 9.855%.

On October 23 of 2015 Maxcom and Organización Soriana (“Soriana”) entered into a commercial alliance agreement to jointly develop and operate a mobile virtual network operator. The goal of this alliance is to offer mobile telecommunications services to Soriana’s customers, using for this purpose Maxcom’s mobile services platform and Telcel’s cellular network.

On October 26 of 2015 we sold the assets used to provide the public telephony service, with the aim of focusing on the business lines that generate more value.

On November 09 of 2015, our Generally Ordinary Shareholders Meeting approved a capital increase of as much as Ps.700 million through the issuance of 2.1 billion shares equivalent to 700 million CPOs. In December our shareholders subscribed and paid 445.8 million CPOs at a price of Ps.1.00 per CPO, thus we received Ps. 445.8 million.

During 2015 we repurchased USD$38.1 principal amount of Step-Up Senior Notes 2020 at an average price equivalent to 69.1% of their nominal value, generating a total benefit from both principal and interest of USD$25.9 million up to the Step-Up Senior Notes maturity date.

On April 19 of 2016, according to the resolutions approved by the General Ordinary Shareholders' Meeting held on November 9, 2015, regarding the increase in the variable portion of the capital stock, and according to the faculty granted by the Shareholders' Meeting to the Chairman of the Board of Directors, of the shares that were not subscribed and paid for by the Shareholders of Maxcom, within the term to exercise their preferential right, 300´000,000 shares (equivalent to 100´000,000 CPOs) have been subscribed and paid for, at a price of Ps.1.00 per CPO.

Introduction

We are an integrated telecommunication services operator providing widespread voice and data services to residential and commercial customers in four metropolitan markets in Mexico and selected service in other markets. The company generated revenue of Ps.2,368.9 million and a net loss of Ps.584.3 million in 2015, and revenue of Ps.2,689.9 million and a net loss of Ps.305.3 million in 2014. Since its inception in 1996, the company has mainly addressed the residential and commercial clients considered as unattended by the dominant local telephone operator and other representative carriers. We provide, individually, and in bundles, a wide range of services including local and long-distance voice telephony, data, high speed dedicated and dial-up Internet access, Voice over Internet Protocol (VoIP) telephony, paid TV, among others. We also offer mobile voice service through resale and capacity leasing agreements with third parties.

We operate our own telecommunications network and support infrastructure, including the critical "last-mile," or customers' premise level infrastructure (modems, handsets and set-up boxes), which allows us to control the quality of the user experience and adapt our service offerings to meet market demand. See "Main Activity – Our Network – Last-mile Connectivity".

We believe the combination of innovative, bundled offerings, competitive pricing and dedicated customer service provides value for our customers, and has allowed us to achieve significant growth from 125,231 voice lines in service as of December 31, 2002, to 291,754 as of December 31, 2015.

As of December 31, 2015, our network encompasses 1,733 kilometers of metropolitan fiber optic cable and over 4,718 kilometers of high−quality copper loops capable of high speed data transmission. We have four state−of−the−art Lucent Technologies 5ESS switches in service, located in Mexico City (two switches), Puebla and Queretaro, and three softswitches, one Alcatel A5020 softswitch located in Mexico City and the Georedundant IMS platform which works in a scheme of high availability between the localities of Mexico and Querétaro, one Genband platform located in Mexico City and one Nortel CS2K located in Monterrey. We also operate a 170−kilometer fiber optic link connecting Puebla and Mexico City and a 5,915 kilometer long haul fiber optic backbone connecting Mexico City and Laredo, Texas, allowing us to have points of presence in the United States that allow us to sell data solutions to customers, thereby reducing their cost of Internet services. We have a point−to−point concession in the 15 GHz and 23 GHz frequency bands forming a complex microwave network through the cities of Mexico City, Puebla, Queretaro and San Luis Potosi, in which we currently operate. This complex microwave network also passes through the cities of Aguascalientes, Guadalajara, Leon, Monterrey and Toluca, in which we intend to expand our offering and footprint to allow us to obtain additional customers. We also have a point−to−multipoint concession in the 10.5GHz frequency band, covering telecommunications regions 3, 5 and 8 (North, Gulf and South East) of Mexico. The Alcatel telephone central will work in a high availability scheme known as Geo-redundancy between the locations of Mexico and Queretaro. Additionally, the technological upgrade of the long distance network data transport equipment was performed, increasing the fiber optic network capacity of Maxcom to 200 GB.

For the year ended December 31, 2015, we spent Ps.800.1 million in capital expenditures, primarily in infrastructure maintenance.

We manage all aspects of the service offering to our customers, including installation, provisioning, network monitoring and management, proactive trouble ticket management and billing. Since we control our entire network and are not dependent on the local telephone incumbent for local loops, we are able to manage the speed of our service initiation and ensure the quality of our service offerings. We have a customer retention program that includes a customer service call center open Monday thru Friday from 8 am to 10 pm / Saturday & Sunday from 9 am to 9 pm; a technical customer service call center open 24 hours a day, seven days a week and a dedicated customer retention team. We believe our customers place high value on, among other things, competitive pricing, quality of service and accurate billing.

We believe that the combination of our ability to offer high quality bundled offerings at competitive prices, our position as a customer service-oriented provider, our locally focused modular network construction strategy, our focus on quality and reliability, and our state-of-the-art network and systems will allow us to benefit from the expected growth of the Mexican telecommunications industry.

Contact

Our principal offices are located at Avenida Guillermo González Camarena No. 2000, Colonia Santa Fe Centro Ciudad, Mexico City, 01376 and our general phone number is (52) 55-5147-1111. The contents of our website address www.maxcom.com are not part of, or incorporated into, this annual report, except for those mentioned in the section "Documents of Public Character".

Financial Information Summary

The accompanying consolidated financial statements were prepared according to IFRS, adopted by the Mexican public entities according to the amendments to the Rules for Public Companies and other Participants in the Mexican Stock Market, established by the CNBV on January, 27, 2009. According to them, the Company is required to prepare its financial statements under IFRS since January 1, 2012.

In accordance with the provisions of the second transitory article of the resolution contained in the Circular Única (published on October, 12, 2012, in the Official Journal of the Federation), the financial information included on this Annual Report includes only information that can be compared in terms of IFRS, which is applicable to the first financial statements made under this standard, that is, the information for fiscal year 2012.

	For the year ended December 31,		
	2015 (1)	**2014 (1)**	**2013 (1)**
	(Ps.)	**(Ps.) (in thousands)**	**(Ps.)**
Consolidated statement of comprehensive loss data:			
Revenue - net	2,368,933	2,689,938	2,467,735
Operating costs and expenses:			
Networking operating costs	1,274,624	1,314,646	1,703,271
Selling, general and administrative expenses	730,412	773,346	892,172
Depreciation and amortization	355,621	367,868	573,933
Other expenses	176,552	141,688	540,035
Total operating costs and expenses	2,537,209	2,597,548	3,709,411
Operating income (loss)	(168,276)	92,390	(1,241,676)
Interest expense	(157,231)	(157,299)	(214,337)
Interest income	54,424	46,619	18,340
Foreign currency gain (loss)	(314,257)	(234,255)	(46,570)
Finance charge	(154,560)	(65,081)	—
Gain (loss) on extinguishment of debt	191,295	—	248,515
Gain (loss) on valuation of derivative financial instruments	—	—	(9,341)
Net finance cost	(380,329)	(410,016)	(3,393)

	For the year ended December 31,		
	2015 (1)	2014 (1)	2013 (1)
	(Ps.)	(Ps.)	(Ps.)
Income tax and deferred income tax, net	(35,664)	12,367	(15,305)
Net loss for the year	(584,269)	(305,259)	(1,260,374)
Items that could be subsequently reclassified in results			
Effective portion generated by financial instruments	(3,288)	50,917	—
Deferred income tax	—	(15,187)	—
	(3,288)	35,730	—
Comprehensive loss for the year	(587,557)	(269,529)	(1,260,374)
Comprehensive loss per share:			
Basic (2)	(0.18)	(0.09)	(1.11)
Diluted (3)	(0.18)	(0.09)	(1.11)
Other financial information			
Debt restructuring charges	—	9,301	212,017
Impairment	—	(69,567)	578,257
EBITDA(4)	375,327	580,016	575,575
Net cash used in investing activities	737,284	887,911	384,844
Statement of financial position data			
Cash & cash equivalents	795,298	1,443,123	1,953,692
Working capital (5)	316,627	140,279	328,975
Total assets	5,592,738	5,944,285	5,746,968
Total liabilities	2,793,080	3,002,864	2,591,368
Non-current liabilities	2,297,521	2,319,268	2,119,946
Total shareholders' equity	2,799,658	2,941,421	3,155,600

(1) According to the NIIFs, the information for the period ended on December, 31, 2015, 2014 and 2013 is presented in nominal terms.

(2) Earnings (loss) per basic share is calculated by dividing net income for the relevant period by the weighted average basic shares outstanding for the same period (not including options and warrants).

(3) Earnings (loss) per diluted share are calculated by dividing net income for the relevant period by the weighted average diluted shares outstanding for the same period (including options and warrants).

(4) EBITDA (Earnings Before Financing Costs, Interest, Depreciation and Amortization) for any period is defined as consolidated net income (loss) minus depreciation and amortization, net financing cost, other income (expense) and taxes. This figure is not a performance measure under IFRS.

(5) Working capital is defined by us as current assets (excluding cash and cash equivalents and restricted cash) minus current liabilities (excluding short-term debt and short-term maturities of long-term debt which includes overdue interest), which is different from the common definition of total current assets in excess of total current liabilities.

Following is a breakdown of the Company's revenues:

For the year ended December 31, 2015:

2015

Services	Metropolitan Area	Central-South	North	Total
	(In millions)			
Local	Ps. 1,253.3	Ps. 1,028.8	Ps. (0.4)	Ps. 2,281.7
Long distance	40.4	13.5	6.1	60.0
Rent of dedicated links	0.2	—	—	0.2
Sale of equipment to customers	0.5	1.4	—	1.9
Capacity leasing	25.2	—	—	25.2
Total revenue	Ps. 1,319.5	Ps. 1,043.7	Ps. 5.7	Ps. 2,368.9

For the year ended December 31, 2014:

2014 Services		Metropolitan Area		Central-South		North		Total
				(In millions)				
Local	Ps.	1,052.6	Ps.	645.1	Ps.	12.3	Ps.	1,710.0
Long distance		836.6		102.9		13.9		953.4
Rent of dedicated links		0.2		—		—		0.2
Sale of equipment to customers		0.7		0.7		—		1.4
Capacity leasing		24.9		—		—		24.9
Total revenue	Ps.	1,915.0	Ps.	748.7	Ps.	26.2	Ps.	2,689.9

For the year ended December 31, 2013:

2013 Services		Metropolitan Area		Central-South		North		Total
				(In millions)				
Local	Ps.	1,097.0	Ps.	669.6	Ps.	16.7	Ps.	1,783.3
Long distance		448.8		137.8		31.4		618.0
Rent of dedicated links		0.2		—		—		0.2
Sale of equipment to customers		2.5		2.7		—		5.2
Capacity leasing		61.0		—		—		61.0
Total revenue	Ps.	1,609.5	Ps.	810.1	Ps.	48.1	Ps.	2,467.7

Similarly, the following table shows a business analysis based on revenue by segment with the understanding that intersegment revenues are not presented, because the Management of the Company uses this information for evaluating performance, making general operating decisions and allocate resources. No source of intersegment revenue is applicable for the periods presented below:

	For the Year Ended December 31,					
Segment		2015		2014		2013
Residential	Ps.	773.2	Ps.	889.5	Ps.	939.4
Commercial		573.0		669.3		639.5
Public telephone		60.6		127.6		146.2
Wholesale		942.7		989.3		724.7
Others		19.4		14.2		17.9
Total revenue	Ps.	2,368.9	Ps.	2,689.9	Ps.	2,467.7

In 2013, derived from the recapitalization and debt restructuring process and the more conservative financial criteria of the new administration, we recorded extraordinary costs and expenses as mentioned below:

- Other expenses for Ps.328 million, mainly due to adjustments in the value of certain intangible fixed assets.
- Restructuring expenses. At the end of 2013 the company registered Ps.212 million of expenses in connection with the reorganization and recapitalization process of the Company, which concluded in that period. These expenses are mostly professional and legal fees incurred during the year.
- Impairment of fixed assets. The company evaluated the value generation capacity of specific fix assets using more conservative estimations; as a result of those evaluations, the Company decided to book a reserve of Ps.578 million as impairment of these long-lived fix assets.

It is worth mentioning that previous records do not represent cash outflows, except for the restructuring expenses.

CPOs and CPOs trust

CPOs are negotiable instruments issued by a financial institution acting as trustee under Mexican law. For each outstanding CPO, three shares of our Series "A" common stock will be held by the CPO trustee. The CPOs are listed on the Mexican Stock Exchange. The CPO trust has a maximum term of 50 years. After such period has expired, the CPO trust could either be extended or terminated in accordance with its terms, or substituted by a new CPO trust. If the CPO trust is terminated, the CPOs will cease to be listed on the Mexican Stock Exchange and holders of CPOs and ADSs who are non-Mexicans will not be entitled to hold the underlying shares of Series "A" common stock directly and will be required to have their interest in the underlying shares of Series "A" common stock sold. *See* "Risk Factors – Risks related to CPOs – Foreign investors of CPOs do not have right to acquire direct property of the underlying Series "A" stocks of the CPOs".

The CPO trustee, issues the CPOs pursuant to the following agreements:

- the CPO trust agreement between us and the CPO trustee (and persons contributing shares of Series "A" common stock to the trust from time to time); and
- a CPO trust deed, pursuant to which the CPO trustee will issue CPOs in accordance with the CPO trust agreement.

The CPO trust qualifies as a neutral investment trust under the Mexican Foreign Investment Law, ownership of the CPOs by non-Mexican investors is not limited. Mexican holders of CPOs have all the rights to vote under Series "A" shares, but in accordance with the terms and conditions stated by the CPO trust. Non-Mexican holders of CPOs will be entitled to instruct the CPO trustee (or in the case of a holder of ADSs, instruct the ADS depositary to instruct the CPO trustee) to exercise the voting rights in respect of the shares of Series "A" common stock underlying such CPOs only on the following matters: (i) a change in our jurisdiction of incorporation, (ii) a transformation of our corporate form, (iii) our dissolution or liquidation, (iv) a merger to which we are a party, if we will not be the surviving company, (v) a delisting of our Series "A" shares or any security that represent shares of the Company, including the CPOs, from any stock exchange, (vi) an amendment to our bylaws that may adversely affect the rights of the minority shareholders and (vii) for each 10% block of our Series "A" common stock underlying CPOs held, a non-Mexican holder can instruct the CPO trustee to exercise a right to appoint one director, provided that the election of a majority of our Directors was approved by Mexican investors. (*See* 'CPOs Trust Description' and 'Risks related to CPOs in "Risk Factors").

Effective June 12, 2013 the Mexican Congress enacted an amendment to the Mexican Constitution in connection with the telecommunications and broadcasting (radio and television) industries. This amendment to the Mexican Constitution (articles 6, 7, 27, 28, 73, 78, 94 and 105) is aiming to strengthen competition and providing the telecommunications authorities, the new Federal Telecommunications Institute or IFT, with broader capacities to regulate the telecommunication and broadcasting industries.

The enacted bill provides for a number of measures that include eliminating the limit on foreign investment in the telecommunications industry (including satellite operations), raising the limit on foreign investment in the broadcasting industry to 49%.

Shares Performance in the Securities Market

The following table shows the reported highest and lowest market prices for our CPOs and ADSs on the Mexican Stock Exchange and the NYSE / OTC. *See* "Stock Market – Shares Performance in the Securities Market".

	BMV			
	(Mexican Pesos per CPO)			
	High	Low	Close	Volume
Annual:				
2015	Ps. 2.32	Ps. 0.91	Ps. 0.97	289,134,649
2014	3.88	2.13	2.31	446,534,043
2013	5.71	3.02	3.19	340,589,979

Quarterly:				
2016:				
First quarter	Ps. 1.00	Ps. 0.64	Ps. 0.86	58,162,414
2015:				
Fourth quarter	Ps. 1.67	Ps. 0.91	Ps. 0.97	69,905,415
Third quarter	1.80	1.00	1.18	55,077,819
Second quarter	2.02	1.60	1.74	62,572,565
First quarter	2.32	1.63	s. 1.97	101,578,850
2014:				
Fourth quarter	Ps. 2.70	Ps. 2.13	Ps. 2.31	93,256,922
Third quarter	3.50	2.41	2.62	101,208,032
Second quarter	3.62	3.15	3.42	106,492,181
First quarter	3.88	2.96	3.30	145,576,908

	NYSE / OTCQX (US dollars per ADS)			
	High	**Low**	**Close**	**Volume**
Annual:				
2015	$ 0.94	$ 0.14	$ 0.14	119,534
2014	2.34	0.80	0.80	2,509,043
2013	3.38	1.40	1.63	1,778,702
Quarterly:				
2016:				
First quarter	$ 0.62	$ 0.03	$ 0.30	6,096
2015:				
Fourth quarter	$ 0.32	$ 0.14	$ 0.14	1,635
Third quarter	0.59	0.20	0.20	13,177
Second quarter	0.86	0.56	0.56	60,350
First quarter	0.94	0.63	0.80	44,372
2014:				
Fourth quarter	$ 1.44	$ 0.80	$ 0.80	25,627
Third quarter	1.88	1.26	1.39	65,545
Second quarter	2.34	1.64	1.84	464,994
First quarter	2.06	1.42	1.72	1,952,877

c) RISK FACTORS.

The investors must carefully consider the risk factors described below before making any investment decision. The risks and uncertainties described below are not the only faced by the Company. The risks and uncertainties that the Company ignores, as well as those that the Company currently considers as of little importance, could also affect its operations and activities.

The materialization of any of the risks described below could have a significant adverse effect over the operations, the financial situation or the operative results of the Company.

The risks described below pretend to highlight those that are specific to the Company, but by no means must be considered as the only risks that investors could face. Such additional risks and uncertainties, including those that generally affect the industry in which the Company operates, the geographic zones in which it has presence or those risks they consider unimportant, could also affect its business and the value of the investments.

The information differing from the historic information included in this report, reflects the operational and financial perspective in connection with future events, and can contain information about financial results, business situations, trends and uncertainties. The expressions "think", "hope", "estimate", "consider", "foresee", "plan" and other similar expression refer to such estimations. When assessing such estimations, the potential investors shall have into account the described factors in this section, as well as the other warnings on forward *looking statements contained in this report. The risk factors describe the circumstances of non-financial nature that could cause that the real results could significantly differ from the expected based on future estimations.*

Risks related to the Company

Because we have a history of losses and may continue to incur significant expenses, we may not be able to generate sufficient cash flows to meet our debt service obligations and implement our business plan.

We incurred a loss of Ps.584.3 million for the year ended December 31, 2015, compared to a loss of Ps.305.3 million for the year ended December 31, 2014.

The loss for the year ended December 31, 2015, is mainly related to the elimination of domestic long distance rates and the volatility of exchange rate, which had direct effects on our debt valuation.

In the event we continue to incur significant losses, we may not be able to service all of our debt obligations or fund our capital expenditure plan which could have a material adverse effect on our business, results of operations and financial condition. If we cannot service our debt obligations, we may have to take actions such as selling assets, reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, or restructuring our indebtedness pursuant to in court or out of court procedures, any of which could materially harm our business, results of operations and financial condition.

We have historically experienced low and declining cash balances, which may result in us not having sufficient cash to meet our debt service obligations, operating expenses and our capex program.

We have had a history of low cash balances that have been declining in a sustained manner. If this trend is maintained we could face problems to cover the debt service, costs and operating expenses, and to fulfill our investment program in infrastructure, which would limit the business growth.

We may be unable to maintain or expand our network in a timely manner or without excessive costs.

If we decided to expand our network, our ability to achieve this target could be affected by several factors that include:

- Municipal or regional political events or local rulings;
- Our ability to obtain permits to use public rights of way;
- State or municipal elections and change of local government administrations;
- Our ability to generate cash flow or to obtain future financing necessary for such build-out;
- Unforeseen delays, costs or impediments relating to the granting of municipal and state permits for our build-out;
- Delays or disruptions resulting from physical damage, power loss, defective equipment or the failure of third party suppliers or contractors to meet their obligations in a timely and cost‒effective manner; and
- Regulatory and political risks relating to Mexico, such as the revocation or termination of our concessions, the temporary seizure or permanent expropriation of assets, import and export controls, political instability, changes in the regulation of telecommunications and any future restrictions or easing of restrictions on the repatriation of profits or on foreign investment.

The loss of our key personnel could harm our business, results of operations and financial condition.

Our operations are managed by a small number of executive officers and key management personnel. Our continued success, including our ability to effectively expand our network, largely depends on the efforts and abilities of our executive officers. The competition for highly qualified management personnel in the telecommunications industry is intense and, accordingly, we cannot assure that we will be able to hire or retain necessary management personnel.

Our results may be negatively impacted by high levels of churn or decreased revenues from existing customers resulting from efforts to limit churn rates.

Clients churn results in the loss of future revenue as well as the inability to recover the costs incurred to acquire those customers, such as installation costs and commissions. Churn occurs for several reasons which include disconnection of a customer for non‒payment, disconnection of a customer who switches to a competing company and disconnection of a customer who requests termination of service. Our average monthly churn rate for the last three years has been 2.8%. Our churn rates for the year ended December 31, 2015 was 3.0%. An increase in customer churn could have a material adverse impact on our revenue growth and in our results of operations, even if we could replace the customer deactivated with a new customer. Churn may be impacted by:

- customer delinquency;
- our limited coverage area that restricts our ability to continue providing service when a customer moves;
- our failure to meet service levels required by our customers;
- a decline in national or international economic conditions (in particular conditions that can affect our residential customers); and
- promotional and pricing strategies of our competitors.

In addition, we may experience decreased revenues from existing customers due to their efforts to limit churn rates, such as by offering promotional pricing to maintain existing customers that might otherwise switch carriers or cancel particular services. High levels of churn or decreased revenues as a result of our efforts to combat churn may have a material adverse effect on our financial condition and results of operations.

Rapid technological advances may require us to make significant capital expenditures to maintain and improve the competitiveness of our service offerings.

The telecommunications industry is subject to rapid and significant changes in technology and requires the introduction of new products and services. Like other operators, we cannot predict the effect of technological changes on our business. New services and technological advances may offer additional opportunities for competitors to compete against us on the basis of cost, quality or functionality. In prior years, we were working on installing what we believe to be a technologically advanced fiber optic network with a microwave overlay, however, we cannot assure you that this technology will not be challenged by competition from new or improved digital or other technologies in the near future. Our future success depends, in part, on our ability to anticipate and respond in a timely manner to technological changes. This may require us to devote significant capital to the development, procurement or implementation of new technologies and we currently do not have and in the future may not have the resources to implement such technologies.

There can be no assurance as to the nature and extent of the impact of technological change on our viability or competitiveness. If any future technological change places at risk our viability or competitiveness, the cost of upgrading our products and technology to remain competitive could be significant and our ability to fund this upgrading may depend on our ability to obtain additional financing, which may not be available on terms acceptable to us or at all.

Our telecommunications network infrastructure has several vulnerabilities and limitations.

Our telecommunications network is the source of all our revenues and any damages to or loss of our equipment or any problem with or limitation of our network whether accidental or otherwise, including network, hardware and software failures may result in a reduction in the number of our customers or usage level by our customers, our inability to attract new customers or increased maintenance costs, all of which would have a negative impact on our results of operations. The development and operation of our network is subject to problems and technological risks, including:

- physical damage;
- power surges or outages;
- capacity limitations;
- software defects as well as hardware and software obsolescence;
- breaches of security, whether by computer virus, break–in or otherwise;
- failure to interconnect with carriers linking us with our customers;
- denial of access to our sites for failure to obtain required municipal or other regulatory approvals; and
- other factors which may cause interruptions in service or reduced capacity for our customers.

Our operations also rely on a stable supply of utilities service. We cannot assure you that future supply instability will not impair our ability to procure required utility services in the future, which could adversely impact our business, financial condition and results of operations. The metropolitan optic fiber network was increased in order to increment the availability of the metropolitan rings, and connect new clients to our network.

We are subject to delinquencies on our customers. If we are unable to limit payment delinquencies by our customers, or if delinquent payments by our customers increase, our financial condition and results of operations could be adversely affected

Maxcom's business greatly depends on its clients' capacity to pay their bills and fulfill their obligations with us. From March 1, 2014, we review the credit reports of Círculo de Crédito for all residential clients; with their credit history in hand we approve or deny the sale. It is important to mention that this measure has been a good filter to detect bad clients, but approximately 34% of the clients do not have credit tracking records, and because of business strategy, despite this situation, the sale of Maxcom services to these clients is made. In the year ended December 31, 2015, we recorded provisions for doubtful accounts in the amount of Ps.60.0 million, including taxes. In 2014, we recorded provisions for doubtful accounts of Ps.107.1 million, including taxes, primarily due to customers' delinquencies. As of December 31, 2015, our provision for doubtful accounts as a percentage of our net revenues was 12.7%, being higher than the 9.1% reported at the December 31, 2014.

If we are unable to successfully implement adequate policies to limit subscriber delinquencies or improve the selection of our customers based on their credit records, persistent customer delinquencies and bad debt will continue to adversely affect our operating and financial results.

In addition, if the Mexican economy weakens due to, among other factors, a reduction in the level of economic activity, depreciation of the Mexican Peso, an increase in inflation or an increase in domestic interest rates, a greater portion of our customers may not be able to pay their bills on a timely basis, which would require to increase our provisions for doubtful accounts, thus adversely affecting our financial condition and results of operations.

Maxcom has upgraded its accounting systems and implemented monitoring processes in their billing, consumer service and information administration systems, as well as tracking controls to counteract and avoid technological obsolescence. These measures might be insufficient to improve the clients' experience and customer disconnections stemming from billing and customer service failures, limiting the growth capacity of our customer base supported by the current systems.

Sophisticated information and processing systems are important to our existing operations (billing and accounting), as well as for our future growth and ability to monitor costs, deliver invoices, process customer orders, provide customer service and achieve operating efficiencies. We have made adaptations an implemented compensatory controls in the existing systems, to reduce churn rates, to minimize operation risks and to allow the attraction of new customers based on reliable client support and invoicing systems, all of this without falling into elevated operating costs.

Additionally, in 2015 Maxcom initiated the execution of improvement initiatives to underpin the Customer Relationship Management or CRM and Invoicing and Supply systems, aiming to improve customer services and reach operative efficiencies, emphasizing the processes related with clients invoicing, payments and the administration of the telephony network. We expect to conclude the implementation of these initiatives in the second half of 2016. Nevertheless, these measures could be insufficient to improve the client's experience and reduce the clients' abandonment.

Service interruptions due to natural disasters or unanticipated problems with our network infrastructure could result in customer loss.

Natural disasters or unanticipated problems with our network infrastructure could cause interruptions in the services we provide. The failure of a switch and our back-up system would result in the interruption of service to the customers served by that switch until necessary repairs are completed or replacement equipment is installed. The successful operation of our network and its components is highly dependent upon our ability to maintain the network and its components in reliable enough working order to provide sufficient quality of service to attract and maintain customers. Any damage or failure that causes interruptions in our operations or lack of adequate maintenance of our network could result in the loss of customers and increased maintenance costs that would adversely impact our results of operations and financial condition.

We have backup data for our key information and data processing systems that could be used in the event of a catastrophe or a failure of our primary systems, and have established alternative communication networks where available. However, we cannot assure you that our business activities would not be materially disrupted if there were a partial or complete failure of any of these primary information technology systems or communication networks. Such failures could be caused by, among other things, software bugs, computer virus attacks or conversion errors due to system upgrading. In addition, any security breach caused by unauthorized access to information or systems, or intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

The intellectual property rights utilized by us, our suppliers or service providers may infringe on intellectual property rights owned by others.

Some of our products and services use intellectual property that we own or license from others. We also provide content services we receive from content distributors, such as ring tones, text games, video games, wallpapers or screensavers, and outsource services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. We and some of our suppliers, content distributors and service providers have received, and may receive in the future, assertions and claims from third parties that the products or software utilized by us or our suppliers, content distributors and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require us or an infringing supplier, content distributor or service provider to cease engaging in certain activities, including selling, offering and providing the relevant products and services. Such claims and assertions could also make us subject to costly litigation and significant liabilities for damages or royalty payments, or require us to cease certain activities or to cease selling certain products and services.

Our insurance coverage may not adequately cover losses resulting from the risks for which we are insured.

We maintain insurance policies for our network facilities and all of our corporate assets. This insurance coverage protects us in the event we suffer losses resulting from theft, fraud, natural disasters or other similar events or from business interruptions caused by such events. In addition, we maintain insurance policies for our Directors and officers. We cannot assure you however, that such insurance will be sufficient or will adequately cover potential losses.

We could be adversely affected if major suppliers fail to provide needed equipment and services on a timely or cost-efficient basis or are unwilling to provide us credit on favorable terms or at all.

We rely on a few strategic suppliers and vendors, including Alcatel-Lucent, Microsoft, NEC and HP to provide us with equipment, materials and services that we need in order to expand and to operate our business. There are a limited number of suppliers with the capability of providing the network equipment and platforms that our operations and expansion plans require or the services that we require to maintain our extensive and geographically widespread networks. In addition, because the supply of network equipment and platforms requires detailed supply planning and this equipment is technologically complex, it would be difficult for us to replace the suppliers of this equipment. Suppliers of cables that we need to extend and maintain our networks may suffer capacity constraints or difficulties in obtaining the raw materials required to manufacture these cables.

We also depend on network installation and maintenance services providers, equipment suppliers, call centers, collection agencies and sales agents, for network infrastructure, and services to satisfy our operating needs. Many suppliers rely heavily on labor; therefore, any work stoppage or labor relations problems affecting our suppliers could adversely affect our operations. Suppliers may, among other things, extend delivery times, raise prices and limit supply due to their own shortages and business requirements. Similarly, interruptions in the supply of telecommunications equipment for networks could impede network development and expansion. If these suppliers fail to deliver products and services on a timely and cost-efficient basis that satisfies our demands or are unwilling to sell to us on favorable credit terms or at all, we could experience disruptions, which could have an adverse effect on our business, financial condition and results of operations.

We are subject to different corporate disclosure and accounting standards than U.S. companies.

As a non-U.S. issuer, investors may not be able to obtain as much publicly-available information about us as they would about U.S. issuers of publicly traded securities. Therefore, potential investors may not be able to easily ascertain the risks facing us as they would if we were a public U.S. company.

Risks Relating to the Mexican Telecommunications Industry.

The recent Constitutional Bill Passed by the Mexican Federal Congress has had and might have positive and adverse effects on our business, results of operations and financial Condition.

Effective June 12, 2013 the Mexican Congress enacted an amendment to the Mexican Constitution in connection with the telecommunications and broadcasting (radio and television) industries. This amendment to the Mexican Constitution (articles 6, 7, 27, 28, 73, 78, 94 and 105) is aiming to strengthen competition and providing IFT (telecommunications authority), with broader capacities to regulate the telecommunication and broadcasting industries.

The enacted bill provides for a number of measures that include eliminating the limit on foreign investment in the telecommunications industry (including satellite operations), raising the limit on foreign investment in the broadcasting industry to 49% (forty nine percent).

Additionally, the enacted bill provides for the issuing of two new digital TV broadcasting licenses to be awarded by public auction.

“Must carry” and “must offer” obligations for television companies were also included in the new bill.

On March 2014, IFT issued rulings declaring America Móvil and Grupo Televisa, and certain of their subsidiaries as preponderant economic agents in the telecommunications and broadcasting industries, respectively, and imposing both companies with specific asymmetrical regulations.

On March 24, 2014, the Mexican President submitted to the Mexican Congress a proposed telecommunications and broadcasting law that will implement changes to the Mexican Constitution. This secondary bill was approved and enacted on July 9, 2014.

On December 24, 2014, as result of the secondary bill, the decision adopted by the Plenary of IFT that determines the commitment for all carriers that provide public telecommunications services, to eliminate any long distance fees for calls made to domestic destinations, starting on January 1, 2015 was published in the Official Gazette.

According to IFT´s Plenary Session´s resolutions, published in the Official Gazette on October 1, 2015, it was determined the interconnection rates to be used to resolve any interconnection dispute applicable for 2016.

Through the implementation of the Electronic System of Interconnection Applications of IFT, carriers can start the negotiations to determine the interconnection rates, although in case that they do not reach an agreement for the applicable rates, IFT shall solve them according to the ones published to settle interconnection disagreements, those rates are notably lower that the ones that we offer normally, thus it would produce a negative impact on the revenues received under this concept.

The transformation of the telecommunications industry in Mexico has represented opportunities and challenges for us. Among the changes that have represented opportunities we can mention: interconnection tariffs to zero rate with Telmex and Telcel, the ability to grow the business of Mobile Virtual Network Operator and hiring access links to Telmex with more competitive rates. Meanwhile, the main regulatory change has been particularly negative for our financial performance is the elimination of the domestic long distance charges.

The telecommunications industry in Mexico is increasingly competitive, which may result in lower prices for telecommunications services, lower margins and/or a loss of market share.

The Mexican telecommunications industry is increasingly competitive and rapidly changing. We face significant competition from Telmex (the incumbent wireline telecommunications provider in Mexico) as well as other telecommunications providers and new market entrants such as AT&T, (which is the merge of the companies Nextel and Iusacell). Telmex is the largest telecommunications service provider in Mexico with a market share of approximately 62% in fixed telephone services, according to information provided by IFT. In addition, cable operators who have substantial coverage of cities we currently serve may offer the same voice and data services we provide at lower prices since telephony income represents incremental revenue to cable operators. The emergence of satellite television in Mexico, as one of the main competitors of cable television has adversely affected the demand for cable, especially since satellite television providers are not limited by network coverage. Many of our current and potential competitors have significantly more employees and greater financial, technical, marketing and other resources than we do. Increased competition could result in fewer customers, reduced pricing, reduced gross and operating margins and loss of market share, any of which could harm our business.

In 2015, Axtel and Alestra agreed to merge their assets and operations, giving birth to a more robust entity, to provide telecommunications an IT services to business customers, as well as triple play offers through optic fiber to high-end segment consumers.

In 2015 AT&T agreed the purchase of Iusacell, for USD$2,500 million, while in April the Federal Institute of Telecommunications (IFT) gave its approval to the acquisition of Nextel, operation valued at USD$1,875 million. AT&T expects to reach a coverage of 100 million inhabitants during its first two years of operation in Mexico, whilst it projects to be second player in mobile telephony in less than ten years, to compete face to face with Telcel. Currently, the company has a penetration of 70% in the country and for 2017 it is expected to reach 83% of the population. (Source: Forbes Mexico – on line, *Nextel and Iusacell will conclude merge with AT&T in 2016*).

We expect a fiercer competition for service in the high and medium socio-cultural segment in the short term, but in the medium term we expect that this offer also reaches other sectors. If the Company is not capable of offering similar products at a competitive price, it could lose an important market participation, which could produce a significant adverse effect in the business and the operation results.

Rate pressures could have a material adverse effect on our business, results of operations and our financial condition.

We expect the Mexican telecommunications market to continue to experience rate pressure, primarily as a result of:

- increased competition and focus by our competitors on increasing market share;

- technological advances that allow higher transmission capacities of both new and existing fiber−optic networks, results in better margins and more bandwidth offering;
- increased participation by traditional fixed−line competitors in the provision of data and pay TV services;
- the entrance of cable television operators into certain markets that we currently serve and the provision by such operators of services we have historically provided, such as telecommunications and broadband Internet;
- the entrance of new competitors, such as broadcasting companies, OTT IPTV service providers or the Mexican Federal Power Commission (Comisión Federal de Electricidad, or "CFE"); and
- the merger or consolidation of some concessionaires (fixed−mobile−cable), which may affect market penetration.

Continued rate pressure could have a material adverse effect on our business, financial condition and results of operations if we are unable to generate sufficient traffic and increased revenues to offset the impact of decreased rates on our operating margin.

Moreover, these developments may lead to smaller operating margins, greater choices for customers and increasing movement of customers among competitors, which may make it more difficult for us to retain customers or attract new customers. The cost of adding new customers may also continue to increase, reducing profitability. In addition, as the cost of acquiring new customers is higher than the cost of maintaining existing ones, high levels of customer deactivations could have an adverse effect on our results of operations, even if we are able to obtain one new customer for each lost customer.

We experience increasing pressure to reduce our rates in response to pricing competition. This pricing competition often takes the form of special promotional packages. Competing with the service plans and promotions offered by our competitors may cause an increase in our marketing expenses and customer acquisition costs, which may adversely affect our results of operations. Our inability to compete effectively with these packages could result in our loss of market share and adversely affect our net operating revenue and profitability.

Our ability to compete successfully will depend on our network coverage, the quality of our network and service, our rates, customer service, marketing and our ability to anticipate and respond to various competitive factors affecting the telecommunications industry, including new services and technologies, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors. If we are unable to respond to competition and compensate for declining prices by adding new subscribers, increasing usage and offering new services, our business, financial condition and results of operations could be adversely affected.

Our fixed-line telecommunications services face increased competition from mobile service providers and other fixed-line service providers, which may adversely affect our revenues and margins.

Our fixed-line telecommunications services face increasing competition from mobile services as the prices for mobile services decline and approach those of fixed-line services. We expect the number of fixed lines in service to continue to decline or stagnate, as certain customers eliminate their fixed-line services in favor of mobile services, and the use of existing fixed lines to decrease as customers substitute fixed-line calls with calls from mobile telephones as a result of lower mobile rates. The rate at which the number of fixed lines in service in Mexico may decline depends on many factors beyond our control, such as economic, social, technological and other developments in Mexico.

We also compete in the market for fixed-line services with other fixed-line service providers, primarily Telmex, and Axtel (now merged with Alestra). In addition to direct competition, we also face competition from other providers of value-added services that offer VoIP and other Internet-based telephony. Our loss of a significant number of fixed-line customers would adversely affect our operating revenue and may adversely affect our results of operations.

If the Mexican government grants more concessions, the value of our concessions could be severely impaired.

The telecommunications industry is regulated by the Mexican government. Our concessions are not exclusive and the Mexican government may grant concessions covering the same geographic regions and frequency bands to other entrants. We cannot assure you that additional concessions granted by the Mexican government to provide similar services to those we provide or plan to provide will not be granted to other competitors and that the value of our concessions will not be adversely affected.

We could lose our concessions if we do not fully comply with their terms and we may not be able to renew our existing concessions.

We hold concessions that enable us to provide telecommunications services. Under the terms of our concessions, we are required to meet a number of technical, build-out and financial conditions and we have no evidence that in the past we have fully complied with some of these conditions such as providing coverage to cities within the scope of our concessions within the time-frame provided for in the concession. We cannot guarantee that we will not be fined for lack of evidence in the past compliance with the terms of our concessions. In addition, any failure to comply with any of the terms of our concessions or to obtain a waiver or modification could result in the termination of those concessions, the imposition of new terms applicable to our concessions, the imposition of fines or the loss of surety bonds that we have issued in favor of the SCT. The Mexican government is not required to compensate us in the event of such termination.

Furthermore, all of our concessions have a specified duration of 10 to 30 years and are scheduled to expire between 2016 and 2026. The IFT denied the extension to the term of three point-to-multipoint concessions in Regions 3, 5 and 8 of the national territory, whose termination is originally scheduled for April 1, 2018, because the IFT determined that some requirements were not met as provided for by the Federal Telecommunications Law. This resolution is not final and it does not affect the provision of services to our customers or our income.

If any of our key concessions, including our local and long distance telephony concession, was terminated or not renewed, we would be unable to engage in our business.

In case that any of our telecommunications concessions was revoked we could be impelled to apply for a new concession within a period of five years.

Article 304 of the Mexican Telecommunications and Radiobroadcast Federal Law establishes that in case that IFT revokes a concession, the title holder of the concession will be impaired to obtain new concessions or authorizations provided by the Mexican Telecommunications and Radiobroadcast Federal Law, during a period of 5 years, starting on the date on which the revocation is enacted.

The impossibility of applying for a new concession during that period could adversely affect our financial conditions and operating results.

As of today, we do not have any ongoing process of revocation of our concession titles.

Under Mexican law, our concessions could be expropriated or temporarily seized.

Holders of concessions to install, operate and develop public telecommunications networks are subject to the provisions of the Mexican Federal Telecommunications Law (Ley Federal de Telecomunicaciones) and any other provision contained in the relevant concession grant and other applicable laws. The Mexican government (through the SCT) may expropriate any telecommunications concession and claim any related asset for reason of public interest or national security, or may temporarily seize the assets related to the concessions in the event of natural disasters, war, significant public disturbance or threats to internal peace or for other reasons relating to economic or public order.

Mexican law sets forth the process for indemnification for direct damages arising out of the expropriation or temporary seizure of the assets related to the concessions, except in the event of war. However, in the event of expropriation, we cannot assure you that the indemnification will equal the market value of the concessions and related assets or that we will receive such indemnification in a timely manner or at all.

Fraudulent use of telecommunications networks increases our expenses.

The fraudulent use of telecommunications networks imposes a significant cost upon service providers, who must bear the cost of services provided to fraudulent users. We suffer a loss of revenue as a result of fraudulent use and a cash cost due to our obligation to reimburse carriers for the cost of services provided to fraudulent users. These costs also include administrative and capital costs associated with monitoring and preventing the incidence of fraud. We cannot assure you that our efforts to combat fraud will be effective or that fraud will not result in material costs for us in the future. In addition, since we rely on other long−distance carriers for interconnection, some of which do not have anti−fraud technology incorporated in their networks, we are particularly exposed to this risk in our long−distance service and in traffic originating in our network to mobile users under the mode of "calling party pays."

"Long−distance Calling Party Pays" system could result in a loss of customer traffic and revenue.

In 1997, Cofetel implemented the "Calling Party Pays" system, and in 2006 the "Long-distance Calling Party Pays" system, whereby the customer originating a domestic or international call, from either a fixed line or mobile phone to a mobile phone, pays the entire fee for placing the call rather than the mobile telephone subscriber who receives such call, who only pays for outgoing calls. Even though the mobile telephone subscriber receiving the call does not pay to receive the call, the network from which the call originates must still compensate the terminating mobile network.

In 2006, we negotiated with the mobile carriers a provisional "Calling Party Pays" interconnection tariff for local and long−distance calls to be terminated in such mobile operators' network, achieving a significant reduction of the original tariff contemplated by the agreements implementing this system issued by Cofetel, for the period 2006 to 2010.

For the 2011 Cofetel has issued a resolution regarding "Calling Party Pays" interconnection tariffs with the mobile carriers, and has determined the tariff at Ps.0.3912. Starting in 2015 and it is probable that for the subsequent years, the Mexican Federal Telecommunications Institute will be establishing the corresponding tariffs for each year on an annual basis, these resolutions will be oriented to lower the tariff that is established year on year.

Foreign ownership competition may limit our ability to grow.

Restrictions imposed by the Mexican Foreign Investment Law (Ley Federal de Inversión Extranjera) and the Mexican Federal Telecommunications Law (Ley Federal de Telecomunicaciones) in connection with foreign participation in the telecommunication sector were eliminated by a reform to the Mexican Constitution. These amendments could increase the competition in the sector and thus impairing our ability to gain market share and grow.

We operate in a highly regulated industry which is currently experiencing broad−based regulatory changes.

The operation of the telecommunications sector in Mexico, including ours, has been subject to laws and regulations administered by the SCT and the IFT.

In June 11, 2013, the Mexican Congress, enacted an amendment to the Mexican Constitution that allows further participation in the telecommunications industry by restricting monopolistic competitors and liberalizing the sector.

Risks Related to Mexico

Mexican and global economic conditions may adversely affect us.

The global economy continues to be uncertain, and many companies have limited access to funding. Since 2014 this risk has been exacerbated because of multiple factors, mainly because of the drop of oil prices, the slowdown of Chinese economy, the strength of the U.S. dollar, geopolitical tensions and the reemergence of the global wave of risk aversion. Amidst this environment, rating agencies have lowered the rating of the sovereign debt of countries like Brazil and there is latent risk of deterioration of the credit ratings of other countries. This global economic downturn and/or any future economic slowdown, including downturns in the United States and Europe, could affect our financial condition and results of operations.

Additionally, this recent volatility in the global financial markets and ongoing uncertainty affecting these markets have resulted in extreme volatility in the credit, equity and fixed income markets. This volatility has limited many companies' access to funding. If access to credit tightens further and borrowing costs rise, our costs could be adversely affected. Difficult financial markets may also adversely affect some of our customers.

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, the prices of both Mexican debt and equity securities decreased substantially as a result of the prolonged decrease in the securities' markets of several European and Asiatic countries

In addition, economic conditions in Mexico are increasingly correlated with economic conditions in the United States as a result of the North American Free Trade Agreement ("NAFTA") that increases economic activity between the two countries. Therefore, adverse economic conditions in the United States, the termination or re-negotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy. We cannot assure you that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition or results of operations.

Mexican federal governmental policies or regulations, as well as economic, political and social developments in Mexico, could adversely affect our business, financial condition, results of operations and prospects.

We are incorporated in Mexico and substantially all of our assets and operations are located in Mexico. As a result, we are subject to political, legal and regulatory risks specific to Mexico which can have a significant impact on our business, results of operations and financial condition. The Mexican federal government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions, fiscal and monetary policy could have an impact on Mexican private sector entities, including our company, and on market conditions, prices and returns on Mexican securities. We cannot predict the impact that political conditions will have on the Mexican economy. Furthermore, our business, financial condition, results of operations and prospects may be affected by currency fluctuations, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. We cannot assure potential investors that changes in Mexican federal governmental policies will not adversely affect our business, financial condition, results of operations and prospects.

Political and economic developments in Mexico may adversely affect our business

The majority of our customers are Mexican companies or individuals, and all of our operations and the vast majority of our assets are located in Mexico. For these reasons, our operations, results and financial condition are dependent upon the level of economic activity in Mexico. Telecommunications traffic in Mexico and our revenues are highly affected by the level of economic activity in Mexico and the general purchasing power of individuals and companies. Accordingly, declines in our customers' spending could have additional negative effects on our revenues. Economic slowdowns in Mexico may have additional consequences that impact our business. We also face risks associated with the impact of economic downturns on third parties, such as suppliers, financial institutions and other parties with which we do business. If these parties experience negative effects on their businesses due to the economic crisis, it could negatively affect our business or operating results.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican federal governmental actions and policies concerning the economy could have a significant impact on private sector entities in general and on us in particular and on market conditions, prices and returns on Mexican securities.

Changes to Mexican laws, regulations and decrees applicable to us could have a material adverse effect on our business, results of operations and financial condition.

The telecommunications sector in Mexico is subject to numerous laws and extensive regulations by a number of governmental authorities, including the SCT and IFT, which are responsible for, among others, formulating policy, granting licenses, setting tariff schemes, regulating interconnection among providers, levying taxes on services and supervising the provision of services. Laws applicable to our business may be enacted, amended or repealed and governmental agencies may make regulatory interpretations or take regulatory actions that could damage our business, increase competition, increase our costs of operation, decrease our revenues, and limit our ability to grow our operations, or otherwise adversely impact our business.

Recently the Assistant Agency of Telecommunications (Subprocuraduría de Telecomunicaciones) was created in the Federal Consumer Protection Agency (Procuraduría Federal del Consumidor), which is in charge of verifying and overseeing the procedures of conciliation and arbitration regarding users of telecommunications, as well as the supervision of the fulfillment, by concessionaries, of their obligations regarding the rights of these users.

Peso devaluation relative to the U.S. dollar could make it more difficult for us to service our indebtedness and could decrease the value of the notes due 2020.

While our revenues are almost entirely denominated in Pesos, a great percentage of our obligations and all of our long−term indebtedness are denominated in U.S. dollars. In addition, most of our capital expenditures are denominated in U.S. dollars. We are, and will continue to be, exposed to Peso devaluation risk. The Peso has depreciated substantially against the U.S. dollar in the past and may devalue significantly in the future. For example, the Peso depreciated against the U.S. dollar 0.5% in 2013, 12.6% in 2014 and 16.9% in 2015 (Source: Banco de México).

The general economic conditions in Mexico resulting from a Peso devaluation and consequential inflation may have an adverse effect on our results of operation by:

- increasing the Peso-carrying costs of our U.S. dollar-denominated debt and capital expenditure requirements;
- decreasing the purchasing power of Mexican consumers, resulting in a decrease in demand for telephony services; and
- our inability, to maintain competitive prices amidst an environment of higher inflation and sustained Peso slowdown.

The Peso−to−dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the Peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar−denominated obligations, including the notes due 2020. In order to diminish the negative effects of a Peso devaluation, we have acquired hedges in the financial markets, in October of 2015 we entered into interest swaps and currencies swaps (Cross Currency Swaps) to cover the interests of the Step-Up Senior Notes 2020 with Credit Suisse and Morgan Stanley for notional amounts of USD$45 million dollars and USD$35 million dollars, respectively, maturing on December 15 of 2017.

High inflation rates in Mexico may decrease demand for our services while increasing our costs.

Although annual inflation closed 2015 at 2.13%, in recent years, Mexico has experienced higher levels of inflation relative to the United States, its main commercial partner. Mexico's annual rate of inflation was 4.1% in 2014 and 4.0% in 2013 (Source: Banco de México). High inflation rates can adversely affect us as follows:

- Diminishing the purchasing power of current and potential clients, having thereby a negative effect on the demand of our products and services; and
- to the extent inflation exceeds our price increases, our contribution margins will be adversely affected.

High interest rates in Mexico could increase our financing costs.

Mexico has, and is expected to continue to have, high real and nominal interest rates, relative to the United States, its main commercial partner. The interest rates on twenty eight–day Mexican government treasury securities averaged, 3.0% for the year ended December 31, 2015, 3.0% in 2014 and 3.8% in 2013. Currently we have a Peso–denominated debt at a fixed annual rate of 9.86%, if we need to incur into additional debt in Pesos in the future, it will likely be at high interest rates.

We could be negatively affected by "by-pass" international traffic.

Pursuant to Mexican telecommunications regulations, international long-distance traffic in Mexico must be routed and terminated through authorized international gateways at established international settlement rates. However, less expensive alternatives which by-pass authorized gateways exist, particularly in the case of countries with which Mexico exchanges a significant amount of traffic. Given the disparity between the government-authorized and alternative long-distance interconnection and termination rates through local service routes and/or Internet Protocol services, an increasing portion of the long-distance market between Mexico and the United States is served by entities that circumvent or "by-pass" the international long-distance interconnection system. This practice is illegal under applicable law.

Maxcom cannot confirm whether any of its high-volume customers are engaging in "by-pass" activities because it is not required to make such a determination under Mexican regulations and therefore has not implemented a system to detect such activity. Maxcom is required, however, to comply with competent authority order to disconnect a customer deemed to be engaged in "by-pass" activities. In 2000, Mexican regulatory authorities announced their intention to conduct more rigorous audits of persons or companies believed to be engaged in "by-pass" activities. In December 2000, some of the major Mexican long-distance carriers, including Maxcom, signed a cooperation agreement to combat "by-pass" activities. If, as a consequence of such actions, the regulatory authorities determine that any of our high-volume customers are engaged in "by-pass" activity, Maxcom would be required to disconnect their service and our revenues could be negatively affected.

Our indebtedness could have a material adverse effect on our financial condition, including our ability to fulfill our obligations derived from our dollar denominated bonds and the credit entered with Bancomext in Pesos, both instruments maturing in 2020, and our ability to operate our business and implement our business plan.

We are highly leveraged. As of December 31, 2015 and 2014, we had total indebtedness in the amount of Ps.2,249.1 and Ps.2,226.2 million, respectively, which consists primarily, as of December 31, 2015 of USD$137.6 million (face value), corresponding to the Step-Up Senior Notes due 2020, and Ps.142.5 million, corresponding to the credit entered with Bancomext. In 2016 we will use approximately USD$9.7 million from our cash flows to service the interest payments of our debt. Despite our current level of indebtedness, we may be able to incur additional indebtedness. Although the terms of the indenture governing the Step-Up Senior Notes due 2020 restrict us and our subsidiaries from incurring additional indebtedness, these restrictions are subject to important exceptions and qualifications including with respect to our ability to incur additional senior indebtedness. If we or our subsidiaries incur additional indebtedness to finance working capital, capital expenditures, investments or acquisitions or for other purposes, the risks related to our business associated with our high level of indebtedness could be intensified. Specifically, our high level of indebtedness could have important consequences to our business, including consequences that could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to debt service payments, reducing the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in the telecommunications industry;
- limit our ability to take advantage of opportunities for acquisitions and other business combinations;
- place us at a competitive disadvantage compared to our less leveraged competitors;
- increase our vulnerability to both general and industry-specific adverse economic conditions; and
- limit our ability to obtain additional financing or obtain it on commercially reasonable terms, to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing.

If we and our subsidiaries incur additional indebtedness in the future, the leverage-related risks that we now face could intensify and have a material adverse effect on business, results of operation and financial condition.

The indenture governing our Step-Up Senior Notes due 2020 contains restrictions on our ability to operate our business and to pursue our business strategies. Our failure to comply with these covenants could result in an acceleration of our indebtedness.

The indenture governing our Step-Up Senior Notes due 2020 contains covenants that may restrict our ability to finance future operations or capital needs, to respond to changing business and economic conditions or to engage in certain transactions or business activities that may be important to our growth strategy, necessary to remain competitive or otherwise important to us. The indenture restricts, among others, our ability to:

- incur additional indebtedness;
- pay dividends or make other distributions on our capital stock or repurchase our capital stock or subordinated indebtedness;
- make investments or other specified restricted payments;
- create liens;
- enter into mergers, consolidations, sales of substantially all of our assets and other forms of business combinations;
- enter into change of control transactions;
- sell assets and shares of our subsidiaries; and
- enter into transactions with affiliates of the following nature:

  (i) the transaction is on terms no less favorable to Maxcom or the relevant restricted subsidiary than those that would have been obtained in a comparable transaction by the Maxcom or such restricted subsidiary with an unrelated entity;

  (ii) in transactions involving in excess of USD$2.5 million, a majority of the disinterested directors have determined that the transaction complies with (i); and

  (iii) in transactions involving in excess of USD$6.0 million, Maxcom shall deliver to the trustee a fairness opinion from an investment banking firm of national standing.

If we do not comply with these restrictions, we could be in default despite our ability to service our indebtedness. If there were an event of default under the indenture governing our Step-Up Senior Notes due 2020, holders of such senior notes could demand immediate payment of the aggregate principal amount and accrued interest on such senior notes outstanding, the principal amount as of December 31, 2015 was equal to USD$137.6 million. This could lead to our inability to pay our obligations or to our bankruptcy or reorganization for the benefit of our creditors. Any additional financings we obtain in the future would most likely contain similar or more restrictive covenants.

The terms of the indenture governing our Step-Up Senior Notes due 2020 that restrict us and our subsidiaries from incurring additional indebtedness are subject to certain exceptions and qualifications, including exceptions allowing us to incur capital lease, financing and purchase money obligations not exceeding USD$15 million and additional indebtedness not exceeding USD$20 million. If we or our subsidiaries incur additional indebtedness to finance working capital, capital expenditures, investments or acquisitions or for other purposes, the risks related to our business associated with our high level of indebtedness could be intensified.

Exchange rate control rules enacted in the future could make it more difficult for us to service our U.S. dollar-denominated debt, raise capital outside of Mexico and make capital expenditures.

In the past, the Mexican government has issued exchange control rules that, although not in effect today, may be enacted in the future. If so enacted, exchange control rules could make it more difficult to service our U.S. dollar denominated debt, raise capital outside of Mexico and make capital expenditures.

Maxcom's securities prices could decrease in response to the international backdrop, particularly on developments happening in the U.S. and emerging markets.

We cannot assure you that the price of our securities will not be adversely affected by events elsewhere, especially in the United States and in emerging markets. Mexican financial and securities markets are, to varying degrees, influenced by economic and market conditions in other countries. Although economic conditions are different in each country, investor reaction to developments in one country has had and can have significant effects on the prices of securities of issuers in other countries, including Mexico. For example, the economic recession in the United States, the military conflict in Iraq, the deterioration of Greek economy, the slowdown in China, the fiscal situation and deterioration of economic perspectives of Brazil, worries on the corporate debt levels in emerging economies, as well as the threat of terrorism, have had a significant negative impact on financial markets and stock exchanges in many emerging markets, including Mexico.

Bondholders may suffer a U.S. dollar shortfall if we obtain a judgment against us.

In the event that the outstanding holders of our Step-Up Senior Notes due 2020 are awarded a judgment from a Mexican court enforcing our U.S. dollar-denominated obligations under our Step-Up Senior Notes due 2020, we will have the right to discharge our obligations by paying to the outstanding holders of our senior notes in Pesos at the exchange rate in effect on the date of payment of such judgment. The exchange rate is currently determined by the Central Bank of Mexico (Banco de México) every banking day in Mexico and published the following banking day in the Official Gazette of the Federation (Diario Oficial de la Federación). As a result of such currency conversion, you could face a shortfall in U.S. dollars. No separate actions exist or are enforceable in Mexico for compensation for any such shortfall.

In the event the Company goes to bankruptcy the holders of the bonds maturing in 2020 might struggle to recover the sum of their securities.

Under the Ley de Concursos Mercantiles (Mexican Bankruptcy Act) if the Company or any of its subsidiaries were declared by a Mexican court bankrupt or enter into a bankruptcy process, obligations under the indenture that governs the Company bonds would be (i) converted to Pesos at the exchange rate set by the Banco de México for the date of the insolvency declaration and subsequently converted into investment units (Unidades de Inversión or "UDIs") (without recognizing subsequent changes in the exchange rate Ps. /USD$), (ii) subject to the priorities and outcomes of the processes, (iii) settled once an agreement with creditors of the Company were achieved, (iv) modified because they stop generating interest at the time the Company or its subsidiaries are declared bankrupt and (v) subject to certain statutory preferences including tax, social security, labor lawsuits and preferential creditors.

Minority shareholders may be less able to enforce their rights against us, our directors, or our controlling shareholders in Mexico.

Under Mexican law and our bylaws which are governed by Mexican law, the protections afforded to minority shareholders are different from those afforded to minority shareholders in the United States. For example, because provisions concerning fiduciary duties of directors have only recently been incorporated into the Mexican Securities Market Law (Ley del Mercado de Valores) and are not as developed as in the United States, it may be difficult for CPO holders to bring an action against directors for breach of their duty and achieve the same results as in most jurisdictions in the United States. Procedures for class action lawsuits do not exist under applicable Mexican law. Furthermore, if investors hold our securities through the CPO trustee, their minority rights may only be exercised through instructions of the CPO trustee. Such indirect ownership arrangement may further limit such investor's rights. Therefore, it may be more difficult for CPO holders to enforce their rights against us, our directors, or our controlling shareholders than it would be for minority shareholders of a U.S. company.

Risks Related to the CPOs

The Company cannot ensure that there will always be an active stock market providing the necessary liquidity to shareholders.

The Company cannot ensure the marketability of the CPOs or that their price could not drop significantly. Circumstances such as variations in current or future operating results or changes or failures in achieving earnings estimates of analysts, among others, may cause the market prices of the CPOs to drop significantly.

As a result of lower liquidity and higher volatility in the BMV, the market price of the CPOs may experience extreme fluctuations in price and trading volume.

The BMV is one of the largest trade centers in Latin America in terms of market capitalization, but remains relatively small, illiquid and volatile compared to major world markets, although there are some stock market participants who deployed a substantial portion of their operated volume in operations by or on behalf of, institutional investors, including foreign investors. These market features may limit the ability of CPO holders to sell such securities and may also adversely affect the market price of CPOs. The trading volume of securities issued by companies in emerging markets tends to be lesser than the trading volume of securities issued by companies in more mature countries.

Currently, the Company has no intention to pay dividends in relation to the CPOs (or the underlying Series "A" Shares).

The Company does not expect to declare or pay cash dividends with respect to CPOs (or the underlying Series "A" shares) in the near future. For more information, see "Dividend Policy". The possibility of the Company to pay dividends depends on the ability of its subsidiaries to transfer income and dividends to Maxcom. Maxcom's ability to pay dividends, and the ability of its subsidiaries to pay dividends to Maxcom, is limited by the imposed obligation to Maxcom and its subsidiaries under Mexican law, which mandates to separate gains to their respective legal reserve before paying dividends, no losses to be compensated in relation to prior fiscal years, and shareholders' approval over the payment. Maxcom's ability to pay dividends is also restricted under the indenture of the bonds maturing in 2020. As a result, the only way to get a return on investment from CPOs will probably be that the market price of CPOs rises and realized such profit. Maxcom cannot ensure that the market price of the CPOs will exceed their bid price at any time or any price paid at a later time. See "Capital Stock - Dividends."

Substantial sales of CPOs after a Global Offering may cause a decrease in the price of CPOs.

In relation with the business strategy of Maxcom, the Company could finance future acquisitions or needs or corporate expenses using Series "A" common shares, represented by CPOs. Any issuance of such shares would result in dilution of the shareholders' ownership interests or decrease the market price of the CPOs.

CPO holders might not have preemptive rights to participate in future offerings, and as result, may suffer dilution.

Except under certain circumstances and in compliance with Mexican law, if the Company issues new Series "A" shares in exchange for liquidity as part of its capital stock increase, Maxcom will probably grant its shareholders the right to acquire a sufficient number of shares to maintain their current ownership percentage of the Company. Rights to acquire shares in these circumstances are known as preemptive rights. The Company may be legally impeded to allow foreign CPO holders to exercise preemptive rights in future capital increases. Under Mexican law, the sale by the depositary of preemptive rights and the distribution of the gains obtained in such sales to the CPO holders is not allowed.

Additional issuing of CPOs may be execute solely if the CPOs' act allows the issue of enough CPOs to represent the shares to be issued and held by the Trust before the exercise of preemptive rights. Whenever foreign CPO holders have no right to acquire the direct ownership of underlying Series "A" shares, they shall not exercise their preemptive rights if the act does not allow Maxcom to issue enough additional CPOs to represent subscribed and paid Series "A" shares, as a result of the preemptive rights exercise, unless the Company modifies the act of issuing or holds a new act of issuing allowing enough CPOs to represent subscribed and paid Series "A" shares as a result of the preemptive execution. Even when Maxcom provides all the necessary measures to maintain enough CPOs to allow foreign CPO holders to exercise their preemptive rights, it cannot guarantee that such measures can be taken, particularly due to required regulatory approval in Mexico for the issuing of new CPOs.

As a consequence, if Maxcom issues Series "A" shares in the future in relation to situations that generate preemptive rights, the participation of CPO holders in Maxcom's capital stock might be diluted. See "Bylaws – Preemptive rights" and "CPOs trust description – Preemptive Rights".

Mexican holders will determine the outcome of the majority Shareholders' Meetings.

With the exception of certain limited circumstances, foreign holders of CPOs and ADSs will not have the right to instruct the Trustee to vote the shares of Series "A" underlying the CPOs and ADSs of which are holders on Maxcom's shareholders meetings. In addition, the Company's bylaws state that at least 51% (fifty one percent) of the voting rights attached to the Series "A" Shares vote that are not held directly by the Trustee, being held directly by Mexican investors. Also, the bylaws restrict the transfer, acquisition or subscription of Series "A" shares by a foreign investor, if such a transfer, purchase or subscription would result in a foreign participation of more than 49% (forty nine percent) of all Series "A" shares that are not held by the Trust; thus at all times Mexican investors should control at least 51% (fifty one percent) of the right of vote, corresponding to the shares of the Company, through direct holding of Series "A" shares. As a result, the vote of foreign CPO holders, including holders of ADSs, in most cases, will have less effect than the vote of the Mexican holders of CPOs, either directly through Series "A" shares or indirectly through CPOs and will determine the outcome of most matters submitted to shareholders voting. See "Bylaws and Other Agreements - Voting Rights" and "Description of CPOs Trust - Voting Rights."

Holders of CPOs may face disadvantages when trying to exert their voting rights compared to any other ordinary shareholder.

As long as the CPO holders have voting rights on a particular matter, they may instruct the Trustee to exert, on their behalf, such rights related to the Series "A" shares underlying their CPOs. At the request of the Company, the Trust will attempt, to the possible extent, to get the documentation corresponding to voting to the holders of the CPOs. The Company cannot guarantee that the holders of the CPOs will receive documentation on time, so they can issue instructions to the Trustee regarding their vote of Series "A" shares underlying the

CPOs. If the Trustee does not receive voting instructions from the holders of CPOs in time, the Series "A" shares underlying the CPOs will not be voted by the trustee in the corresponding meeting. As a result, holders of CPOs may not be able to exert their right to vote and will have no recourse if their voting instructions are not observed.

Certain dispositions of the CPO Trust Agreement may hinder a takeover, which could curb the ability of CPO holders to benefit from a control change or management removal and board of directors change.

Certain dispositions of the CPO trust agreement could hamper and increase costs and efforts of a third party to conduct a public tender offer, seek to change the control or take over Maxcom if its current management and board of directors oppose to it. CPO holders may wish to participate in one of these operations, but may not find the opportunity. The CPO trust agreement contains dispositions, which, among others:

- prohibit the transfer of shares with voting rights or the purchase or subscription of shares with voting rights by a foreigner if such transfer, acquisition or subscription might result in having foreign holders holding more than 49% (forty-nine percent) of the total shares with voting rights that are not held by the Trustee;
- limit the voting rights of foreign shareholders to a maximum of 49% (forty nine percent) of the total shares with voting rights of the capital stock outstanding; and
- require prior approval of the board so that any person or group of people acquires 20% (twenty percent) or more of the shares of Maxcom (either directly or indirectly through CPOs) and also prior approval of the board when any of our competitors acquire 2% (two percent) or more of Maxcom's shares, and if such approval is granted, it is required that the acquirer make a tender offer for the 100% (one hundred percent) of the shares and CPOs of the Company (or other securities which underlines them) at the market price of the securities plus a premium.

These dispositions could substantially impede the ability of the public shareholders to benefit from a change in control or change of management and board of directors of Maxcom, and could discourage prospective purchasers of CPOs and, therefore, could adversely affect the liquidity and price of the CPOs. See "Bylaws and Other Agreements - Other Dispositions - Dispositions to prevent takeover".

Foreign investors of CPOs are not entitled to acquire direct ownership of Series "A" Shares underlying such CPOs.

Foreign investors of CPOs are not entitled to be direct owners of Series "A" Shares underlying such CPOs. Such actions shall be held through the CPOs Trust. At the expiration of 50 (fifty) years of the trust of the CPOs, the term of the trust should be extended or Series "A" underlying shall be provided to a new and similar CPOs Trust so that Foreign CPOs holders can maintain an economic interest in the shares. Maxcom cannot guarantee that a new trust similar to the CPOs trust will be established if the existing CPOs Trust is terminated. In the case a new CPOs Trust it is not constituted at the end of the period of 50 (fifty) years or the corresponding Series "A" shares are not provided, it may be required that such shares underlying the CPOs of foreign holders be sold to a Mexican person. In this case, a large number of shares could be sold in a relatively short time and may not be enough demand for large blocks of shares of the Company. Maxcom cannot guarantee that the volume of such sales would not adversely affect the market price of the Series "A" Shares. See "Description of CPOs Trust - Deposit and Withdrawal of Shares" and "Description of CPOs Trust - Termination of the CPOs Trust".

d) OTHER SECURITIES

On October 24, 2007 the Company completed its initial public offering of Series "A" shares in the form of 12,296,970 million ADSs that were registered with the SEC and listed in the New York Stock Exchange and 16,969,697 Ordinary Participation Certificates (CPOs) in Mexico. On November 14 of 2014, Maxcom filed with the SEC the F-15 form aiming to end the registration of its ADSs with the SEC under the Stock Market Law of 1934 of the United States of America (the "U.S. Securities Exchange Act of 1934" or "Exchange Act". Starting on that date our ADSs were delisted from the New York Stock Exchange to be traded in the United States of America in the over-the-counter ("OTC") market, at level OTCQX under the ticker symbol "MXMTY". It is worth noting that both the SEC and OTC, require the Company to issue (i) simultaneously the information provided to Mexican investors, including the relevant events (ii) quarterly reports of the financial situation and operation results of the Company, and (iii) annual reports on Form 20 F for the SEC (compulsory to submit up to December of 2013) and the English translation of this annual report for OTC.

On October 11, 2013, Maxcom issued new Step-Up Senior Notes due 2020 in an aggregate principal amount of USD$180,353,962, which reflects the amount of the Senior Notes 2014 less the amount of Senior Notes 2014 held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest (i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum, (ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and (iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Senior Notes 2014; and (iv) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

As of December 31, 2015, 2014 and 2013, the Company has complied fully and promptly with the obligations established by the SEC / OTC and BMV in reporting matters, relevant events and information requested.

e) PUBLIC DOCUMENTS.

Information and documentation submitted by the Company and the Trustee, to the CNBV in order to obtain the registration of CPOs and Series "A" shares in the RNV and the authorization of the offer in Mexico, as well as information and documentation required under the dispositions contained in the Circular Única, can be consulted through the BMV, at its Information Center located in Paseo de la Reforma No. 255, Colonia Cuauhtémoc, Mexico City 06500 or on its website: www.bmv.com.mx.

Upon written request of any investor, that proves such character under the applicable laws, a copy of that information and of this Annual Report will be provided. Please address Sofía Carstens to the telephone 52 (55) 4770-1120 and/or to email: sofia.carstens@maxcom.com, or directly at the Company's address located at Guillermo González Camarena No. 2000, Colonia Santa Fe Centro Ciudad, Mexico City, 01376,

The website of the Company is: www.maxcom.com The information about the Company contained in the website is not part of the annual report or any other document used by the Company in relation to any public or private offering of securities except for the section of corporate information pursuant to the Article 75 of the Circular Única, which states that issuers must divulge on their website, the prospectus placements or existing supplements, the attested copy of their bylaws, the annual report, quarterly report, the adherence to the Code of Best Corporate Practices, the relevant corporate restructurings, as well as information about relevant events to which the Circular Única refers, in the same day that the above information is presented to the CNBV, the BMV and the public in general.

2. THE ISSUER

a) HISTORY AND DEVELOPMENT OF THE COMPANY

Maxcom Telecomunicaciones, S.A.B. de C.V. is a limited liability public stock corporation (sociedad anónima bursátil de capital variable) with indefinite life, organized under the laws of Mexico, incorporated on February 28, 1996. We were originally organized under the name "Amaritel, S.A. de C.V." We changed our legal name to "Maxcom Telecomunicaciones, S.A. de C.V." on February 9, 1999. In connection with our initial public offering, our corporate name was changed to "Maxcom Telecomunicaciones, S.A.B. de C.V." on October 19, 2007, when we adopted the form of a public company or limited liability public stock corporation (sociedad anónima bursátil de capital variable). Our legal name is also our commercial name.

Our principal offices are located at Avenida Guillermo González Camarena No. 2000, Colonia Santa Fe Centro Ciudad, Mexico City, 01376 and our general phone number is (52) 55-5147-1111. Our website address, the contents of which are not part of, or incorporated into, this annual report, is www.maxcom.com. Our agent in the United States is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715.

In February 1997, we were awarded Mexico's first competitive wireline local and long-distance telephony concession, covering the, then Federal District of Mexico and over 100 cities and towns in the Gulf region for local service and the whole nation for long-distance service. This concession has a term of 30 years. The local telephony portion of our concession was expanded in September 1999 to cover most of the Greater Mexico City area and a wider area within the Gulf region. In September 2001, our concession was further expanded to allow us to provide nationwide wireline local telephone service. In October 1997, the Plenary of the then Cofetel resolved to award us 7 (seven) nationwide point-to-point and three regional point-to-multipoint microwave concessions with their respective network title. On June 4 of 1998 point-to-point concessions were granted an on April 1 of 1998 the point-to-multipoint ones with their respective network title were granted, all of them with a term of 20 years

We commenced commercial operations on May 1, 1999. We are currently offering local, long-distance voice telephony, Internet, Voice over Internet Protocol (VoIP) services, paid TV, mobile services, other value-added services and data services in the cities of Mexico City, Puebla, Queretaro and San Luis Potosi. Until October of 2015 we participated in the public telephony business.

In September of 2007 we launched the first "quadruple play" offering adding mobile services to our "triple play" offer, through an agreement of Mobile Virtual Network Operator (MVNO) with Pegaso PCS, S.A. de C.V., currently Telefónica-Movistar.

On October 24, 2007, we completed a global initial public offering of 12,296,970 ADSs in the United States and 16,969,697 Ordinary Participation Certificates (Certificados de Participación Ordinaria, which we also refer to as "CPOs" for its initials in Spanish) in Mexico. Approximately 16% of the ADSs and the CPOs were sold by existing Maxcom shareholders. Each ADS represents seven CPOs, while each CPO represents three Series "A" common shares. The CPOs are listed in the Mexican Stock Exchange (Bolsa Mexicana de Valores) under the ticker symbol "MAXCOM CPO".

In September of 2013 Ventura Capital Privado, S.A. de C.V. ("Ventura") completed the public equity tender of Maxcom, as a result of the transaction, Ventura's investors became Maxcom's main shareholders. See "Recapitalization and Debt Restructuring".

In 2014, Maxcom starts an ambitious restructuring program aiming, between other purposes, to create an organizational culture focused on the client, to improve the offer of products and services, to increase the capacity and redundancy of the infrastructure network, and to strengthen sales areas.

On November 14 of 2014, Maxcom filed with the SEC the F-15 form aiming to end the registration of its ADSs with the SEC under the Stock Market Law of 1934 of the United States of America (the "U.S. Securities Exchange Act of 1934" or "Exchange Act". Starting on that date our ADSs were delisted from the New York Stock Exchange to be traded in the United States of America in the over-the-counter ("OTC") market, at level OTCQX under the ticker symbol "MXMTY".

At the end of 2014 Maxcom integrates a sales force dedicated to the government sector with executives that have actively participated in auction processes of public entities. The target of this new direction is to serve the entities in the mid and low-layers of federal government, as well as states and municipalities.

On October 23 of 2015 Maxcom and Soriana sign a commercial alliance agreement to develop and operate a Mobil Virtual Network Operator (MVNO) aiming to offer mobile telecommunication services to Soriana's customers.

On October 26 of 2015 Maxcom announces the divestiture of the public telephony business, which will allow the company to focus on the business lines that generate more value for the Company.

In December of 2015 Maxcom shareholders subscribed a capital increase for Ps.445.8 million, in accordance with the agreement agreed in the General Ordinary Shareholders Meeting that took place on November 09.

As of April 22, 2016 the outstanding capital stock was comprised of 4,829,248,539 Series "A" shares, of which 1,528,827 shares represent the fixed portion of the capital stock of Maxcom and 4,827,719,712 shares representing the variable portion. See "Recapitalization and Debt Restructuring"

Recapitalization and Debt Restructuring.

On December 4, 2012 Maxcom received an offer from Ventura to acquire for cash, at a price equal to Ps.2.90 (two Pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom pursuant to a public tender to be conducted, upon authorization of the Mexican and U.S. corresponding governmental authorities. As part of such transaction, Ventura committed to subscribe a capital increase of at least USD$22 million dollars.

Ventura's obligation to consummate the tender was subject to i) acquiring more than 50% of all shares outstanding on a fully diluted basis and ii) a successful completion of an offer to exchange Maxcom's then outstanding 11% Senior Notes Due 2014.

On February 20, 2013 Maxcom commenced an offer to exchange all of its then outstanding 11% Senior Notes due 2014 for new Step-Up Senior Notes due 2020. On the same date, Ventura initiated an equity tender offer to acquire 100% of the issued and outstanding shares of Maxcom.

After several attempts, Maxcom announced on April 24, 2013 that, since the conditions for the consummation of the exchange offer were not satisfied, such exchange offer was not consummated

In light of this outcome, Maxcom considered all of its alternatives including, but not limited to, commencement of a Chapter 11 case or other restructuring proceeding.

On June 18, 2013 Maxcom announced its intention to use a 30-day grace period with respect to its scheduled interest payment of approximately USD$11 million on its 11% Senior Notes due 2014 to implement a comprehensive plan of recapitalization.

On July 3, 2013 Maxcom, Ventura, an ad hoc group of bondholders (the "Ad Hoc Group") holding an aggregate amount of approximately USD$84 million of Maxcom's Senior Notes due 2014, and certain of its current equity holders reached an agreement on the terms of a restructuring and support agreement, a recapitalization agreement. In connection with this comprehensive restructuring process, Maxcom entered into a recapitalization agreement with Ventura and certain related shareholders, pursuant to which Ventura also agreed to make a capital contribution of at least USD$45 million dollars and conduct a tender offer to acquire for cash, at a price equal to Ps.2.90 (two Pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom.

On July 23, 2013, the Company initiated proceedings under Chapter 11of the United States Bankruptcy Court for the District of Delaware to effect the restructuring as set forth in the plan of reorganization (the "Plan"), including the issuance of new step-up senior notes by the Company.

On September 10, 2013, the U.S. Bankruptcy Court for the District of Delaware confirmed the Company's prepackaged Chapter 11 plan of reorganization (the "Plan"). The only class of creditors entitled to vote, voted in favor of the Plan and no party objected to confirmation of the Plan.

Pursuant to the terms of the Plan, all classes of creditors were unimpaired and their payments were not affected, except for the holders of Maxcom's Senior Notes 2014, which received (i) the Step-Up Senior Notes due 2020 (which include the capitalized interest amount for unpaid interest accrued on the Senior Notes 2014 from (and including) April 15, 2013 through (and excluding) June 15, 2013, at the rate of 11% per annum), (ii) cash in the amount of unpaid interest accrued on the Senior Notes 2014 (A) from (and including) December 15, 2012 through (and excluding) April 15, 2013, at the rate of 11% per annum, and (B) from (and including) June 15, 2013 through (and excluding) the effective date of the Plan at the rate of 6% per annum, and (iii) rights to purchase equity that is unsubscribed by the Company's current equity holders pursuant to the terms of the Plan.

On September 27, 2013 Ventura completed the equity tender offer, acting through the Trust 1387 held by Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, a banking institution organized and existing under the laws of the United Mexican States and other investors. As part of this transaction, Ventura investors became the major shareholder in the Company.

On October 2, 2013, Maxcom held a general ordinary shareholders' meeting that approved among other things, a capital increase of Ps.2,999.1 million.

According to the terms of the Plan, on October 11, 2013, Maxcom issued new Step-Up Senior Notes due 2020 (the "Step-Up Senior Notes" or the "Step-Up Senior Notes 2020") in an aggregate principal amount of USD$180,353,962, which reflects the amount of the Senior Notes 2014 less the amount of Senior Notes 2014 held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest (i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum, (ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and (iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Senior Notes 2014; and (iv) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

The Step-Up Senior Notes are governed by indenture that Maxcom and its subsidiaries entered into with The Deutsche Bank Trust Company Americas, acting as trustee, on October 11, 2013. The indenture governing our Step-Up Senior Notes contains certain covenants that among other things, limit the ability of the Company and subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of the Company's subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates.

Pursuant to the terms of the indenture governing Maxcom's Step-Up Senior Notes, Maxcom used 50% of the capital contribution made by the Ventura investors to make an offer to repurchase Step-Up Senior Notes, but only to the extent such capital contribution that exceeded USD$5 million, at a price equal to 85% of the principal amount of the notes, in cash. This tender offer was initiated on November 8, 2013 and consummated on December 12, 2013, accepting the purchase and payment of validly tendered Step-Up Senior Notes in an amount of USD$2,544,811.

During December 2013, a few of the Step-Up Senior Bond Holders exercised their equity purchase rights, thereby the company exchanged bonds worth Ps.23.3 million (equivalent to USD$ 1.8 million) at book value, for 22,655,679 Series "A" common stock shares. The rest of the equity purchase rights held by the remaining Step-Up Senior Bond Holders were extinguished, as the right to convert them had expired in December 2013. As a result of the above events, Maxcom decreased the liability valued by a fair value of Ps.33.4 million (equivalent to USD$2.6 million). The shares issued were recognized as an increase of capital stock and additional paid-in-capital of Ps.22.1 million (equivalent to USD$1.7 million dollars) and Ps.34.6 million (equivalent to USD$S.2.7 million), respectively.

According to the report issued by the Bank of New York on April 22, 2016, 793,638 ADSs are listed in the OTC market, as a consequence, approximately 1,573,197,488 CPOs are listed in the BMV.

Our Company

We are an integrated telecommunication services operator providing widespread voice and data services to residential and business customers in four metropolitan markets in Mexico and selected services in other markets. Since our inception in 1996, we have targeted the residential and commercial customer segments which we believe have been underserved by the local telephone incumbent and other competing telecommunications providers. We provide, individually, and in bundles, a wide range of services including local and long-distance voice, data, high speed, dedicated and dial-up Internet access, Voice over Internet Protocol telephony and paid TV. We also offer mobile voice service through resale and capacity leasing agreements with third parties.

We operate our own telecommunications network and support infrastructure, including the critical "last-mile," or customers' premise level infrastructure (modems, handsets and set-up boxes), which allows us to control the quality of the user experience and adapt our service offerings to meet market demand.

We believe the combination of innovative, bundled offerings, competitive pricing and dedicated customer service provides value for our customers, and has allowed us to achieve significant growth from 125,231 voice lines in service as of December 31, 2002, to 291,754 as of December 31, 2015.

We operate in selected metropolitan areas that we believe offer opportunities for growth in in the use of telecommunications services through a combination of a concentrated population, low subscriber line penetration, potential expenditure in telecom services per customer and economic growth. We currently offer residential and commercial services in the cities of Puebla, Mexico City, Queretaro, San Luis Potosi and Tehuacán. We focus our development efforts on a small number of large cities where we seek to achieve strong penetration to capture operating efficiencies through a combination of network density and economies of scale. As of December 31, 2015, considering all the areas covered by our network where we own the last-mile infrastructure, we have achieved penetration levels (measured by homes passed) of 22% (twenty two percent); in the city of Puebla 23% (twenty three percent); in Mexico City 23% (twenty three percent); in the city of Queretaro 18% (eighteen percent); in the city of San Luis Potosi 20% (twenty percent) and 15% (fifteen percent) in the city of Tehuacán.

We reach our customers with efficient technology, using a combination of fiber optic cable, broadband−capable copper wire and microwave transmission technology. Since we began construction of our network in 1998, we have employed reliable technology from world class providers, primarily Alcatel-Lucent, capable of providing a wide range of value−added services, including broadband and video. We regularly analyze technological developments and strive to incorporate the most capital efficient network technology available to satisfy our customers' requirements. We build our telecommunications networks in each city by initially installing centralized equipment, fiber optics and then adding last−mile network infrastructure in a modular fashion through our individual network "Clusters" (under-penetrated city areas with the largest potential for new lines) that strategically target individual neighborhoods, business areas and new residential developments. This approach enables us to adapt our network expansion plans, rapidly increase service in a given area and reduce the time between our incurrence of capital expenditures and generation of revenues. This approach also allows us to match our locally−oriented sales efforts, which are primarily conducted by our door-to-door sales force, to our network modules or Cluster construction, so as to maximize the degree and speed of penetration of new areas in which we expand.

As of December 31, 2015, our network encompasses 1,733 kilometers of metropolitan fiber optic cable and over 4,718 kilometers of high−quality copper loops capable of high speed data transmission. We have four state−of−the−art Lucent Technologies 5ESS switches in service, located in Mexico City (two switches), Puebla and Queretaro, and three softswitches, one Alcatel A5020 softswitch located in Mexico City and the Georedundant IMS platform that works under a high availability scheme between Mexico City and Queretaro, a Genband platform located in Mexico City and one Nortel CS2K located in Monterrey. We also operate a 170−kilometer fiber optic link connecting Puebla and Mexico City and 5,915 kilometers of fiber optic connecting Mexico City and Laredo, Texas, allowing us to have points of presence in the United States that allow us to sell data solutions to customers, thereby reducing their cost of Internet services. We have a point−to−point concession in the 15 GHz and 23 GHz frequency bands forming a complex microwave network through the cities of Mexico City, Puebla, Queretaro and San Luis Potosi, in which we currently operate. This complex microwave network also passes through the cities of Aguascalientes, Guadalajara, Leon, Monterrey and Toluca, in which we intend to expand our offering and footprint to allow us to obtain additional customers. We also have a point−to−multipoint concession in the 10.5GHz frequency band, covering telecommunications regions 3, 5 and 8 (North, Gulf and South East) of Mexico.

For the year ended December 31, 2015, we invested Ps.800.1 million in capital expenditures, primarily for telephone network system and equipment.

We manage all aspects of the service offering to our customers, including installation, provisioning, network monitoring and management, proactive trouble ticket management and billing. Since we control our entire network and are not dependent on the local telephone incumbent for local loops, we are able to manage the speed of our service initiation and ensure the quality of our service offerings. We have a customer retention program that includes a customer service call center open Monday thru Friday from 8 am to 10 pm / Saturday & Sunday from 9 am to 9 pm; a technical customer service call center open 24 hours a day, seven days a week and a dedicated customer retention team. We believe our customers place high value on, among other things, competitive pricing, quality of service and accurate billing.

We believe that the combination of our ability to offer high quality bundled offerings at competitive prices, our position as a customer service-oriented provider, our locally focused modular network construction strategy, our focus on quality and reliability and our state-of-the-art network and systems will allow us to benefit from the expected growth of the Mexican telecommunications industry.

Competitive Strengths

Our business is characterized by the following strengths:

We offer local and long−distance wireline voice service, Internet access through DSL broadband along our service areas, we also offer our paid TV service, entirely on our own network. We offer these services separately and in bundles including a “triple−play” of voice, broadband Internet and video.

Consolidation of Penetration Rates.

Our business model is based on careful geographical targeting of certain underserved segments of the residential and commercial population in urban markets. Our network “Cluster” build-outs are executed in tandem with sales and promotional efforts to sign up customers prior to or immediately after offering service in each “Cluster”. As of December 31, 2015, considering all the areas covered by our network where we own the last-mile infrastructure we have achieved landline penetration levels (measured by homes passed) of 22% (twenty two percent); in the city of Puebla 23% (twenty three percent); in Mexico City 23% (twenty three percent); in the city of Queretaro 18% (eighteen percent); in the city of San Luis Potosi 20% percent (twenty percent) and 15% (fifteen percent) in the city of Tehuacán.

These penetration levels allow us to capture operating efficiencies through a combination of network density and economies of scale.

Cost Efficient and Flexible, Reliable Technology.

We deploy our network and service our customers’ needs in a cost−efficient manner. We combine fiber optic, copper lines and microwave technology which we deploy for specific customers or areas based on customer requirements, deployment cost, time to market, time to revenue and profitability potential. Our network uses fiber optic trunks and heavy gauge copper loops, most of which do not exceed 3 kilometers in length, which provide us with the capability to deliver broadband data at speeds of up to 20 Mbps. The flexibility of our network allows us to provide value−added services such as video without major investments in its network. We use reliable and widely used technology for voice, data and IPTV services such as Centrex, and “Asymmetric Digital Subscriber Line, ADSL”, “Very high-bit-rate Digital Subscriber Line, VDSL” and “Gigabit-capable Passive Optical Network, GPON”, which, we believe, ensure the reliability of our network

Valuable Last-Mile Ownership.

We built our own last-mile infrastructure and own in excess of 4,718 kilometers of broadband-capable copper wire that passes by approximately one million homes, connecting a majority of our end users to our fiber network and switches. As a result, we are not dependent on other telecommunications carriers for last-mile connectivity to reach our residential customers. Our broadband−capable last−mile infrastructure provides flexibility to offer additional value–added services in certain Clusters and we expect it will enable our product offerings to develop with future market evolution and technology trends.

Recognized Brand Name and Customer Perception for Quality Services.

Because we control the entire process of network provisioning, implementation and initiation of the service, we are able to ensure the quality of our service and maintain customer loyalty. We believe we have been able to achieve high customer satisfaction that has allowed us to gain new customers and retain our existing customers.

We constantly monitor our customer satisfaction levels through surveys and utilize this information to enhance the quality of our services and the experience for our customers.

History of Developing Strategic Alliances.

We have a track record of developing strategic alliances through revenue sharing agreements, capacity leasing, resale arrangements and business relationships with mobile wireless operators, technology suppliers and real estate developers that allow us to expand our product offerings, ensure compatible network technologies and gain access to new customers. In addition, we pre–install communications services for new residential developments by joining forces with real estate developers who facilitate our access to install new infrastructure in new residential communities.

Business Strategy

Our growth strategy includes the following components:

Increase Penetration of Niche Markets with Unmet Demand for Telecommunication Services.

We intend to continue to focus on residential and commercial customers in selected metropolitan areas that offer telecommunications growth potential due to a combination of a large population, low subscriber penetration and economic growth. We believe there is unmet demand for wireline, telephony, broadband, Internet and paid television services, especially among the lower and middle–low income socioeconomic classes. According to “Asociación Mexicana de Agencias de Investigación” (AMAI) the lower and middle–low income socioeconomic classes represented approximately 60.6% (sixty point six percent) of Mexico’s households in 2014.

Likewise there is also a great opportunity in the commercial segment, mainly in the medium companies (businesses with less than 1,000 employees) segment. This segment is in the search for services and products that offer a more personal client experience and at a better price, we feel that this is where Maxcom has an interesting growth opportunity.

Verticalization of the business market

We give continuity to our focus on medium companies, and in order to strengthen this strategy we implemented verticals of specialized commercial groups to improve the attention and understanding of the requirements of each one of them, centering on client support as our main target.

We implemented commercial groups in the following verticals:

- Call Centers
- Education and Professional Services
- Financial, Corporates and Retail
- Hospitality and Health
- Connected Buildings
- General Business

The team specialized in services sales in the building that we have currently connected, aims to exploit more efficiently our current coverage of more than 300 buildings in Mexico City. The rest of the companies that do not fit in any of these segments is served by a group denominated General Business whose target is to develop new verticals as Manufactures, Automotive or others in which our services can be replicated to serve the specific needs of the segment.

Expand Our Network on a Disciplined Demand‒Driven, Modular Basis.

As part of our growth strategy, we intend to continue building our network on a carefully targeted, modular basis with a rigorous focus on return on investment. We expand our networks in each city based on identified customer demand in specific local areas, which we refer as "Clusters." We execute network build-out in tandem with sales and promotional efforts targeted at customers in the "Cluster". We also construct our network on a customer demand basis to support commercial customers in buildings or locations other than "Clusters". We refer to these locations as "single sites." The "Clusters", single sites and potential build-outs we identify compete internally for capital expenditure funds based on expected profitability and return on investment.

Enhance Residential Penetration Rates and Average Revenue per User though Bundling.

We launched Mexico's first multichannel IPTV service over our own network in Puebla. Our service uses broadband Internet access with ADSL technology to provide digital television allowing our customers to select from over 119 video channels of content with instantaneous channel changes, interactive programming guide, and video on demand content.

We believe that our digital television offerings will allow us to sell video subscriptions to non‒customers that are already passed by our networks, which would increase our overall penetration. We also expect to sell video service bundles to a substantial percentage of our existing telephony and Internet subscribers, increasing our revenue per customer. We believe that bundled services increase the use of multiple services, enhance margins and lower churn.

Maintain Our Service Quality Differentiation and Focus.

We provide a differentiated customer experience based on high service quality and customer-focused product offerings. Key elements of our differentiation strategy include proactive marketing efforts with door-to-door personal sales and promotions, competitive pricing, fast and affordable installation and tailor-made solutions for commercial customers. We also differentiate our services by providing accurate and timely billing, minimizing activation errors and delivering near real-time activations and disconnections. Our billing systems provide us with the ability to combine all of the services provided to our customers in a convenient single invoice.

b) BUSINESS DESCRIPTION.

Maxcom obtained the information about the industry and market identified in this Annual Report from research, surveys or studies conducted by third parties on behalf of the Company, as well as information contained in third-party publications, such as IFT, Pyramid Research (a subsidiary of the Economist Intelligence Unit), Frost & Sullivan (specialized consultant in research and analysis of different sectors of the industry like Telecommunications, IT, Automotive, Aerospace and Health) and AMAI (Mexican Market Intelligence and Public Opinion Association). Additionally, some information related to the market share in the different states of the Mexican Republic, is based on information available to the general public. There are no comparable data available related to specific cities where Maxcom renders its service. In presenting the market share for these cities, Maxcom has estimated the size of the market based on information published correspondent to the state in which the respective city is located. The Company believes that this method is reasonable, however, the results have not been verified by an independent source.

i) MAIN ACTIVITY.

Our Products

We have an innovative reliable product offering and high quality customer service. The following are the products we currently offer to our customers.

Residential Market:

- *MaxCONEXIÓN*. This service provides Broadband Internet with speeds of 2, 3, 6, 8, 10, 15, 20, 30 and 60 Mbps using ADSL, VDSL and GPON transmission technology plus a high-quality wireline telephone line that includes local, domestic long distance, international and worldwide unlimited calls and minutes to mobile telephones depending on the plan. It has value-added features, like caller ID, voice mail, call waiting, call forwarding, three-way calling, call blocking, automatic dialing and private number.

- *CentralMax*. This service provides customers in residential developments with all of the functions of a private branch exchange using Centrex technology (central functionality for simulating a private branch exchange), without having to acquire and maintain equipment. It also allows customers to communicate with the common areas of the development with four-digit internal calling. The features offered under this product include call hold, call forwarding, three-way calling, direct inward dialing, direct outward dialing, intercom dialing, call transfer, speed dialing, call pick up, outgoing call blocking and distinctive ringing.

- *Maxcom a tu lado*. Additional services in medical assistance, home, technology, insurance and entertainment. Provides on-site telephone assistance to our residential customers.

- *MaxDIVERSIÓN*. This service provides digital television content to our residential customers over our copper network using IP including value-added features such as Video on Demand, and interactive program guide (IPG).

Commercial Market:

- *LíneaMax Comercial*. This service provides a high-quality wireline telephone line with value added functions available, including voice mail, call hold, call forwarding, three-way calling, call blocking, speed dial, private numbers and multiline search.

- *CentralMax*. This service provides business customers with all of the functions of a private branch exchange using Centrex technology, without having to acquire and maintain equipment. The features offered under this product include four-digit internal calling, call hold, call forwarding, three-way calling, direct inward dialing, direct outward dialing, intercom dialing, call transfer, speed dialing, call pick up, outgoing call blocking, single digit access to attendant and distinctive ringing. Optional solutions include voice mail, music-on-hold, multi-line hunting and operator services.

- *TroncalMax Digital*. This service provides digital trunks links for business customers that need highly reliable access to and from the public telephone network through their existing private branch exchange. This service is sold in groups of 10, 20 or 30 trunk links. The groups can be configured with direct inward dial, direct outward dial, caller identification or main telephone number assignments.

- *TroncalMax Analogic*. This service provides business customers with connectivity to their analog private branch exchange or key systems. The features available with this product are multi-line hunting, caller identification and call barring.

- *TroncalSip*. This service provides SIP trunks (Session IP) for business customers that need highly reliable access to and from the public telephone network through their existing IP private branch exchange. This service can be delivered through our Internet Dedicated Access or a third party provider.

- *Hosted Contact Center*. This service provides virtual agents infrastructure through our outsourcing model to deliver software licenses and TroncalSip sessions to customers that needs extra call agents. This services is oriented to call center that needs virtual infrastructure with no investment and gives them flexibility and scalability to grow their campaigns on demand.

- *Hosted IP PBX*. This service provides our business customers with all of the functions of an IP private branch exchange using VoIP technology, without having to acquire and maintain expensive equipment. The features offered under this service include those of CentralMax as well as other IP enhanced services such as web portal setup, "click to dial," hosted directory and Microsoft Outlook integration.

- *I-line*. This is our VoIP service, which uses an analog-to-digital telephone adapter to allow any conventional telephone to access the telephone network through a customer's broadband connection. We market this service to customers who make and receive a significant volume of international and domestic long-distance calls. This service includes additional voice features such as call hold, caller identification and voice mail.

- *1-800 Numbers*. This service is available to our customers interested in receiving toll-free calls, domestic and international, into their call centers or businesses.

- *SpeediMax*. This is our broadband Internet access service for small businesses with speeds of 128Kbps, 256Kbpsand 512Kbps, 1Mbps, 2Mbps, 4Mbps and 8Mbps using ADSL transmission technology over ordinary telephone lines. An ADSL provides a secure, dedicated link to the Internet or a company's internal data network.

- *Dedicated Internet*. This service offers Internet access at high speed with a clear channel access to the Internet backbone.

- *Private links*. This service provides highly reliable dedicated circuits between two or more physical locations.

- *E-Security*. This service provides managed security including perimetral anti-virus, content filter and spyware solutions. We supply all of the software and hardware equipment as an integrated solution for our customers.

- *Managed Servers*. It provides Dedicated Servers according to customers' needs. The service provides configurations in different versions of Windows, Linux and Solaris operating systems. The service features redundant power: generators, UPS, PDU, fire detection and extinction, temperature and humidity control systems, physical and logical security monitoring, interconnections to Internet backbone and technical support 24-7.

- *Managed Backup*. Backup and Restore services provide safe data storage in heterogeneous environments, adapting to the increasing demand of customer information. The platform for data backup and recovery is provided through a dedicated high speed fiber channel network (SAN), in a centralized manner.

- *Managed Storage*. This service provides on-demand data storage capacity. Our Storage solutions provide either NAS (Network Attached Storage) or SAN (Storage Area Network) with high availability, performance, compatibility and scalability for mission critical customer applications

- *Managed Tape Storage*. Managed Tape Storage services allow our customers to store large volumes of information, offering the necessary space and security for their backup in order to have it always available and easy to recover when required. Tapes are either stored in an off-site location or kept inside the Data Center or sent to our customer's sites.

- *Business Continuity Center*. This service provides workstation positions inside the data center's premises, providing telephony, PC, printers and Internet access, all available to be used by our customers in case of contingencies at their operating offices.

- *Co-location Services*. Managed Colocation Services provide all the services of basic infrastructure necessary to operate IT, communications and security equipment or any other device in a high-availability data center. The service features redundant power: generators, UPS, PDU, fire detection and extinction, temperature and humidity control systems, physical and logical security monitoring, optional interconnections to Internet backbone and technical support 24-7.

- *Virtual Servers*. This service enables our clients count with Virtual Server resources using predefined templates, for the execution of their applications in a highly available environment. The service includes the licensing of operating systems.

- *Backup Online*. This service provides remote backup for laptops, desktops or servers via a software agent and Internet access. Backups are performed with robust infrastructure in our high availability datacenter.

- *Lync*. Offers optimized communications through instant messaging and collaboration tools. It includes VoIP software, Web, audio and video conference, and instant messaging for companies without the need to invest in costly IT infrastructure or network updates.

- *SharePoint*: The services offer: creation of Intranet Portals, administration of files and documents, collaboration, social networks, extranets, web sites, searches on the Intranet, business intelligence (reports), integration of processes and automation of workflows.

- *Bulk Short Message Service (SMS)*. This service is a web-based service for bulk-messaging to mobile phones via short message service ("SMS"), allowing our customers to upload and distribute mass SMS marketing messages for texting to mobile users.

We believe that our products will help us benefit from the significant growth expected for data applications in Mexico and help us increase our participation in the commercial clients market. In particular, we believe that the combination of voice and data services constitutes an attractive set of products for those business customers enabling us to compete more effectively in this market.

The product categories that represent 10% or more of our consolidated total revenues are shown below:

Amount (figures in thousands of pesos)

Category	Year ended December 31, 2015	2014	2013
Wholesale	Ps. 942,738	Ps. 989,317	Ps. 724,653
Commercial voice services	349,481	473,559	432,224
Residential voice services	311,111	404,983	460,368
Residential data services	287,398	272,417	252,832

% of Total Income

Category	Year ended December 31, 2015	2014	2013
Wholesale	39.8%	36.8%	29.4%
Commercial voice services	14.8%	17.6%	17.5%
Residential voice services	13.1%	15.1%	18.7%
Residential data services	12.1%	10.1%	10.2%

Pricing

We generally seek to maintain very competitive prices. We offer pricing plans that are simple in order to assure customers of the integrity of our billing process. We also provide discounts to high-usage customers that are likely to generate a significant outflow of calls. Our residential pricing offerings have an all-inclusive option including unlimited local calls, mobile minutes, broadband Internet access and customers' premises equipment for a fixed monthly fee. For our commercial customers, our pricing offerings range from a per-minute charge, per event charge or unlimited local usage.

Our Markets

Concession Areas

A majority of our operations take place in five markets in Mexico: Mexico City, Puebla, Queretaro, San Luis Potosi and Tehuacán. We offer our full range of products and services in each of these five areas. In addition, our concessions allow us to charge a different rate for our services in distinct cities, giving us an advantage over our competitors.

Mexico City

We commenced commercial operations in Mexico City in May of 1999. Mexico City has the nation's greatest concentration of service and manufacturing industries, is the center of Mexico's public and financial services sectors and has a population of approximately 21.6 million people. The then Federal District, which covers most of the metropolitan area, had the highest teledensity rate in Mexico of approximately 57.9 telephone lines per each 100 inhabitants as of December 31, 2015, As of year-end we had 98,706 lines in service in Mexico City and Metropolitan Area, representing 3% of all lines in service in this region according to our internal data, compared to 110,492 lines in service as of December 31, 2014.

Puebla

We also commenced commercial operations in the city of Puebla in May 1999. Puebla is the fourth largest city in Mexico, with a population of approximately 2.42 million people. We have expanded our market share in local telephone service to reach 7% of all residential lines in service in the city as of December 31, 2015, according to our internal data. We closed the year 2015 with 44,784 residential lines in service, compared to 50,279 residential lines in service as of December 31, 2014.

Queretaro

We commenced commercial operations in the city of Queretaro in November 2002. The city of Queretaro has a population of approximately 1.18 million people. As of December 31, 2015, we had 10,145 residential lines in service, representing 8% of all residential lines in service in this city compared to 11,645 residential lines in service as of December 31, 2014, according to our internal data.

San Luis Potosi

We also commenced commercial operations in the city of San Luis Potosi in May 2008, with a "quadruple-play" strategy. The city of San Luis Potosi has a population of approximately 1.13 million people. As of December 31, 2015 we had 16,036 residential lines in service, representing 15% of all residential lines in service in the city of San Luis Potosi, compared to 16,790 residential lines in service as of December 31, 2014 according to our internal data.

Tehuacán

We commenced commercial operations in the city of Tehuacán in February 2008 with a "triple-play" strategy. The city of Tehuacán has a population of approximately 294 thousand people. As of December 31, 2015 we had 5,390 residential lines in service, representing 15% of all residential lines in service to the city of Tehuacán, compared to 5,194 lines in service as of December 31, 2014 according to our internal data.

Clusters and single sites

We have developed a comprehensive marketing strategy that starts by identifying a number of under penetrated city areas with the largest potential for new lines, which we refer to as "Clusters." We use a variety of techniques to identify potential "Clusters", including canvassing, plotting of potential "Clusters" and database marketing.

Once a Cluster is identified, a map of the geographic area is produced and the Cluster is defined. The Cluster becomes the basis for network design and deployment. During the network construction phase, we also launch in tandem a targeted field sales and door-to-door promotion effort.

Our Cluster strategy is divided into three stages:

- Identify Clusters through market research. Our market research is designed to identify residential and commercial customers. Once we identify potential customers within the "Clusters", based on the marketing sales forecast we design the deployment of the access network to cover them. We perform a return on investment and profitability analysis for each Cluster to assure that the investment made in such Cluster meets our return benchmarks.

- Deploy Clusters through the implementation of a sales plan for each Cluster based on our network deployment schedule. We commence promoting our services at the same time that we build our network. This coordinated parallel efforts helps reduce the time between network deployment and revenue generation.

- Fill in Clusters by offering our services to all customers within the "Cluster". Marketing efforts are focused on achieving the highest penetration within our Clusters.

Most of our Clusters are capable of supporting additional traffic, however, we may need to upgrade some of our initial Clusters to be able to adequately handle any increase in demand.

We also build our network on a customer demand basis to support buildings or locations other than "Clusters". We refer to these locations as "single sites." When our corporate sales personnel identify a potential opportunity, we analyze its technical feasibility, the costs associated with providing the service within such locations and the potential revenues, in order to determine whether it is economically attractive to offer our services in that particular location.

Our Network

Build-out Strategy

We build our network on a modular basis. In each city where we operate, we initially install a digital switch and obtain a metropolitan fiber optic network backbone which forms the core of the network in that city. Our outside plant development is then executed in a modular and scalable fashion based on individual network Clusters that target specifically identified areas of the city, including residential areas we deem attractive. Once our marketing, engineering and sales departments have identified a "Cluster", we build our network in Clusters varying from 1,500 to 6,000 lines. This strategy allows us to match capital expenditure to customer opportunity, and to concentrate our sales efforts in a timely fashion to match the in-service dates of new "Clusters".

To ensure quality service to our customer, we install 24-gauge copper wire and limit the distance between our backbone network and the customer premises to three kilometers. These attributes also allow us to provide to our customers voice (including VoIP services) and data services, as services through DSL with broadband of up to 20 Mbps.

We have standardized our network design using Alcatel-Lucent, Huawei, ZTE, NEC, Cisco and Juniper equipment. We believe this equipment suite represents best-of-breed technologies that integrate well to assure consistent, cost efficient, high quality service. By standardizing the equipment throughout our networks and using a small number of suppliers who provide industry-leading vendor support and technology innovation, we increase our purchasing effectiveness and minimize our cost of network capital expenditures, however, in our effort to make more efficient and maximize the use of our network, we have included new technologies and suppliers like Huawei and ZTE, offering since the end of 2015 GPON and VDSL access technologies with broadband speeds of up to 60 Mbps.

Network backbone

We own and operate 5,915 route-kilometers of long-haul fiber connecting 23 of Mexico's largest cities and Laredo, Texas. We have a 24-strand fiber optic link between the cities of Mexico City and Puebla and two strands of fiber throughout the rest of this network. The cities that have access to this network include Nuevo Laredo, Monterrey, Saltillo, San Luis Potosi, Aguascalientes, Leon, Irapuato, Guadalajara, Celaya, Queretaro, Mexico City, Toluca, Tehuacán, Cordoba, Orizaba, Jalapa, Poza Rica, Tampico, Cd. Victoria, Matamoros, Reynosa and Matehuala. We have installed dense wavelength division multiplexing, or DWDM, with a maximum growth capacity of up to 32 wave lengths, each with 2.5, 10 and 100 Gbps capacity.

We own and operate four Lucent Technologies 5ESS digital switches in the cities of Mexico City, Puebla and Queretaro with a total capacity of 282,750 trunk links. Our three softswitches: Alcatel A5020, Genband and Nortel CS2K provide class 4 and class 5 VoIP and Session Initiation Protocol Trunking or SIP trunking services to the residential and commercial markets. Our Alcatel-Lucent IMS platform has one class 4 tandem softswitch with an actual capacity of 3 GW 7510, with a total of 12 STM1 each one, providing the interconnection to the PSTN with full redundancy. This switch also provides the connection to the commercial market through SIP Protocol using carrier class SBC on high availability configuration The Alcatel 5060 provide class 5 to the residential and commercial markets. We switch our Toluca telephone traffic using our Mexico City softswitch. All of our switches are connected to the public switched telephone network through multiple dedicated fiber connections.

We have a 144-strand, 59-kilometer fiber optic ring in the city of Puebla. We also have indefeasible rights of use ("IRU") for 299 route-kilometers of metropolitan fiber in the Mexico City area. We recently renewed our course wavelength division multiplexing ("DWDM") equipment in our Mexico City metro fiber network, providing a maximum growth capacity of 40 wavelengths, each one with up to 100 Gbps capacity. We have one Lambda already installed and we will install more Lambdas as needed to meet our customers' requirements. In addition, we have the infrastructure in place to provide local telephone service to three towns - San Martín Texmelucan, Huejotzingo and Rio Frio - located along the fiber optic link between Mexico City and Puebla.

We use our own fiber optic rings to connect our microwave nodes, to provide backhaul to our switches and to connect to the public switched telephone network. We also use this fiber to connect directly to the premises of some of our high-volume business customers for voice and data services and private line service.

We implemented our multiservice network with Cisco MPLS technology in 2015, having our Core Data in three main cities, Monterrey, Queretaro and Mexico City. Having distribution centers in the cities of Puebla, San Luis Potosí, Aguascalientes and an alternate center in Mexico City. This infrastructure will have a future capacity of up to 440 Gbps. Currently we have a capacity of 80 Gbps, which can support transportation of VPNs layer 2 and layer 3. With the capacity of providing service qualities for voice, data and video transportation.

Last-mile Connectivity

The last-mile connectivity portion of our network is comprised of a mix of wireline and wireless access technologies. We use copper feeder wire and distribution facilities to connect the majority of our end users to our fiber network and switches. Our copper feeder wire is installed with a mix of aerial and underground construction. Aerial is our preferred and most used method because of its lower cost and faster speed of deployment. For aerial deployment, we typically use electricity poles we lease from the CFE. We integrate fiber optic and Digital Subscriber Line Access Multiplexer (DSLAM) facilities in the distribution plant to allow us to provide broadband services.

Our copper feeder wire is designed to provide copper twisted pair loop lengths of no more than three kilometers. With these loop lengths and our use of broadband-capable copper wire, we are capable of achieving up to 20 Mbps downstream data transmission speed to customers on our copper network using our currently installed ADSL technology and as of the end of 2015 we have reduced the copper twisted pair loop lengths to no more than 1 kilometer and included new VDSL access technologies, with this we provide new broadband speeds of up to 40 Mbps using the same copper network. We also implemented a GPON fiber optic access network that allows us to provide bandwidths of 60 Gbps.

We use point-to-point microwave transmission technology to provide rapid turn-up of service connecting newly built network Clusters and single site locations to our fiber backbone. We have point-to-point frequencies in the 15 GHz and 23 GHz bands forming a complex microwave network throughout the cities of Mexico City, Puebla, Queretaro, San Luis Potosi, Aguascalientes, Guadalajara, Leon, Monterrey and Toluca. We also use microwave links to connect customers directly to our own fiber network in situations where a fiber connection is not practical and microwave provides the most cost-efficient means of providing a high speed connection. We also have a point to-multipoint concession in the 10.5 GHz band, covering telecommunications regions 3, 5 and 8 (North, Gulf and South East) of Mexico.

We have four Lucent Technologies 5ESS digital switches in the cities of Mexico City, Puebla and Queretaro. Our two switches in Mexico City are equipped for 183,390 trunk links, our switch in the city of Puebla is equipped for 54,600 trunk links and our switch in the city of Queretaro is equipped for 44,760 trunk links. Each trunk can generally support between one and three access lines, depending on whether it serves a residential or a business customer. Our equipment capacity is scalable at incremental costs according to customer demand. These switches are capable of providing analog lines, E1 digital lines, digital high-speed data services, Centrex services and operator-assisted services. In addition, they can provide private analog lines, private clear-channel digital lines, data transmission and value-added services.

We also have two top-of-the-art softswitches (one Alcatel-Lucent A5020 and one Genband) that provide VoIP and Session Initiation Protocol Trunking or SIP trunking services to the residential market. Our platform is fully IP integrated with additional services including class 5 services like voice mail, call hold and IP Centrex features such as hunting group, call transfer and 3-way conference call. Our SIP trunking solution fully complies with IP trunking technology to business market. The A5020 softswitch has a capacity to manage 25,000 VoIP endpoints, and is interconnected to the public switched telecommunications network (“PSTN”) using SS7 signaling.

Additionally we have a Nortel CS2K softswitch Class 5 located in Monterrey with the following interconnection capacity: Class 5functionalities for 22,000 SIP trunks/lines, 488 ETSI CC S7 E1s, 63 ANSI C7 T1s, 32 R2M E1s and 32 PRI E1s.

We count with a Georedundant IMS platform for the core (Alcatel-Lucent softswitch Plexus) and is formed with a softswitch A5060 to provide the class 5 features, the softswitch Plexus provides VoIP, Session Initiation Protocol Trunking or SIP trunking services for strategic commercial clients, it also provides the SS7 interconnection with the PSTN and the other internal switches with 2.268 ETSI CC S7 E1s or ISDN distributed in 3 Gateways, and 16 STM1 to provide ISDN services harbored in 3 Gateways M8K from Audio codes provider. The A5060 softswitch has a capacity to manage 22,000 VoIP simultaneous calls and is interconnected to the public switched telecommunications network through the Alcatel-lucent IMS Plexus.

We also own and operate one pair of Tekelec SS7 Signaling Transfer Points (STP) in Mexico City and one in the city of Monterrey, to manage our interconnection with all other carriers using N7 ISUP signaling.

Operational support systems

We have two network operations and control centers in Mexico City which oversee, administer and provide technical support to all of our service areas. Our centers, which use Hewlett Packard and Sun Microsystems hardware, and Lucent Technologies, Huawei and Cisco software among others, control and monitor, among others, all of our network, microwave, fiber, access equipment, data equipment, synchrony, signaling and energy systems. Our centers allow us to manage a multi-vendor network with the greatest efficiency possible and to identify problems early in order to utilize available redundancy and repair the damaged part of our network.

Our operational support systems are designed to allow us to differentiate ourselves from our competitors by enabling us to:

- offer a flexible, large selection of services;
- provide tailored service packages;
- quickly introduce products and services;
- deliver near real-time activation and disconnection;
- minimize activation errors; and
- provide accurate and timely billing services.

Our information technology strategy is to continue to improve our operational support systems in order to provide a high level of functionality and flexibility from the service order to the delivery of customer invoices. The systems include the following functional features:

- Spanish language support for invoices and documentation;
- a high grade of integration among all operational support systems components;
- flow-through of information, provisioning and service activation;
- capabilities to monitor, manage and resolve network problems;
- allowance for growth on a modular scalable basis; and
- support of administrative operations for financial controls.

The data center groups all information technology infrastructures (hardware and software) to support the current and future business processes that our organization demands. The data center contains solutions from leading companies in the IT industry, including Hewlett Packard, IBM, Microsoft, Oracle, Alcatel-Lucent and Cisco. We have the EMC Vmax storage solution that offers a highly virtualized solution with solid state disks and the highest availability rate in the market. Likewise we have acquired and implemented VDI, or Virtual Desktop Infrastructure technology, supported on last generation Blade HP servers, VMware and last generation storage on solid state discs EMC ExtreamIO, which have allowed us to reduce costs in aspects of technological renovation of personal computer equipment, maintenance and operation, strengthening matters of information security.

For the rest of the infrastructure we acquired an EMC storage solution that operates with 3 technologies of discs (Solid State, Fiber and Sata), this helps to optimize the resources allocated to servers.

For all the IT elements we acquired the backup solutions of EMC AVAMAR, Data Domain and Spectra Logic, leading companies in this segment, which combine the disk backups with data duplication and backup library. This has improved the information backup and recovery times, allows a bigger amount of backed up information and a bigger amount of backups. The data center operates under a controlled condition that includes regulated energy, cooling, illumination and fire prevention systems.

We collect, format and process call records using a mediation system provided by Byte Vendor. Provisioning is managed using the ASAP System from Oracle. The customer account and its associated products are managed in a "telecommunication business system" or TBS by Oracle, which handles order management and service provisioning, workflow management, network inventory and design management and trouble ticketing.

We use a billing system that is highly flexible and equipped to bill all commercial products that we offer, both to residential and commercial customers. It is also fully capable of bundled billing for multiple service bundles, including "double-play", "triple-play" and "quadruple-play" for tariff plan subscribers.

We use Settler by Intec Company to manage reconciliation, settlement and revenue assurance of call records and inter carrier compensation with all of the carriers with which we have interconnection agreements. We use Siebel Customer Relationship Management ("CRM") by Oracle for our customer relationship management and for our contact center areas, including call center, post-sales and collections. Siebel concentrates all historical information of customers, including contacts, products, service requests, invoicing, payments, balance due, commitments, credit limit and network status.

We implemented at the end of 2015 a new sales management platform for the commercial segment, “Agenda Comercial” over Sugar CRM, which aims to make the prospect acquisition processes more efficient and to help sales executives to improve the conversion percentage of such prospects into clients.

In 2015 we also implemented a new Contact Center system, SAP BCM – Business Communication Management, that through the provision of high-availability mechanisms enhances the client’s support quality, availability and speed.

Suppliers and Supply of Materials and Equipment

We use reliable technology from world-class suppliers, mainly Alcatel -Lucent, NEC, Cisco, ZTE, Huawei and Juniper which provide us with the equipment, materials and services we require to expand and operate our business. Because of the complexity of the services, network equipment and platforms that our operations require, as well as our detailed supply planning, it would be difficult to replace our main suppliers. Additionally, an important part of the price of equipment, materials and services we require to operate are denominated in dollars, thus we are exposed to the risk of devaluation of the Peso against the US currency. See "Risk Factors - Risks Related to Maxcom and Risks Related to Mexico".

Strategic Alliances

Joint Venture with Soriana, S.A.B. de C.V.

On October 23, 2015 we announced the signing of a joint venture agreement with Soriana to develop and operate a Mobile Virtual Network Operator in order to provide mobile telecommunication services to Soriana’s customers, using the mobile services platform Maxcom and Telcel's mobile’s network. This MVNO will sell its services through the 678 stores that Soriana operates.

The amendment to the Telecommunications Act opened a business opportunity to create this joint venture where Soriana will provide the business strategy and sales floor, and we will provide the operational and technological strategy to offer a very competitive mobile telecommunications service proposal and special promotions for the users. We expect this new service to be available for all consumers starting on the third quarter of 2016.

ii) DISTRIBUTION CHANNELS

General

We seek to develop brand name recognition by using our corporate name, logo and product names to portray a unified image. We conduct sales efforts within target Clusters to residential customers, as well as to commercial customers. We seek to differentiate ourselves from our competitors by our pricing, consistent quality and reliability of first-to-market technology, one-stop shopping, comprehensive billing and speed of line activation.

As a result, we believe we have positioned ourselves as a quality service provider as a result of a sustained growth of our customer satisfaction level on year by year comparisons.

Sales and Distribution Channels

We focus our sales efforts within Clusters using door-to-door sales and telemarketing promotions. We promote our services primarily through billboards, in-building promotions, press, magazines and fliers. As we commence the deployment of our network within a “Cluster”, we intensify our promotional efforts through our direct sales force in such “Cluster”.

Our direct sales focus continues in the same approach that consists of assigning sales representatives or teams to locations within a Cluster or to single sites. We had 301 sales representatives as of December 31, 2015, compared to 597 sales representatives as of December 31, 2014.

We assign our sales force based on territory, product or market segment, depending on their background and experience. The compensation structure for our sales force is tailored to attract and retain high achievers by providing a base salary and a bonus component. Sales commissions are paid once the services have been installed.

Candidates for our sales force undergo extensive training that covers the industry of telecommunications, the products and internal marketing and sales procedures. In its sales effort, vendors use, among other things, multimedia presentations and corporate and product videos and brochures.

In addition to our sales force, we have developed other distribution channels, including store fronts, agents and telemarketing.

Customer service

We seek to differentiate ourselves by providing superior and consistent customer service, which is one of the main components of our business plan.

Our customer service group is divided into three areas:

Centralized Call Center. This call center, located in Mexico City, responds to calls to our customer attention telephone numbers in the cities of Mexico City, Puebla, Queretaro, San Luis Potosi and Tehuacán, Monday - Friday from 8 am to 10 pm, Saturday & Sunday from 9 am to 9 pm. Many prospective and existing customers use our centralized call center for all types of queries, including queries regarding billing, new services or products, area codes, rates, and line installation changes. Prior to being connected to one of our customer service agents, we have an interactive voice response system ("IVR") that allows customers to consult their bill balance, payment and customer service locations, among other information. By offering customer self-service of information, we increase satisfaction and reduce the number of calls that have to be attended by an agent. The IVR then allows the customer to direct his call to the Centralized Call center, Centralized Trouble shooting Center or Collections.

Walk-in Center. We have two types of walk-in centers that offer customer care services and bill pay cashiers.

*Customer Attention Center ("CAC").*We have 14 CACs. Each one of these CACs consists of an average of 4 customer service executives and 2 cashiers. They are located as follows: four walk-in centers in Mexico City, five in the city of Puebla, one in the city of Tehuacán, two in the city of Queretaro and two in the city of San Luis Potosi for prospective and existing customers who wish to make inquiries in person regarding our services.

Casas Maxcom ("CM"). We have 44 CMs. This is a reduced CAC concept, as there is only one customer service executive attending the center and one salesperson. The purpose of the CM is to integrate us into the community by establishing small home-type offices, increase our brand penetration and offer additional payment locations to our customers. They are located as follows: 17 in Mexico City, 11 in the city of Puebla, 2 in the city of Tehuacán, 7 in the city of Queretaro and 7 in the city of San Luis Potosi, aiming to give personal attention to prospective and existing customers.

The hours of operation of both the CACs and the CMs in Mexico City are from 9am to 5.30pm Monday to Friday, and from 9.30am to 3pm on Saturday. In the rest of the cities, the hours of operation are from 9am to 6pm Monday to Friday and from 9.30am to 3pm on Saturday.

Centralized Trouble-Shooting Center. This call center, located in Mexico City, responds to calls in the cities of Mexico City, Puebla, Queretaro Tehuacán and San Luis Potosi. This center is available 24 hours a day, seven days a week and handles technical problems and inquiries. This group includes specialized services for our business customers in the Platinum and Elite categories, ensuring an excellent service level and timely follow-up of technical problems and requisitions.

Centralized Customer Retention Center ("Telecare"). This call center, located in Mexico City, receives calls transferred from any of the other call centers or even Walk-In Centers. Its role is to enforce customer retention programs both reactively and proactively. The proactive effort is based on customer life cycle and a specific customer loyalty program designed to increase customer satisfaction, loyalty, and reduce churn rate. This center is available from Monday to Friday from 8am to 8pm, and Saturday from 9am to 2pm.

Corporate Customer Service Group. We have a specialized group of customer service executives whose mission is to maintain high satisfaction levels in selected corporate customers. The group consists of 14 people in Mexico City and one person in Puebla.

Customers may access their billing statements through our website. We have also installed an IVR that allows customers to consult their balance, payment and customer service locations, among other information. In addition, customers may pay their bills through monthly direct deposit, cash payments at four of the largest Mexican banks, several large chain of stores (Farmacias del Ahorro, Elektra and Tiendas Extra) or at our walk-in centers located in Mexico City, Queretaro, Tehuacán, San Luis Potosi and the city of Puebla. We also assist our customers with new service requests and product information.

*Loyalty Plan***.** The customer experience management together with sales, product and marketing managements, provides customers with a number of actions aimed at improving user experience of our products and services, ensuring that the emotions generated at each stage is appropriate to guarantee the customer that its choice was the right one. These actions are focused on customers with good behavior, customers with an important seniority, those who have had problems with service, and to all customers on their birthday and anniversary contracting dates.

Credit, Billing and Collection

The Credit Area is centralized in the city of Mexico and we have a small analysts' team in the city of Puebla.

This area is responsible for the analysis of commercial and residential customers. For all commercial customers, the credit bureau is consulted and depending on the result of the credit enquiry, financial statements are requested in order to analyze whether a security deposit or promissory note is required. If customers have a bad credit history, we require a security deposit of 2 (two) months, which is calculated based on the estimated average billing of the customer.

For Call Centers and other heavy-use customers, we may ask for higher deposits, or collection in a monthly or weekly prepayment scheme and we also monitor the behavior and use of telephone services.

The sales process for residential customers is divided into two: a) Sales in homes where Maxcom has never sold any services, and b) Sales to homes where Maxcom has already sold services.

For both sales processes, starting on March 01, 2014 we performed inquiries in Círculo de Crédito and depending on their credit history the sale is approved or rejected. It is important to note that this action has served as filter to detect unsuitable customers, however, approximately 34% of the customers have no credit history and based on our business strategy the sale is approved.

We invoice customers monthly on a staggered basis, we have four commercial billing cycles and four billing cycles in the case of residential customers. We process and print our bills within seven days after the end of each cycle. Customers then have an approximate of 20 (twenty) to 23 (twenty-three) days to pay the bill (depending on their billing cycle). We have implemented for commercial customers on our current systems a paper-less billing strategy, which allows us to reduce billing expenses, invoice delivery times, waste and simplifies the billing information management for our customers.

For Commercial and Residential Customers with one or up to six lines, if they do not pay their bill on time, service is completely restricted in the second day of delinquency, not allowing to receive calls or make calls, not allowing use of the Internet and not allowing them to watch television. The customer can only receive calls from our collection area. After 30 (thirty) days of delinquency, a collection visit is scheduled. If payment is not received after 90 (ninety) days of delinquency, line is disconnected and the receivable accounts are referred to collection agencies.

For commercial and residential customers with more than 6 lines, the same procedure described above is used, except that a personalized approach attempted to negotiate payment terms before imposing any restriction, suspension or disconnection of service is used.

We use our Siebel customer relationship management tool to manage our relationships with customers. This application works on a service request registration basis, where our representatives register all contacts with our customers to track customer history, to solve inquires and performs quality service, to support our business growth, collections and training of our sales force and to enhance marketing.

iii) PATENTS, LICENSES, BRANDS AND OTHER CONTRACTS.

We do not own any domestic or foreign patent.

We have 93 (ninety three) registries (between brands and commercial ads) with the Instituto Mexicano de la Propiedad Industrial, having a term of ten years starting from the date granted, renewable for a similar period; as well as 14 pending applications.

Brands and commercial ads are relevant to us since through them our products and services are identified and these are differentiated from similar products and services offered by other providers of telecommunications services.

Among the most important registries, we can highlight the following:

- "Maxcom y diseño" brand in classes 9, 16, 21, 28, 35, 37, 38,39, 40, 41, 42, 43, 44 & 45; and
- "Maxcom" brand nominative in class 38
  "Maxcom.com." brand nominative in class 38
- "Max Celular y Diseño" brand in class 38
- "Max Conexión y Diseño" brand in class 9
- "Maxcom Elite y diseño" brand in classes 9 y 38
- "Max Diversión y Diseño" brand in classes 9 y 38
- "Maxcom Nuestra Comunicación y Diseño" brand in classes 9, 35 y 38
- "Maxcom cambia la manera de comunicarte y Diseño" brand in classes 9, 35 y 38
- "Maxcom for Business y Diseño" brand in class 9, 35 y 38
- "Max Móvil y Diseño" brand in class 38
- "Líneamax" brand nominative in classes 9, 28, 35 y 38
- "Centralmax" brand nominative in classes 9, 28, 35, 38, 42 y 45
- "Troncalmax Digital" brand nominative in classes 9, 28, 35 y 38
- "Buzónmax" brand nominative in classes 9, 28, 35, 37 y 38
- "Maxcom TV y Diseño" brand in classes 38 y 41
- "Maxcom Cel y Diseño" brand in class 38

To date, relating to our trademarks, we have not entered into any license, franchise, trademark rights transfer agreements or any other relevant agreement outside our core business.

The brands that have the nearest termination date are Maxcom, Maxcom Cel y Maxcom TV, whose maturities are in 2017, we will have to present the respective extensions.

iv) MAIN CLIENTS

We consider that, due to the diversification of our customer base, there is no dependency relationship between us and any or some of our customers, since the bankruptcy of one or some of them would not adversely affect our operating results or our financial situation.

v) APPLICABLE LEGISLATION AND TAX SITUATION.

The telecommunications industry in Mexico is subject to the Mexican Federal Telecommunications Law (Ley Federal de Telecomunicaciones), which was enacted in 1995. However, certain rules set forth under the General Means of Communications Law (Ley de Vías Generales de Comunicación), the Telecommunications Regulation (Reglamento de Telecomunicaciones) and the corresponding rules promulgated remain effective and are referred to as the Old Telecommunications Law.

On June 12, 2013 the Mexican Congress enacted an amendment to the Mexican Constitution in connection with the telecommunications and broadcasting (radio and television) industries. This amendment to the Mexican Constitution (articles 6, 7, 27, 28, 73, 78, 94 and 105) is aiming to strengthen competition and provide the telecommunications authorities, the new Instituto Federal de Telecomunicaciones (IFT), with broader capacities to regulate the telecommunication and broadcasting industries.

The enacted bill provides for a number of measures that include eliminating the limit on foreign investment in the telecommunications industry (including satellite operations), raising the limit on foreign investment in the broadcasting industry to 49%.

Additionally, the enacted bill provides for the issuing of two new broadcasting licenses to be awarded by public auction.

"Must carry" and "must offer" obligations for television companies were also included in the new bill.

In March 2014 IFT issued rulings declaring America Móvil and Grupo Televisa and certain subsidiaries of both companies as preponderant economic agents in the telecommunications and broadcasting industries, respectively and imposing both companies with specific asymmetrical regulations.

On March 24, 2014, the Mexican President submitted to the Mexican Congress a proposed secondary telecommunications and broadcasting law that will implement the changes to the Mexican Constitution.

The new IFT has the authority to grant all concessions and permits, allocate spectrum frequencies, grant, transfer, renew or revoke concessions and apply penalties for violations of provisions contained in the concession titles.

The terms of our concessions require us to satisfy a number of technical, build-out and financial conditions. A failure to comply with any of the terms of our concessions or to obtain the waiver or modification could result in the revocation or termination of any of our concessions, the imposition of new terms applicable to our concessions or imposition of fines. The Mexican government would not be required to indemnify us in case of such revocation or termination. See "- Concessions and Permits - Termination" below. A failure to comply with any of the terms of our concessions could also result in the loss of the surety bonds (*fianzas*) that we were required to issue in favor of the Secretaría de Comunicaciones y Transportes ("SCT"). We have issued surety bonds in the amount of Ps.0.52 million with respect to our local telephony and long-distance concessions, Ps.1.81 million with respect to all seven of our point-to-point microwave concessions and Ps.0.26 million with respect to all three of our point-to-multipoint microwave concessions.

Concessions and Permits

The new IFT grants concessions to operators of public telecommunications networks to provide specific telecommunications services in designated areas of Mexico or nationwide. In accordance with the amendments to the Mexican Constitution and the Federal Law of Telecommunications and Broadcast, telecommunications operators can apply for single concessions, for commercial, public, private or social use, which cover all the telecommunication services. For such effect, it is necessary to fulfill all the requirement pointed out in our legislation, among which are, complying with all and each one of the obligations derived from our current concession titles.

To provide telephony services in Mexico through a public network, a service provider must first obtain a concession from the IFT. Pursuant to the Mexican Federal Telecommunications Law, concessions for public telephony networks may not exceed a term of 30 (thirty) years and concessions for spectrum frequencies may not exceed a term of 20 (twenty) years. Generally, concessions for public telephony networks may be extended for a term equivalent to the term for which the concession was originally granted if the concessionaire is in compliance with the terms of the concession and has filed an extension request in a timely manner prior to the expiration of the concession.

Concessions for spectrum frequencies and microwave transmission concessions will be reauctioned at least 3 (three) years prior to their expiration date. Concessions specify, among other things:

- The type and technical specifications of the network, system or services that may be provided;
- The allocated spectrum frequencies, if applicable;
- The geographical region in which the holder of the concession may provide the service;
- The required capital expenditure program;
- The term during which such service may be provided;
- The payment, where applicable, required to be made to acquire the concession, including, where applicable, the participation of the Mexican government in the revenues of the holder of the concession or the periodic payments to be made to the Mexican government;
- The amount of the surety bond (fianza); and
- Rights granted to and obligations imposed on the concession holder.

In addition to concessions, the IFT may also grant permits for installing, operating or exploiting transmission-ground stations and providing telecommunications services as a reseller. There is no legally mandated maximum term for these permits unless specifically stated in the permit. Under the Mexican Federal Telecommunications Law, a company needs to notify IFT of the rates for telecommunication services it wishes to provide to be permitted to charge them to the public and, thereafter, such rates are made public information by IFT.

The Electronic Registration System of User Rates was also created, through which the operators must register the details of the tariff plans and shall take effect and thus enter into force on the date of such registration.

Transfer

Concessions are transferable if the SCT approves the transfer of the concession title, the assignee agrees to comply with the terms of the concession and such transfer does not violate the foreign ownership requirements of the Mexican Federal Telecommunications Law and the Mexican Foreign Investment Law (Ley de Inversión Extranjera de México).

Termination

A concession or a permit may be terminated pursuant to the Mexican Federal Telecommunications Law upon the occurrence of any of the following events:

- Expiration of its term;
- Resignation by the concession holder or the permit holder;
- Revocation; or
- Dissolution or bankruptcy of the concession holder or the permit holder;

A concession or a permit may be revoked prior to the end of its term under certain circumstances, including:

- Failure to exercise the rights of the concession within 180 (one hundred and eighty) days of the grant;
- Failure to provide interconnection services to other holders of telecommunications concessions and permits without reason;
- Loss of the concession or permit holder's Mexican nationality;
- Unauthorized assignment, transfer or encumbrance of the concession or permit;
- Unauthorized interruption of service;
- Taking any action that impairs the rights of other concessionaires or permit holders;
- Failure to comply with the obligations or conditions specified in the concession or permit (including making any necessary investments and capital expenditures); and
- Failure to pay to the Mexican government its fee for the concession or, where applicable, its participation in the revenues of the holder of the concession.

The IFT may revoke a concession for violations in any of the circumstances referred to in the first four events described above. Under the last four events described above, the IFT would have to fine the concessionaire at least three times for the same failure before revoking a concession. No indemnification may be claimed in the event of revocation.

Temporary Seizure

The Mexican government, may also temporarily seize all assets related to a telecommunications concession or permit in the event of a natural disaster, war, significant public disturbance, threats to international peace or for economic reasons or for other reasons related to national security. If the Mexican government temporarily seizes such assets, it must indemnify the concession holder for all losses and damages, including lost revenues, except in the event of war where no payments are made. We are not aware of any instance in which the Mexican government has exercised its temporary seizure powers in connection with a telecommunications company; however, should this be the case, there is uncertainty as to when this indemnification would be paid and as to the actual amount payable.

Expropriation

Pursuant to applicable law, the Mexican government has the statutory right to expropriate any telecommunications concession and claim any related assets for reasons of public interest or national security. Under Mexican law, the Mexican government is obligated to compensate the concession holder, considering any investments made and the depreciation of such assets, to the owner of such assets in the case of a statutory expropriation.

The amount of the compensation is determined by appraisers. If the party affected by the expropriation disagrees with the appraisal amount, such party may initiate judicial action against the government and require a judicial authority to determine such compensation amount. In such a case, the relevant judicial authority will determine the appropriate amount of compensation to be paid. We are not aware of any instance in which the Mexican government has exercised its expropriation rights in connection with a telecommunications company.

In the event of compensation for the temporary seizure or expropriation of a concession or a related asset, there can be no assurances that any such compensation paid by the government will be adequate or that the affected concessionaire will receive any such compensation in a timely manner.

Rates for Telecommunications Services

Under the Mexican Federal Telecommunications Law, rates for telecommunications services (including local, mobile and long-distance services) are freely determined by the providers of such services, except that such rates may not be set below a service provider's long-term incremental cost. All rates for telecommunications services (other than value-added services) must be registered with IFT before being applied to users and their effects will enter into force starting on the date of registration.

In addition, IFT is authorized to impose specific rates, quality and service requirements on those companies determined by IFT's Economic Competition Unit (Unidad de Competencia Económica) to have substantial market power pursuant to the provisions of Mexico's antitrust statute. The Mexican Federal Telecommunications Law also prohibits telecommunications providers from cross subsidizing among their services and requires that they keep separate accounting for each of their services.

Our Concessions

We currently have public telecommunications network concessions to provide the services described below. Each of our public telecommunications network concessions contain one or more specific exhibits that describe the telecommunications services that we are allowed to provide under such concession. In order to broaden the scope of the services we are allowed to offer under our concessions, we must undergo an authorization process before the IFT for each concession.

Local telephony

We obtained our regional wireline local telephony concession in December 1996. In September 2001, this concession was expanded to a nationwide concession. The concession, which is not exclusive, grants us the right to provide business, residential and public wireline local telephony services all over Mexico. Our wireline local telephony concession has a term of 30 (thirty) years and may be renewable for up to an additional 30-year period provided we have complied with all of its terms and have received the IFT approval for the extension.

Our concession expressly permits us to provide the following services:

- Basic local telephony;
- Basic domestic and international long distance telephony;
- The sale or lease of network capacity for the generation, transmission or reception of signs, signals, writings, images, voice, sounds or other information of any nature;
- The purchase and lease of network capacity from other carriers, including the lease of digital circuits;
- The commercialization of the capacity acquired from other carriers of public telecommunications networks.
- Value-added services;
- Operator services;
- Data, video, audio and video conference services, except for cable or other restricted television, continuous music or digital audio;
- Credit or debit telephone cards; and
- Public telephony.

The concession does not impose any limitations on the setting of our rates other than the requirement that we file with IFT a notification of any rate change prior to it becoming effective.

The concession requires us to comply with service quality specifications and to install infrastructure on the basis of a yearly schedule, including a certain number of lines along routes between certain cities in Mexico. Although we complied with the requirement in our concession for the number of lines installed, we were in default with respect to the coverage obligations in certain cities and towns required by our concession. However, in December 2004, we obtained an amendment to both our local and long distance telephony concessions. The amendment to the national concession to install and operate a public telecommunications network in Mexico, entered into on December 2, 2004, sets forth a capacity installation program to attend a certain number of lines at the end of 2006. Moreover, it sets forth a geographic expansion commitment up to 2014. We should be able to comply with the capacity installation and geographic expansion commitment discussed above, as well as other requirements, in order for the concession to remain in effect.

In 2015, the IFT started a procedure to verify our compliance with network expansion commitments, as well as with quality indices in our services, as provided for in our concession title. Such procedure is pending.

In 2015, the IFT also initiated a procedure to verify our compliance with number portability rules published by the IFT. Such procedure is pending.

Long-distance

We obtained our nationwide long-distance concession in December 1996, concurrently with our local telephony concession. Our nationwide long-distance concession has a term of 30 years and may be renewable for up to an additional 30-year period, provided that we comply with all of its terms and receive IFT approval for the extension.

Our concession expressly permits us to provide the following services:

- The carrying of switched traffic between 2 (two) different local calling areas that requires the use of a dialing prefix for its routing;
- The sale or lease of network capacity for the generation, transmission or reception of signs, signals, writings, images, voice, sounds or other information of any nature; and
- The purchase and lease of network capacity from other carriers and domestic and international long-distance telephony.

The concession expressly prohibits the following services:

- Those which require a concession for frequency bands of the radio electric spectrum for specific uses;
- Those which require a concession to occupy and exploit geostationary orbital positions and satellite orbits assigned to Mexico;
- Those which require a concession to operate radio or television broadcasting systems; and
- Cable or other restricted television.

The concession does not impose any limitations on our ability to set rates other than the requirement that we file with IFT a notification of any rate change prior to it becoming effective. The concession requires us to comply with service quality specifications and to install infrastructure on the basis of the schedule for our local telephony concession. According to this schedule, we must provide nationwide long-distance service in the same locations and at the same time in geographic areas where we provide local telephony services. As described above, in December 2004, both our local and long-distance concessions were amended and we are in compliance with the obligations of our amended concessions.

We service our long-distance concession through direct interconnection with other carriers and by reselling our long-distance traffic to other carriers that have such capability. We currently have long-distance interconnection with Telmex in the cities of Aguascalientes, Celaya, Guadalajara, Irapuato, Leon, Mexico City, Monterrey, Nuevo Laredo, Puebla, Queretaro, Saltillo, San Luis Potosi and Toluca, among others.

The U.S. Federal Communications Commission (FCC) has granted Maxcom U.S.A., Inc. and Sierra USA Communications, Inc. a license under section 214 of the Communication Act of 1934 (which we refer to and are known as “214 license”), to provide international telecommunications services between the United States and international points, mainly Mexico.

Microwave Transmissions

Point-to-point

In October 1997, we were awarded 7 (seven) nationwide point-to-point microwave concessions. These concessions cover:

- Two consecutive frequency segments in the 15 GHz band, with a 56 MHz bandwidth;
- Three consecutive frequency segments in the 23 GHz band, with a 56 MHz bandwidth; and
- Two consecutive frequency segments in the 23 GHz band, with a 100 MHz bandwidth.

These concessions, which were issued in June 1998, have a term of 20 (twenty) years. IFT will re-auction the frequencies covered by the concessions at least 3 (three) years before the expiration date of the concessions. Despite this possibility, IFT recently authorized the concession title amendment in order to ask for a renewal. The concessions do not impose any limitations on the setting of our rates other than the requirement that we file with IFT a notification of any rate change prior to it becoming effective. The concessions require us to provide available capacity to the general public. We are currently in compliance with all the material terms of the concessions.

Point-to-multipoint

In October 1997, the former Cofetel decided to grant us 3 (three) regional point-to-multipoint microwave concessions covering telecommunications regions 3 (three), 5 (five) and 8 (eight), which include states in the north and southeast of Mexico’s Gulf region, in the 10.5 GHz frequency band with a 60MHz bandwidth. These concessions, which were issued in April 1998, have a term of 20 (twenty) years. IFT will re-auction the frequencies covered by the concessions at least 3 (three) years before the expiration date of the concessions. These concessions originally required us to install a network and offer service to at least 30% (thirty percent) of the population in each concessional region by the end of the second year after the issuance of the concession.

We are in compliance with our initial coverage obligations for region 8 (eight). Although we have the capability to initiate operations in regions 3 (three) and 5 (five), to date no customer has requested such service and we therefore have not initiated operations in these regions.

These concessions do not impose any limitations on the setting of our rates other than the requirement that we file with IFT a notification of any rate change prior to it becoming effective.

Cable Television

On August 4, 2006, the SCT granted us a traditional cable concession to provide cable TV and radio services in the city of Puebla. Our cable television concession has a term of 10 (ten) years and may be renewed for up to an additional 10-year period. Shortly thereafter, the SCT filed the Convergence Regulations (Regulaciones de Convergencia) through which different types of carriers could be authorized to provide additional services to those included in their original concessions.

On October 13, 2006, we notified the SCT of our compliance and voluntary affiliation with the Convergence Regulations and, as a result, the SCT authorized us to provide cable TV and radio services in addition to those services already granted in our original public telecommunication network concession.

As a result, we are now authorized to provide nationwide cable TV and radio services through two concessions and we were the first telecommunication concessionaire to be authorized to provide “triple-play” services. We are able to service cities by notifying the IFT and to date have notified them of service provision in 99 (ninety-nine) cities. We intend to add more cities in the future.

Mobile Network Operation

On January 17, 2007, former COFETEL (now IFT) granted us authorization to provide MVNO services based on our 1996 concession. This authorization enables us to provide mobile service nationwide under its own brand by acquiring capacity from other mobile telephony concessionaires in Mexico. As a result of this authorization, we were the first telecommunications concessionaire to offer unbundled “quadruple-play” services exclusively under its own brand name.

The terms of both the cable TV and radio and MVNO authorizations match our 1996 concession term of 30 (thirty) years (expiring in 2026) and do not impose any additional obligations, including minimum coverage or investment commitments, upon us.

Pre-Paid Mobile Lines

Although we have not provided pre-paid mobile services in the past, we are currently evaluating a project to launch our pre-paid mobile service.

Material Ongoing Obligations Relating to Our Concessions

Each concession title sets forth the ongoing obligations that we must meet on a monthly, quarterly or annual basis in relation to the IFT. Our principal ongoing obligations include the following:

- File information related to each concessionaire’s shareholders on the first quarter of every year;
- Prepare a monthly report on any failures and interruptions of the services;
- Prepare quarterly quality of services reports which shall be filed before the SCT if required;
- Prepare commercial practices guidelines which shall be available for review by any third party;
- Prepare an emergency response plan which shall be filed before the SCT during the following 6 (six) months after the relevant concession granting date;
- Notify the IFT of any relevant event that could affect the provision of the services or the performance of the network;
- Register its service fees with IFT each time they are modified;
- File within the following 150 days after the last day of the preceding fiscal year (i) the corresponding audited financial statements, (ii) a description of the principal assets of the network, and (iii) a report on the employee training and teaching programs that are being implemented;
- Prepare a quarterly report on the status of the expansion and coverage of the network;
- Make available the internal statistics on traffic, routing and performance of the network;
- Grant a surety bond in favor of the Federal Government (SCT) to guarantee its obligations under the concession;
- File with the IFT within the following 60 days after the concession granting date a plan describing the coverage and extension of the network; and
- File with the IFT the form of agreement to be entered with the concessionaire’s subscribers.

Failure to comply with the above-mentioned obligations usually entails penalties investigated and proposed by IFT. In certain cases, failure to comply with these obligations may result in revocation of the relevant concession.

Interconnection

Local Interconnection

We have an interconnection agreement that stipulates a cost zero for the termination of calls in the network of the dominant player (preponderant economic agent), thus generating savings for the company.

Mobile Interconnection

We have also signed reciprocal interconnection agreements with Telcel and certain affiliates of Telefonica Móviles, Nextel and Iusacell. The agreements provide for mobile phone usage, text messaging and data usage. The total fees paid under this agreement as of December 31, 2015 were Ps.66.7 million.

Long-distance Interconnection

Long-distance carriers are required to ensure call termination by providing transit and direct or indirect interconnection. Since we view long-distance services as a complement to our core local telephony business, we started our operations giving our customers the option to use our long-distance services or those of other providers. As a result, we granted long-distance carriers the option to pick up calls at our facilities. However, in May 2002, we obtained a waiver from former COFETEL (now IFT) of the obligation to offer such option to our customers. For more information about this waiver, see "-Our Concessions-Long-distance."

We currently provide our long-distance service only to our local telephony customers through our own network and leased facilities on a reselling basis. In 2006, however, we began to compete directly in the wholesale long distance market in cities where we have a fiber optic network.

Local Exchange Interconnection Rates

According to IFT´s Plenary Session´s resolutions, published in the Official Gazette of the Federation on October 1, 2015, the following interconnection rates were to be used to resolve interconnection rates disputes that may arise with regard to applicable conditions in 2016 were determined.

In this regard, the following interconnection rates were established for concessionaires other than the Preponderant Economic Agent:

- For termination services of Local Service in mobile phone users under "calling party pays" mode: $0.1869 Mexican Pesos per minute of interconnection.
- For termination services of short message services (SMS) in mobile phone users: $0.0189 Mexican Pesos per message, and
- For termination services of Local Service in fixed users: $0.003088 Mexican Pesos per minute of interconnection.

The rates for interconnection services provided by the Preponderant Economic Agent:

- For origination services of Local Service in fixed users: $0.003816 Mexican Pesos per minute of interconnection, and
- For transit services: $0.004608 Mexican Pesos per minute.

Through implementation of IFT's Electronic System of Interconnection Requests (Sistema Electrónico de Solicitudes de Interconexión), operators can initiate negotiations to determine interconnection rates; however, in the case they do not reach an agreement on the interconnection rates, IFT must resolve these according to the ones previously published to resolve interconnection rates disputes, rates that are notably lower than we normally offer, producing a negative impact on income from this item.

"By-pass" international traffic

Pursuant to Mexican telecommunication regulations, international long–distance traffic in Mexico must be routed and terminated through authorized international gateways at established international settlement rates. However, less expensive alternatives that by-pass authorized gateways exist, particularly in the case of countries with which Mexico exchanges a significant amount of traffic. Given the disparity between the government authorized and alternative long-distance interconnection and termination rates through local service routes and/or IP services, an increasing portion of the long–distance market between Mexico and the United States is served by entities that circumvent or "by-pass" the international long-distance interconnection system. This practice is illegal under applicable law.

We cannot confirm whether any of our high-volume customers are engaging in “by-pass” activities. There is no requirement to make such a determination under Mexican regulations and we have not implemented a system to detect such activity. We are required, however, to comply with any order from competent regulatory authorities to disconnect a customer deemed to be engaged in “by-pass” activities.

IFT Approvals

The terms of most public telecommunications network concessions, including our own, require IFT approval in the event of a transfer of more than 10% (ten percent) of a concessionaire’s outstanding capital stock, except shares representing “neutral stock”. IFT approval is not required for the transfer of the shares of a holding company that controls a company with a public telecommunications network concession. The transfer of an existing public telecommunications network concession from one operator to another operator also requires the approval of the IFT.

Maxcom entered into a network convergence agreement with SCT on October 11, 2006, that allowed us to provide paid TV services in addition to services included in our concession. As a result, the SCT authorized us to offer authorization paid television and audio services on October 13, 2006.

On January 17, 2007, SCT confirmed the criteria in the sense that we can market mobile services through the capacity acquired from other telecommunications carriers, including the ones of mobile services, which allows us to provide mobile cellular telephone service to our customers, using other mobile concessionaires’ networks.

On November 9, 2015, IFT assigned us mobile geographic numbers in order to be able to provide this service to our users.

Municipal and Other Regulatory Approvals

Our transmission antennas and telecommunication sites are located in sites that may require municipal and federal approvals to operate. See “Risk Factors - Risks Related to Our Business - Our telecommunications network infrastructure has several vulnerabilities and limitations”.

Mexican Stock Market Regulation

On December 30, 2005, a new LMV was approved and published in the Official Gazette of the Federation. This LMV came into force on June 28, 2006. The new LMV modified the Mexican securities regulation in several material respects. The intention of the reforms was to update the Mexican regulatory framework applicable to the stock market and public companies, in accordance with international standards.

In particular, the LMV (i) states that public companies and controlled companies will be considered as a single economic entity (e.g., holding companies and subsidiaries owned by a corporate group); (ii) clarifies the rules for public offerings, dividing them into voluntary and forced; (iii) clarifies disclosure standards applicable to shareholders of public companies values; (iv) broadens and strengthens the role of the board of Directors of public companies; (v) defines the standards applicable to the Board of Directors and sets out the duties of its members, and each of the advisors, secretary, CEO and executives (introducing concepts such as the due diligence, loyalty and fidelity); (vi) replaces the commissioner and his obligations with the Audit Committee, the Corporate Practices Committee and external auditors; (vii) clearly defines the roles and responsibilities of executives; (viii) improves the rights of minority shareholders regarding legal resources and access to company information; (ix) introduces concepts such as consortium, groups of persons or related entities, control, related parties and decision-making power; and (x) extends the definition of applicable sanctions for violations of the LMV, including punitive damages and crimes.

On March 2003, the National Banking and Securities Commission (“CNBV”) issued certain general provisions applicable to issuers of securities and other participants in the security market also known as the Regulations Applicable to Issuers ("Circular Única"), which eliminated a number of circulars previously issued and published by the CNBV, and concentrated in one document the regulations applicable to issuers and their activities, among other things. In September 2006, this Circular Única was amended to implement the provisions of the LMV.

Additionally, in September 2004, the CNBV issued general provisions applicable to brokerage firms, also known as the Regulations Applicable to Brokers ("Circular Única de Casas de Bolsa"). This Circular Única de Casas de Bolsa concentrates the regulations applicable, among others, to the Mexican underwriters in public offerings.

Insider trading, market restrictions, and public offerings

The LMV contains specific rules relating to the sale of shares by persons in possession of confidential information, including (i) the requirement that persons in possession of information considered confidential refrain from (x) perform operations with the issuer's corresponding securities (y) make recommendations to third parties to perform operations with such securities and (z) carry out transactions with options and derivatives of the underlying value issued by such entity; and (ii) grant a right to compensation to a counterparty without access to privileged information by the party who has such inside information.

In accordance with the LMV, the following persons shall notify the CNBV of any transactions made by a listed issuer:

- Members of the board of Directors of a listed issuer;
- Shareholders controlling 10% (ten percent) or more of the outstanding capital stock of a listed issuer;
- Consultants and advisers;
- Groups controlling 25% (twenty-five percent) or more of the outstanding capital stock of a listed issuer; and
- Others who have privileged information.

Also in accordance with the LMV, people who have insider information must refrain from buying or selling securities of the issuer within 90 (ninety) days from the last sale or purchase, respectively.

The shareholders of issuers listed on the BMV must notify the CNBV before carrying out operations outside the BMV resulting in a transfer of 10% (ten percent) or more of the issuer's capital stock. Shareholders who transfer their shares must also inform the CNBV of the effect of operations within 3 (three) days following the conclusion of such, or, alternatively that operations have not been consummated. The CNBV will notify the BMV about these operations on an anonymous basis.

The LMV also states that, in order to identify any of the above percentages, convertibles, warrants and derivative securities shall be taken into account.

Subject to certain exceptions, any acquisition of shares of a public company resulting in the purchaser to hold 10% (ten percent) or more but less than 30% (thirty percent) of the outstanding capital stock of an issuer must be publicly revealed to the CNBV and the BMV, not later than the next working day following the acquisition. Any acquisition made by a person who has privileged information resulting in that person to hold 5% (five percent) or more additional outstanding capital stock of a public company must be publicly disclosed to the CNBV and the BMV no later than the next day following the acquisition. Some people who have insider information must also notify the CNBV of any acquisitions or sales of shares that occur within a period of 3 (three) months or five (5) days and that exceed certain value thresholds. The LMV requires that convertibles, warrants and derivative securities settled in kind, are taken into account for the calculation of the percentages of the shareholding ownership.

The LMV contains provisions related to public offerings and certain other acquisitions of shares in Mexico. In accordance with the law, offerings may be voluntary or forced. Voluntary offerings, or offerings where there is no requirement if they get carried out or completed, must be made in proportion to the shares held by each shareholder. Any intention to acquire shares of a public company resulting in the purchaser to hold 30% (thirty percent) or more, but less than the percentage which had resulted in the acquisition of control of the voting shares of the company requires the acquirer to perform a voluntary offer of the greater of (a) the percentage of capital stock to be acquired or (b) 10% (ten percent) of the outstanding capital stock of the company. Finally, any intention to acquire the shares of a public company with the purpose of obtaining voting control requires the acquirer to make a forced offering for 100% (one hundred percent) of the outstanding capital stock of the company (however in certain circumstances, the CNBV may authorize a lower offering than 100%). The offer shall be performed at the same price for all shareholders and share classes. The board, with the opinion of the Audit Committee shall deliver its opinion on any offering that results in a change of control, whose opinion shall take into account the rights of minority shareholders and which may be accompanied by an independent opinion relative to their impartiality.

In accordance with the LMV, all offerings must be open at least twenty (20) working days and acquisitions pursuant to the same must be made in proportion to the shareholding for all offering shareholders. The LMV also allows the payment of certain amounts to controlling shareholders on or over the offering price if such amounts are fully disclosed, approved by the Board of Directors and paid solely in connection with non-compete obligations or similar. The LMV also includes exceptions to the requirements of forced offerings and specifically provides for resources for non-compliance with these offering rules (e.g., suspension of voting rights, possible purchase cancellation, among others) and other rights available to former shareholders of the issuer.

Joint listing of common shares and limited voting or non-voting shares

The LMV does not allow issuers to implement mechanisms for the common shares and limited voting or non-voting shares to be listed jointly or offered to public investors, unless limited voting or non-voting shares are convertible into common shares within a period of up to five (5) years, or when, because of the nationality of the holder the shares or securities that represent them, limits voting rights to comply with the provisions concerning foreign investment. Additionally, the total amount of non-voting or limited voting shares may not exceed 25% (twenty five percent) of the total amount of shares publicly held. The CNBV may increase this limit of 25% (twenty five percent) to 50% (fifty percent), with the understanding that such limited voting or non-voting shares that exceed the 25% (twenty percent) of the total amount of shares publicly held, are convertible into common shares within a period of 5 (five) years from issuance.

Board of Directors and Committees

Under the LMV, public companies must have a Board of Directors that does not exceed more than 21 (twenty) board members, from which 25% (twenty-five percent) must qualify as independent members. Independent members must be appointed based on their experience, skill and reputation during a shareholders' meeting of the issuer; the shareholders' meeting of the issuer will determine whether a member is independent or not, and such determination may be challenged by the CNBV. Separating from the legislative history, the LMV allows members of the Board of Directors choose, under certain circumstances, and with a temporary effect, new members of the Board of Directors.

The Board of Directors of a public company must meet at least four (4) times a year and its main duties are:

- Determine the general strategy applicable to the issuer;
- Approve guidelines for the use of corporate assets;
- Approve, on an individual basis, any transactions with related parties, subject to certain limited exceptions;
- Approve unusual or non-recurrent transactions and any transactions that imply the acquisition or sale of assets with a value equal to or exceeding 5% of our consolidated assets or involving the provision of collateral or guarantees or the assumption of liabilities equal to or exceeding 5% of our consolidated assets;
- Approve the appointment or removal of the CEO;
- Approve accounting and internal control policies; and
- Approve policies for information disclosure.

Board members have a general duty to act in the best interests of the issuer without favoring any shareholder or group of shareholders.

The LMV requires the creation of an Audit Committee and Corporate Practices Committee (which can be combined into a single committee). Both committees should be formed with at least three (3) members appointed by the board, whose members must be independent (except for companies controlled by a person or group of persons holding 50% (fifty percent) or more of the outstanding capital stock, in which case most of the members of the committee must be independent). The Audit Committee (alongside the board, which is given additional obligations) replaces the commissioner previously required by the General Law of Commercial Companies (General Law of Business Corporations).

The main role of the Audit Committee is monitoring the external auditors of the issuer, analyze reports of external auditors, inform the Board regarding internal controls, monitoring the execution of operations with related parties, require the issuer's CEO to prepare reports when necessary, inform the Board of Directors regarding any irregularity found, supervising the activities of the executive Directors of the issuer and provide an annual report to the Board of Directors.

The Corporate Practices Committee is required to provide feedback to the Board of Directors, to request and obtain opinions from independent experts, convoke shareholders' meetings, provide assistance to the Board of Directors in the preparation of annual reports and present annual reports to the Board of Directors.

Due diligence and loyalty of the Board members

The LMV also imposes due diligence and loyalty of the Board members.

Due diligence requires Board members to obtain sufficient information and are sufficiently prepared to act in the best interests of the issuer. Due diligence is accomplished, mainly by attending the sessions of the Board of Directors and revealing material information in their possession. Failure to act diligently by one or more Board member, subjects the Board members in question to a solidarity responsibility in regard to the damages caused to the issuer and its subsidiaries, which may be limited (except in cases of fraud or bad faith).

The duty of loyalty is primarily the duty to maintain the confidentiality of the information received by the Board members in connection with the exercise of their duties and refrain from discussing or voting on matters in which the Board member has a conflict of interest. Furthermore, the duty of loyalty is violated if a shareholder or group of shareholders is notoriously favored or if, without the explicit approval of the Board of Directors, the counselor takes advantage of a corporate opportunity. The duty of loyalty also fails if a director reveals false or misleading information or do not register any operation on the records of the issuer that may affect its financial statements. The violation of the duty of loyalty subjects the respective Board member to a solidarity responsibility for damages caused to the issuer and its subsidiaries. There is also responsibility if damages are generated as a result of benefits obtained by the Board members or third parties resulting from the activities performed by the Board of Directors.

Claims for non-compliance with due diligence or duty of loyalty may be held solely for the benefit of the issuer and only by the issuer or shareholders representing at least 5% (five percent) of shares outstanding. Claims may be filed by the Trustees issuing CPOs or the holders of such.

As a safeguard for Board members, the responsibilities described above will not be applicable if the Board member acted in good faith and (i) in compliance with applicable laws and bylaws, (ii) acts on information provided by officials or independent experts, whose capacity and credibility may not be subject to a reasonable doubt, and (iii) choose the most appropriate alternative in good faith or in the instance when negative effects of such decision could not be predictable.

Under the LMV, the CEO and senior executives must also act for the benefit of the Company and not for a shareholder or group of shareholders. Mainly, executives must submit to the Board of Directors the approval of the general business strategy, submit to the Audit Committee proposals related to internal control systems, disclose all material information to the public and maintain adequate accounting and registry systems and internal control mechanisms.

Directors may be subject to sentences of up to twelve (12) years in prison for certain intentional illegal conduct that damages the Company. Such behaviors include falsifying financial statements and records.

Additionally, counselors cannot represent any of the shareholders at a shareholders' meeting.

Our bylaws provide compensation for Board members, members of the committees of the Board of Directors and officers that may exceed the compensation awarded to these people under LMV. Under the applicable regulation, there is doubt about the possibility of demanding such compensation in relation to non-compliance of the duty of loyalty. See "Directors and shareholders - Compensation to Board members and executives."

Operations requiring shareholder approval

The LMV also specifies that any transaction or series of transactions during any fiscal year, representing 20% (twenty percent) or more of the consolidated assets of the issuer should be considered and approved by a shareholders' meeting of the public company.

Anti-takeover Provisions

The LMV states that public companies may include Anti-takeover provisions in their bylaws with the understanding that such provisions (i) be approved by a majority of shareholders, no more than 5% (five percent) of the shares representing the capital stock should have voted against these measures, (ii) do not exclude any shareholder or group of shareholders, and (iii) do not restrict, absolutely, a change of control. See "Bylaws and Other Agreements - Other dispositions – Anti-takeover Provisions".

Other minority shareholder's rights

In addition to the rights granted to minority shareholders of a public company representing 5% (five percent) or more of the outstanding shares of initiating a claim against Directors for non-compliance of due diligence and duty of loyalty, LMV recognizes the right of shareholders representing 10% (ten percent) of the outstanding shares to appoint a Board member or convoke a shareholders' meeting, and the right of shareholders representing 20% (twenty percent) of the outstanding shares of voting rights to seek judicial declaration of nullity of the resolutions adopted by the actions that are in contravention of Mexican regulations or the bylaws of the Company.

Applicable legislation and tax situation

The Company is subject to the applicable legislation to variable capital corporations (sociedades anónimas de capital variable or S.A. de C.V.). As of this date the Company is in compliance with all imposed tax obligations and it does not enjoy any special tax benefit, being contributor of federal and local taxes in accordance with tax regimes included in the applicable legal provisions. The Company is subject to income tax (Impuesto sobre la renta or ISR) whose rate was 30% for 2014 and 2013. Under the new Mexican Income Tax Law 2014 (Ley de ISR 2014), it will continue at 30% for 2015 and years after that.

From 2014, Mexican flat rate business tax (Impuesto Empresarial de Tasa Única or IETU) was abrogated, therefore, until December 31, 2013 this tax was computed on both income and deductions and certain tax credits based on cash flows of each year. The determined tax is credited with an amount equal to the ISR of the same year, up to the amount of that difference. The rate was 17.5%.

vi) HUMAN RESOURCES

As of December 31, 2015, we had 1,133 (one thousand one hundred and thirty-three) employees, a 43% (forty three percent) decrease compared to 1,984 (one thousand nine hundred and eighty-four) employees as of

December 31, 2014. This reduction in the number of employees resulted from the downsizing process that took place in September, 2015. Of our total employees, 511 (five hundred and eleven) or 45% are non-unionized and 622 (six hundred and twenty two) are unionized and covered by the terms of a collective bargaining agreement that we entered into with the National Union of Telecommunications, Telephony, Communications, Cybernetics, Electric, Electronic and Similar Products Workers of the Mexican Republic (Sindicato Nacional de Trabajadores de Telecomunicaciones, Telefonía, Comunicaciones, Cibernética, Productos Eléctricos, Electrónicos, Similares y Conexos de la República Mexicana). We have not experienced any strikes or work stoppages, and we believe we have a good relationship with our employees and the union representing them.

As of December 31, 2015 we had 301 (three hundred and one) sales representatives, while as of December 31, 2014 we had 597 (five hundred and ninety-seven) sales representatives.

vii) ENVIRONMENTAL PERFORMANCE.

We are subject to laws and regulations related to environmental protection, human health and safety, including those laws and regulations applicable to the handling and disposal of hazardous waste, as well as cleaning of contaminants. As the owner or operator of properties, and in relation to current or historical use of hazardous substances in our facilities, we may incur expenses, including cleaning costs, fines and claims of third parties as result from non-compliance with our obligations established under laws and regulations regarding environmental, health and safety. We believe that our operations are in full compliance with such laws and regulations.

viii) MARKET INFORMATION.

Industry Overview

Mexico is the second largest country in Latin America in terms of population, with approximately 121 (one hundred and twenty one) million people, a gross domestic product ("PIB") of USD$1.3 billion and a gross domestic product per capita of over USD$10,420 as of December 31, 2015, one of the highest in Latin America.

The Mexican telecommunications market, the second largest in Latin America, is expected to generate approximately USD$27,562 million in revenues in 2015 and is forecast to grow at a compounded annual growth rate or CAGR of 5.6% over the next three years, to approximately USD$32,480 million in 2018, according to data from Pyramid. For 2015, income from fixed and mobile telecommunications services in Mexico will amount to over USD$23,800 million, with the expectation of continued growth in the mobile sector, data and internet segments.

The fixed telecommunications sector, which includes basic telephone services such as local and long distance calls as well as data and internet services, is a very important part of the telecommunications industry in Mexico. For 2015, revenue from the fixed telecommunications sector is expected to be approximately USD$7,832 million, or approximately 28% of the total telecommunications market in Mexico, according to data from Pyramid.

According to information provided by IFT and by INEGI, Mexico has relatively low wire line penetration compared to other countries in Latin America. According to Pyramid, the level of penetration of narrow band access in Mexico is expected to be 14.8% for the year 2015 and to decrease slightly in 2016 to 14%. Broadband penetration is estimated to grow from 13.6% in 2015 to 16.5% in 2018, and total fixed penetration is expected to be 28.4% in 2015 and to grow to 29.5% by 2018. It is expected that the total number of broadband subscribers in Mexico will be approximately 16.4 million in 2015, and that will grow to approximately 20.5 million subscribers by 2018.

Market Liberalization

The Mexican telecommunications market has long been dominated by Telmex, the former government owned telecommunications monopoly. However, since the Mexican government completed the privatization of

Telmex in 1990, the Mexican telecommunications sector has become increasingly open to competition which has created an opportunity for competitive carriers to capture market share from Telmex.

On October 4, 2006, the Federal government enacted a new directive known as the "Convergence Regulations," (*Acuerdo de Convergencia de Servicios Fijos de Telefonía Local y Televisión y/o Audio Restringidos que se Proporcionan a través de Redes Públicas Alámbricas e Inalámbricas*). These regulations allow certain concessionaries of media and telecommunication services to provide other services not included in their original concessions through voluntary adherence to the regulations. Upon compliance with certain regulations, cable television providers are now allowed to provide voice and data services. Likewise, voice and data service providers, such as ourselves and Telmex, upon compliance with certain regulations, are now allowed to provide television services. In addition, the Mexican government is allowing cable companies to act as "carriers of carriers" by providing bidirectional data, Internet broadband services and voice services, including VoIP services. As a result, we face significant competition from new entrants providing telephony services, including cable television providers.

Number portability came into effect in Mexico enabling Mexican consumers and businesses to benefit from the added choice and convenience that number portability provides, allowing subscribers to easily switch communications providers without the time, inconvenience and expense associated with changing phone numbers. Portability is currently only possible from one fixed line network to another and from one mobile network to another, but the transfer between fixed and mobile networks is still not possible.

Effective June 12, 2013 the Mexican Congress enacted an amendment to the Mexican Constitution in connection with the telecommunications and broadcasting (radio and television) industries. This amendment to the Mexican Constitution (articles 6, 7, 27, 28, 73, 78, 94 and 105) is aiming to strengthen competition and providing the telecommunications authorities, the new Federal Telecommunications Institute ("IFT"), with broader capacities to regulate the telecommunication and broadcasting industries.

The enacted bill provides for a number of measures that include eliminating the limit on foreign investment in the telecommunications industry (including satellite operations), raising the limit on foreign investment in the broadcasting industry to 49% (forty-nine percent).

Additionally, the enacted bill provides for the issuing of 2 (two) new broadcasting licenses to be awarded by public auction.

"Must carry" and "must offer" obligations for television companies were also included in the new bill.

In March 2014 the new IFT issued rulings declaring America Móvil and Grupo Televisa and certain of the subsidiaries of both companies as preponderant economic agents in the telecommunications and broadcasting industries, respectively and imposing both companies with specific asymmetrical regulations. It is still uncertain to determine the impact of such asymmetrical regulations in the telecommunications and broadcasting industries.

On March 24, 2014, the Mexican President submitted to the Mexican Congress a proposed telecommunications and broadcasting law that will implement the changes to the Mexican Constitution. This bill was approved on July 9, 2014.

In September of 2014, IFE initiated a bidding process for two national television networks. In March of 2015 was announced that the winners were Cadena Tres and Grupo Radio Centro. In that same month, IFT approved the award of a concession of radio spectrum and the title of unique concession to Cadena Tres, a company that met all the necessary requirements. A month later, IFT announced that Grupo Radio Centro defaulted the payment of a consideration required to obtain the second television network, deciding to disqualify Grupo Radio Centro. Thus, this second television network became available and will be tendered during the first half of 2016.

On December 24, 2014, as result of the Secondary Legislation, it was published in the Official Gazette, the decision adopted by the IFT, same which determines the commitment for all carriers that provide public telecommunications services, to eliminate any long distance fees for calls made to domestic destinations, from January 1, 2015.

According to IFT´s Plenary Session´s resolutions, published in the Official Gazette on October 1, 2015, it was determined the interconnection rates to be used to resolve any interconnection dispute arising on 2016.

Local Telephony Market

In connection with the privatization of Telmex, the Mexican government granted Telmex a six-year implied monopoly over local telephony services, which was eliminated in mid-1996 when the SCT published regulations governing the licensing of local services on a competitive basis. In order to promote competition in the local telephony market, the Mexican government auctioned several concessions in late 1996, including the regional concession awarded to us for wireline local telephone service which was later expanded to a nationwide concession.

Each wireline local telephony concession granted by the Mexican government generally has a 30-year term and can be extended at the request of the concessionaire, subject to the approval of the SCT. Each concession authorizes, among others, the provision of local telephony services and value-added services such as voice mail, call hold, call forwarding, three-way calling and caller identification, in specified regions of the country.

The Mexican government also conducted auctions of the following spectrum frequencies:

- 450 MHz, 1.9 GHz (Personal Communications Services), or PCS, and 3.4-3.7 GHz (fixed wireless local loop) nationwide and regional frequency bands;
- 7, 15, 23 and 38 GHz frequency bands for nationwide point-to-point microwave transmission links; and
- 10.5 GHz frequency band for regional point-to-multipoint microwave transmission service.

In 1998, three companies won nationwide concessions for fixed wireless local loop frequencies, although one later forfeited its right for failure to pay concession fees. In addition, in 1997 six companies won concessions in the 1.9 GHz (Personal Communications Services) frequencies on either a nationwide or regional basis, although one also forfeited its right for failure to pay concession fees. See "- Competition".

Long-Distance Telephony Market

In connection with the privatization of Telmex, the Mexican government granted Telmex an exclusivity period of 6 (six) years for long-distance telephony services. In August 1996, the exclusivity period expired and competition commenced in January 1997. In order to promote competition among domestic and international long distance providers, the Mexican government granted several concessions, including the national concession awarded to us, for domestic and international long-distance services, as well as value-added services. Each concession generally has a nationwide scope and a 30 (thirty) year term that can be extended at the request of the concessionary, subject to the approval of the SCT.

Other long-distance concessionaires include, among others, (i) Axtel, (ii) Alestra, (iii) Bestel, S.A. de C.V. ("Bestel"), (iv) Iusatel, S.A. de C.V. and (v) Marcatel, S.A. de C.V. ("Marcatel"). International liberalization trends will likely continue to impact the flow of long-distance telephone traffic to and from Mexico. In particular, demand for long-distance services may be inhibited by the increasing use of VoIP.

Mobile Telephony Market

The Mexican mobile telephony market is divided into nine regions. The SCT divided the cellular telephony system in each region into the cellular A-Band and cellular B-Band. Today, cellular A-Band concessions are owned by Telefonica Móviles, in cellular regions 1, 2, 3 and 4, and by Iusacell in cellular regions 5, 6, 7, 8 and 9. The main mobile telephony carriers in Mexico include:

- Telcel with nationwide Personal Communications Services and cellular concessions;
- Telefonica Móviles with nationwide Personal Communications Services and regional cellular (regions 1through 4) concessions;
- Iusacell with regional cellular (regions 5 through 9) and nationwide Personal Communications Services concessions;
- Unefon, S.A. de C.V., an affiliate of Iusacell, with a nationwide Personal Communications Services concession; and
- Nextel, an affiliate of NII Holdings, Inc., through enhanced specialized mobile radio licenses.

Statistical information of fixed telecommunications *(Source: Third Quarterly Statistical Report 2015 IFT)*

Fixed telephony

According to IFT, as of the third quarter of 2015, the teledensity of fixed telephony services in Mexico reached 65 lines per each 100 households with 21.4 million lines, representing an increase of 6.5% compared to the same period of the previous year. The estimated distribution of residential and non-residential lines was 71% and 29%, respectively. Telmex is dominant with 60.8% of all fixed telephone lines, while Grupo Televisa and Telefonica hold the second and third positions with market shares of 21.5% and 6.9%, respectively.

Fixed broadband

According to IFT, as of the third quarter of 2015 the indicator of fixed broadband penetration per each 100 households stood at 44 subscribers. Fixed broadband subscriptions showed an increase of 5.5% over the same period of 2014, reaching 14.3 million, composed 88% of residential customers and 12% of commercial or non-residential customers. Telmex is dominant with 60.9% of total subscriptions, while Grupo Televisa and Megacable are in the second and third positions with market shares of 19.9% and 11.9%, respectively.

Statistical information of mobile telecommunications *(Source: Third Quarterly Statistical Report 2015 IFT)*

Mobile telephony

According to IFT, as of the third quarter of 2015 teledensity of mobile telephony services in Mexico reached 88 subscriptions per each100 inhabitants with 107.1 million mobile subscriptions, an increase of 5.9% over the same period of last year. Despite the existence of four major players in the market, Telcel has a dominant position with 67.8% of all subscribers of mobile telephony, followed by Telefonica and AT&T (Iusacell-Unefon and Nextel) with shares of 21.9% and 9.6%, respectively, while MVNOs had a share of 0.7%. Most of the growth in the Mexican market has been the result of the prepaid segment, which represents 83% of total mobile subscribers as of the third quarter of 2015. We believe that per-minute mobile phone rates have a downward trend, driven by the entry of a new international competitor and several MVNOs in Mexico, which have intensified the competition.

Mobile broadband

Mobile broadband subscriptions closed the third quarter of 2015 at 57.5 million. Teledensity of mobile broadband subscriptions was 48 per each 100 inhabitants. Prepaid segment accounts for 75% of subscriptions. With regard to the distribution of market operators, Telcel continues to concentrate the biggest amount of subscriptions with 71%, followed by Telefonica and AT&T (Iusacell-Unefon and Nextel) with 17.9% and 10.2%, respectively. It is worth mentioning that MVNOs represent 0.9% of this market.

Competition

We primarily compete on the basis of customer service, value added products and price in the local telecommunications market. Our main competitors are wireline and fixed wireless local telephone operators, although we also face competition from mobile wireless operators, cable television providers and Internet service providers.

Our core strategy is to focus on underserved markets by targeting new customers that do not currently receive the type of products and services we offer. In particular, our intention is to service markets with lower teledensity rates that are also underserved by Telmex.

Although we provide long-distance service, we position such service as an integrated value-added service for our local telephony customers. As a result, in the residential market we do not offer our long-distance service separately from our local telephony service.

Within our main competitors we can mention:

Telmex

Our main local telephony competitor is Telmex, the incumbent carrier and former government-owned telecommunications monopoly. Telmex has significantly greater financial and other resources than those available to us. In addition, Telmex has an established customer base, which represents approximately 62.5% of the telephone service and broadband internet access in Mexico according to the 21.7 million subscribers published in their financial results as of December 31, 2015. Telmex customers still represent the main destination of outgoing calls from our network; therefore local interconnection with Telmex is critical to our operations.

Telmex is a subsidiary of América Móvil, the leading provider of telecommunications services in Latin America, which ranks first in the markets for mobile, fixed, broadband and pay TV in terms of number of cash-generating units. It provides mobile services in Mexico through Telcel, which is the largest provider of mobile telecommunications services in the country in terms of number of users and operates networks with 3G technology and 4G technology with LTE protocol. At the end of 2015 it had 73.7 million mobile subscribers in Mexico.

In 2015 América Móvil modernized a significant part of its network with the most advanced technologies and continued to expand its 4G LTE network throughout the country and to invest in fiber optic. It has more than 213,000 kilometers of fiber optic.

In March of 2014, IFT ruled América Móvil and its operating subsidiaries Telmex and Telcel, as "preponderant economic agents" for this reason it imposed asymmetric measures on them.

Based on information of IFT, as of the end of 2015 AMX had a market share measured by fixed telephone lines of 60.8%, 60.9% in fixed broadband subscribers, 67.8% in mobile phone subscribers and 71% in mobile broadband subscribers mobile.

Other Competitors

We also face competition in local telephony from companies that were awarded concessions since the opening of the Mexican wireline telecommunications market in 1997. The most relevant competitors are Axtel-Alestra, Megacable, Grupo Televisa, Totalplay, Telefónica-Movistar and AT&T.

Axtel-Alestra

Axtel

The company was founded in July 1994, afterwards in 1998 and 1999 it won several radio electric spectrum auctions to start commercial operations in 1999. The company, based in San Pedro Garza García, Nuevo Leon, offers services of fixed and mobile telephony, pay TV, Internet, data, networks, integrated services and equipment sales. It serves the business, government, small businesses and residential markets in about 39 metropolitan areas such as Mexico City, Monterrey, Guadalajara, Morelia, Acapulco and Matamoros.

Axtel has had important growth in the broadband segment. Its world-class network consists of different access technologies including optic fiber, fixed wireless access, point-to-point and point-to-multipoint links. In 2015 it reported revenues of Ps.10,150 million, 1.4 million revenue generating units and 521,000 customers.

Based on information from IFT, as of the end of 2015 Axtel had a market share measured by fixed telephone lines of 3.9%, 3.2% in fixed broadband subscribers and 1% in cable pay TV.

Alestra

This Alfa Group subsidiary was established in 1995 through an agreement between AT&T and BBVA Bancomer, and in 1997 started operations in the long distance business in Mexico. The company based in San Pedro Garza Garcia, acquired in 2008 the share of Bancomer and three years later bought the 49% that AT&T had, becoming the sole shareholder.

The firm focuses on the business segment, including multinational companies, institutional clients, and small and medium enterprises. Through its extensive fiber optic network and data centers provides managed network services, IT, data, Internet and local telephony, as well as long distance services in the main cities of the country. Alestra has refocused its business strategy with more emphasis on the segment of value-added services.

In 2015 it reported revenues of Ps.6,163 million. As of the end of the year access circuits provided to customers totaled 2.7 million, while the capacity at its five data centers reached 3,500 square meters.

Axtel-Alestra Merge

In December 2015 Alestra and Axtel signed a definitive merge agreement. This transaction became effective on February 15, 2016, date on which Axtel became a subsidiary of Alfa, who will own a 51% stake of the combined entity, while the remaining 49% will be property of the existing shareholders of Axtel. With this, a new entity is created, with a strong competitive position, including the ability to provide services of information and communications technology for companies and triple play based on fiber optics for the high residential segment.

The new entity will have a robust sales and operation network including more than 37,500 kilometers of backbone, metropolitan rings, and optic fiber FTTH access network (Fiber-to-the-Home). Also, it will have 6,000 square meters of data center space and a portfolio of enterprise customers generating Ps.11,000 million in pro-forma annual revenues and Ps.4,000 million in pro-forma revenues from consumer and other segments.

Megacable

The company was founded in 1978 to serve the markets of Sonora and Sinaloa. Currently it is the largest cable operator in Mexico based on number of subscribers. It offers cable television services, Internet, fixed telephony (Megacable was one of the first cable operators to offer this service), integrated services, equipment, production and distribution of content. It serves the business market (from government to small and medium business) through its subsidiaries: Metrocarrier, MCM, HO1A and PCTV, as well as the residential segment. It has the largest extension of kilometers of optic fiber network and coaxial of the country. In 2015 it reported revenues of Ps.14,557.2 million (84.3% were generated by the cable operation), 5.6 million revenue generating units and 3.1 million subscribers.

Based on information from IFT, as of the end of 2015 Megacable had a market share measured by fixed telephony lines of 4.0%, 11.9% in fixed broadband subscribers and 33.9% in cable pay TV subscribers.

Grupo Televisa

Televisa is the largest media company in the Spanish-speaking world and is one of the major players in the entertainment industry worldwide. Televisa is also an active participant in the telecommunications industry in Mexico. It is the majority shareholder of Sky, a provider of satellite television services in Mexico. It also participates in the cable and telecommunications industry offering services such as IP telephony, broadband

Internet, cable television, value added services and virtual networks in many regions of the country. It also provides transnational services to US corporations and high-capacity connectivity between the United States and Mexico. Televisa is shareholder of several telecommunications companies in Mexico as Cablevision (operates under the trademark Izzi Telecom), TVI, Cablecom, Cablemás, Telecable and Bestel. In 2015 the telecommunications segment of Grupo Televisa reported revenues of Ps.28,488.3 million (excluding Sky's revenues that amounted Ps.19,253.5 million) and closed the year with 9.0 million RGUs.

Based on information from IFT, as of the end of 2015, Grupo Televisa had a market share measured by fixed telephony lines of 21.5%, 19.9% in fixed broadband subscribers and 60.9% in pay TV subscribers. Likewise, Sky had a share of 69.7% measured in terms of satellite pay TV subscribers.

Totalplay

Telecommunications company that was wholly acquired by Grupo Salinas in 2014. It offers a variety of Triple and Double Play services on an optic fiber network provided directly to home (FTTH). It began trial operations in September of 2010 and was launched commercially in May 2011. It currently has coverage in 20 cities of the republic among which are Mexico City and Metropolitan Area, Monterrey, Guadalajara, Queretaro, Toluca, Puebla and San Luis Potosi. It offers interactive services such as pay TV, Internet and fixed telephony, through fiber optics, both for individuals and businesses.

Based on information from IFT, as of the end of 2015 Totalplay had a market share of fixed broadband subscribers of 1.6%.

Telefónica Movistar

It is a subsidiary of Grupo Telefónica that provides mobile telephony services. It is the second mobile phone company in Mexico by number of users and by nationwide coverage. It also offers fixed telephony services, mobile Internet, satellite Internet, public telephony, support services in the cloud, among others. As of the end of 2015 it had an extensive national coverage of more than 93,000 localities, 81,000 highway kilometers and more than 26.3 million customers. They offer 3.5G technology in 40 thousand localities in Mexico, equivalent to 88.5% of the urban population and they recently launched the new 4G LTE network. In 2015 it had revenues of $1,783 million euros and invested $266 million euros both for development and improvement of the 3G and 4G mobile networks and for the distribution channel.

Based on information from IFT, as of the end of 2015 Telefónica had a market share measured by fixed telephony lines of 6.9%, 21.9% in mobile subscribers and 17.9% in mobile broadband subscribers.

AT&T

In 2015, AT&T introduced a new competitor in the mobile telecommunications market in Mexico with the acquisition of Iusacell-Unefon for USD$2,500 million and Nextel for USD$1,875 million, positioning itself as the third company with more users in the country.

AT&T's strategy is to integrate Iusacell and Nextel to form a company focused on generating more choices, better service of mobile telephony and high-speed mobile internet to more places in Mexico. AT&T has the most reliable 4G LTE network in the United States and the strongest LTE signal of any US provider, the company intends to provide the same level of service in Mexico.

AT&T will invest in Mexico USD$3 billion to deploy its mobile high-speed network that will cover, towards the end of 2018, 100 million people in Mexico. Unefon, a carrier that belonged to Iusacell, will focus on the prepaid market, while Iusacell and Nextel will serve the postpaid segment.

Based on information from IFT, as of the end of 2015 AT&T (Iusacell-Unefon and Nextel) had a market share measured by mobile subscribers of 9.6% and 10.2% in subscribers of mobile broadband.

Market share

According to internal analysis based on information provided by Frost & Sullivan, the percentage of market share of Maxcom as of December 31, 2014 (latest available), measured by generated revenues is as follows: voice: 1.34%, television: 0.34% and mobile phone: 0.01%. Meanwhile, the share of Maxcom in fixed telephony measured with base on the number of lines, according to information provided by IFT as of the third quarter of 2015 is 1.3%, while in fixed broadband subscribers is 1.1%.

ix) ORGANIZATIONAL STRUCTURE

The following table shows our subsidiaries and the ownership percentage in the as of December 31, 2015 (1):

Name of the subsidiary	Jurisdiction of organization or incorporation	Ownership Percentage (2)	Activity
Maxcom Servicios Administrativos, S.A. de C.V.	Mexico	99.9	Administrative personnel services
Corporativo en Telecomunicaciones, S.A. de C.V.	Mexico	99.9	Technical personnel services
Maxcom SF, S.A. de C.V. (4)	Mexico	99.9	Financial services
Maxcom TV, S.A. de C.V. (3)	Mexico	99.9	Cable television services
TECBTC, Estrategias de Promoción, S.A. de C.V. (4)	Mexico	99.9	Technical personnel services
Outsourcing Operadora de Personal, S.A. de C.V. (4)	Mexico	99.9	Technical personnel services
Asesores Telcoop, S.A. de C.V. (3),(4)	Mexico	99.9	Business advisory services
Telereunión, S.A. de C.V.	Mexico	99.9	Long-distance and infrastructure leasing
Telscape de México, S.A. de C.V.	Mexico	99.9	Real estate services
Sierra Comunicaciones Globales, S.A. de C.V.	Mexico	99.9	Infrastructure leasing
Celmax Móvil, S.A. de C.V. (3)	Mexico	99.9	Telecommunications services
Servicios MSF, S.A. de C.V.	Mexico	99.9	Administrative personnel services
Maxcom USA, Inc. (3)	USA	100	International telecommunications services
Sierra Communications, Inc.	USA	100	International telecommunications services
Fundación Maxcom A.C. (3)	Mexico	99.9	Non-for-profit foundation

(1) Mexican regulation requires that corporations have a minimum of two shareholders
(2) Maxcom's shareholding percentage directly or indirectly through subsidiaries
(3) These companies do not have operations.
(4) Subsidiaries of Maxcom Servicios Administrativos, S.A. de C.V.

All of our subsidiaries (except Fundación Maxcom, A.C.) act as guarantors under the indenture governing Step-Up Senior Notes due 2020.

x) DESCRIPTION OF PRINCIPAL ASSETS.

Property, plant and equipment

We currently lease the buildings and land where our operations are carried out and where our microwave transmission equipment and switching centers are located. We lease space for administrative offices in Mexico City and in the cities of Puebla, Queretaro and San Luis Potosi. Our main headquarters are located in Santa Fe, Mexico City in a building leased for a 5 (five) year term that expires on December 31, 2017 and is renewable for a similar term. The Santa Fe lease area is comprised of 7,852.72 (seven thousand eight hundred fifty-two point seventy-two) square meters.

Our offices in the city of Puebla are leased for a 3 (three) year renewable term that expires on March 24, 2018. These offices in Puebla are comprised of 1,310 (one thousand three hundred ten) square meters and hold one of our Lucent Technologies 5ESS switches. We also have a branch office in Puebla that is leased under a 5 (five) year lease that expires on September 1, 2020. This building is comprised of 195 (one hundred and ninety-five) square meters. Our offices in the City of Queretaro are leased for a 15 (fifteen) year renewable term that expires on August 1, 2017. These offices in Queretaro are comprised of 1,116 (one thousand one hundred and sixteen) square meters.

We have a branch office in Queretaro that is leased for a 15 (fifteen) year term that expires on June 23, 2017. This branch office is comprised of 3,153.8 (three thousand one hundred fifty-three point eight) square meters and holds one of our other Lucent Technologies 5ESS switches. On August 1, 2015, we renewed the lease of a warehouse in Mexico City comprised of 2,724 (two thousand seven hundred twenty-four) square meters for a 3 (three) year term that expires on July 31, 2018. On April 1, 2013 we leased a 668 (six hundred and sixty-eight) square meters office for a 5 (five) year term, and on March 31, 2013 we leased a 1,570 (one thousand five hundred seventy) square meters warehouse on a 5 (five) year term in San Luis Potosi term that expires on March 31, 2018. In addition, we lease approximately 250 (two hundred fifty) other sites that are used as walk‒in centers, hosts or single‒site buildings and are located throughout the cities of Mexico City, Puebla, Queretaro, San Luis Potosi and Tehuacan Additionally, we own twenty four portions of land in the City of Puebla, San Luis Potosi and Estado de Mexico that are used as part of our infrastructure.

The Step-Up Senior notes are secured by the same collateral that secures the Senior Notes 2014; and are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. See "Recapitalization and Debt Restructuring".

xi) LEGAL MATTERS AND ADMINISTRATIVE PROCEEDINGS

We are involved in various claims and legal actions arising in the ordinary course of business. In addition, from time to time, we become aware of potential non-compliance with applicable regulations, which have either been identified by us (through our internal compliance auditing program) or through notice from a governmental entity. In some instances, these matters could potentially become the subject of an administrative or judicial proceeding and could potentially involve monetary sanctions. We believe, after considering a number of factors, including, but not limited to, the opinion of legal counsel, our prior experience and the nature of existing claims and proceedings to which we are currently subject, that the ultimate disposition of these claims and proceedings should not materially affect our consolidated financial position or results of operations.

Down below we detail two important resolutions adopted by IFT in 2015 and early 2016 that, as mentioned, do not have definitive character:

1. Through the Resolution adopted by the Plenary of the Federal Telecommunications Institute (IFT) through Agreement P/IFT/100715/276 in its XV Regular Meeting held on July 10, 2015, it was denied to Maxcom Telecomunicaciones, S.A.B. de C.V., the extension to the term of three of its concessions to make use, bring to bear and exploit frequency bands of the radio electric spectrum to make available the service of providing point to multipoint microwave links, in Regions 3, 5 and 8 of the national territory, whose termination is originally scheduled for April 1, 2018, and were granted by the Communications and Transportation Ministry (Secretaría de Comunicaciones y Transportes) on 1 April, 1998.

According to that resolution, the refusal to our extension request, was because it did not meet the admissibility requirements established for that purpose in Article 19 of the Federal Telecommunications Law. (Ley Federal de Telecomunicaciones).

It should be noted that the above mentioned resolution does not have the character of final and was opposed by us through the appropriate judicial channels. Therefore, the three concessions subject of the extension request are still valid and in full operation until the date of their termination, which, in principle, is scheduled for April 1, 2018 as noted above.

It is important to note that these concessions do not affect the validity and operation of the other concessions granted in our favor and therefore there is no affectation in relation to the provision of services to our customers or our revenues.

2. On January 29, 2016, the Federal Telecommunications Institute (IFT) notified us the resolution adopted by the Plenary of the Institute through Agreement P/IFT/EXT/260216/8, in its V Special Session held on February 26, 2016 by virtue of which a fine amounting Ps.31'612,548.85 for not meeting the conditions B.7 Operation and quality of service is imposed, as we failed to meet the established minimum percentages regarding continuity of the Service, Quality of the Basic Service and Quality of Lines and Private Circuits.

It should be noted that the abovementioned resolution does not have the character of final and was opposed by us, through the appropriate judicial channels, this judgment is now pending.

Telcel interconnection agreement

We have an interconnection agreement that establishes a zero cost for the termination of calls in the network of the Preponderant Economic Agent, which generates savings for us.

xii) SHARES REPRESENTING CAPITAL STOCK.

Our capital stock is divided into a fixed part and a variable part, which are represented entirely by Series "A" shares. Fixed capital without withdrawal rights is Ps.54,753,302.00, covered by 1,528,827 ordinary, nominative shares, without par value, fully subscribed and paid, all corresponding to the Series "A", also identified as Class I. The variable portion of the capital stock is unlimited and as of April 22 of 2016 is represented by 4,827,719,712 Series "A" Class II shares. The Series "A" Class I and Class II Shares have the same corporate rights, including voting rights. However, in accordance with Article 50 of the LMV, the shareholders of the variable portion of the capital stock will not have the withdrawal right referred to in Article 220 of the General Law of Business Corporations. For more information, see "Recapitalization and Debt Restructuring" and "Management - Management and Shareholders" and "Bylaws and Other Agreements".

It has been movements in the capital stock of Maxcom derived from the following events:

- On April 20, 2012, by means of resolutions adopted at our General Extraordinary and Ordinary Shareholders Meetings, our shareholders ratified a new executive incentive plan and the compensation or emoluments awarded to directors and members of our different committees and approved a capital increase through the issuance of 25,800,000 Series “A” shares to be held in treasury. The plan was composed of part cash payment and a part stock options. During 2013, executives and employees have exercised 19,921,098 Series “A” Shares, this plan is no longer in effect.

- On October 2, 2013, Maxcom held a general ordinary shareholders’ meeting that approved among other things, a capital increase of approximately Ps.2,999.1 million.

- The General Ordinary Shareholders' Meeting held on October 2, 2013, authorized the issuance of 210,000,000 (two hundred ten million) Series "A" common shares to be used in connection with an employee stock option plan, whose participants, characteristics, terms and conditions will be defined by the Company's Corporate Practices Committee. As of December 31, 2015, 52.77 million shares have been subscribed and paid in this plan.

- On November 9, 2015, Maxcom held an Ordinary General Shareholder Meeting, where a capital increase in the variable portion for the amount of Ps.700'000,000.00 through the issuing of 2,100'000,000 Series "A" Class II shares was approved, between others. Derived from this capital increase, as of April 22, 2016, 1,637,381,286 Series "A" Class II shares were subscribed and paid. The remaining series "A" Class II shares will remain in the treasury of the Company.

- In addition, through the aforementioned meeting, it was agreed to increase the capital stock of the company through the issuance of 223,366,986 shares Series "A" Class II, ordinary, nominative, without par value representative of the variable portion of the capital stock to be destined to the stock plan of the Company.

xiii) DIVIDENDS.

We have not paid any cash dividends in the past and do not expect to pay any cash dividends on our common stock (Series “A” shares”) for the foreseeable future. We currently intend to retain any additional future earnings to finance our operations and growth. Any future determination to pay cash dividends on our common stock will be at the discretion of our Board of Directors and will depend on our earnings, financial condition, operating results, capital requirements and contractual, regulatory and other restrictions on the payment of dividends and other factors our Board of Directors deems relevant.

Our current policy is to reinvest earnings in our operations. In addition, the indenture that governs the terms of our Senior Step-Up Notes due 2020 allows us to pay cash dividends only if we meet the following conditions: (i) a minimum consolidated leverage ratio of less than 4.25 to 1.00 on or before December 31, 2013, 4.00 to 1.00 on or after January 1, 2014 and on or before December 31, 2014 and 3.50 to 1.00 on or after January 1, 2015; (ii) a minimum fixed charge cover ratio of 2.00 and 1.00 (iii) no default (as defined in the indenture) must have occurred and be continuing or result from the payment of the cash dividend; and (iv) the dividend payments do not exceed a certain amount determined in the indenture based on, cash flows from operations or equity offerings and consolidated interest expense.

FINANCIAL INFORMATION

a) SELECTED FINANCIAL INFORMATION

The following consolidated financial information of Maxcom and subsidiaries seeks to ease the understanding of the operating results and financial conditions that could affect the Company’s figures.

The following tables present a summary of certain consolidated financial information from the consolidated financial statements of Maxcom for each of the years ended December 31, 2015, 2014 and 2013. The selected consolidated financial information included should be read and analyzed in conjunction with those financial statements and accompanying notes. Also, this summary should be read and analyzed taking into consideration all the explanations provided by the Management of Maxcom along the section "Financial Information", especially in the "Comments and Analysis from Management on Operating Results and the Company’s Financial Position".

	For the year ended December 31,		
	2015 (1)	**2014 (1)**	**2013 (1)**
	(Ps.)	**(Ps.) (in thousands)**	**(Ps.)**
Consolidated statement of comprehensive loss data:			
Revenue - net	2,368,933	2,689,938	2,467,735
Operating costs and expenses:			
Networking operating costs	1,274,624	1,314,646	1,703,271
Selling, general and administrative expenses	730,412	773,346	892,172
Depreciation and amortization	355,621	367,868	573,933
Other expenses	176,552	141,688	540,035
Total operating costs and expenses	2,537,209	2,597,548	3,709,411
Operating income (loss)	(168,276)	92,390	(1,241,676)
Interest expense	(157,231)	(157,299)	(214,337)
Interest income	54,424	46,619	18,340
Foreign currency gain (loss)	(314,257)	(234,255)	(46,570)

	For the year ended December 31,		
	2015 (1)	2014 (1)	2013 (1)
	(Ps.)	(Ps.)	(Ps.)
Finance charge	(154,560)	(65,081)	—
Gain (loss) on extinguishment of debt	191,295	—	248,515
Gain (loss) on valuation of derivative financial instruments	—	—	(9,341)
Net finance cost	(380,329)	(410,016)	(3,393)
Income tax and deferred income tax, net	(35,664)	12,367	(15,305)
Net loss for the year	(584,269)	(305,259)	(1,260,374)
Items that could be subsequently reclassified in results			
Effective portion generated by financial instruments	(3,288)	50,917	—
Deferred income tax	—	(15,187)	—
	(3,288)	35,730	—
Comprehensive loss for the year	(587,557)	(269,529)	(1,260,374)
Comprehensive loss per share:			
Basic (2)	(0.18)	(0.09)	(1.11)
Diluted (3)	(0.18)	(0.09)	(1.11)
Other financial information			
Debt restructuring charges	—	9,301	212,017
Impairment	—	(69,567)	578,257
EBITDA(4)	375,327	580,016	575,575
Net cash used in investing activities	737,284	887,911	384,844
Statement of financial position data			
Cash & cash equivalents	795,298	1,443,123	1,953,692
Working capital (5)	316,627	140,279	328,975
Total assets	5,592,738	5,944,285	5,746,968
Total liabilities	2,793,080	3,002,864	2,591,368
Non-current liabilities	2,297,521	2,319,268	2,119,946
Total shareholders' equity	2,799,658	2,941,421	3,155,600

(1) In accordance with IFRSs, the information for the period ended December 2014, 2013 and 2012 31 is presented in nominal Pesos.

(2) Earnings (loss) per basic share is calculated by dividing net income for the relevant period by the weighted average basic shares outstanding for the same period (not including options and warrants).

(3) Earnings (loss) per diluted share is calculated by dividing net income for the relevant period by the weighted average diluted shares outstanding for the same period (including options and warrants).

(4) EBITDA (Earnings Before Borrowing Costs, Interest, Depreciation and Amortization) for any period is defined as consolidated net income (loss) minus depreciation and amortization, net financing cost, other income (expense) and taxes. This figure is not a performance measures under IFRS.

(5) Working capital is defined by us as current assets (excluding cash and cash equivalents and restricted cash) minus current liabilities (excluding short-term debt and short-term maturities of long-term debt which includes overdue interest) which is different from the common definition of total current assets in excess of total current liabilities.

EXCHANGE RATE

The following table sets out, for the periods indicated, the closing, average, high and low buying rates, in each case for the purchase of U.S. dollars, all expressed in nominal Pesos per U.S. dollar. The buying rate on April 22, 2016 was Ps17.31 per USD$1.00.

	Buying Exchange Rate (1)			
	Close	Average (2)	High	Low
March 2016	17.40	17.67	18.17	17.30

February 2016	18.17	18.46	19.18	18.06
January 2016	18.29	17.95	18.61	17.25
December 2015	17.21	17.01	17.38	16.51
November 2015	16.55	16.63	16.87	16.42
October 2015	16.62	16.60	17.08	16.40
2015	17.21	15.85	17.38	14.56
2014	14.72	13.36	14.79	12.85
2013	13.08	12.82	13.44	11.98

(1) Source: Banco de México. Exchange rate to settle liabilities in dollars payable in Mexico
(2) Represents the average rates for each period indicated

Our inclusion of these exchange ratios is not meant to suggest that the Peso amounts actually represent such U.S. dollars or that such amounts could have been converted into U.S. dollars at such rate or any other rate.

b) FINANCIAL INFORMATION BY BUSINESS UNIT, GEOGRAPHICAL AREA AND EXPORTS.

The following table shows the Company's revenues by geographic area, which are analyzed as set out below:

For the year ended December 31, 2015:

2015

Services	**Metropolitan Area**	**Central-South**	**North**	**Total**
		(In millions)		
Local	Ps. 1,253.3	Ps. 1,028.8	Ps. (0.4)	Ps. 2,281.7
Long distance	40.4	13.5	6.1	60.0
Rent of dedicated links	0.2	—	—	0.2
Sale of equipment to customers	0.5	1.4	—	1.9
Capacity leasing	25.2	—	—	25.2
Total revenue	Ps. 1,319.5	Ps. 1,043.7	Ps. 5.7	Ps. 2,368.9

For the year ended December 31, 2014:

2014

Services	**Metropolitan Area**	**Central-South**	**North**	**Total**
		(In millions)		
Local	Ps. 1,052.6	Ps. 645.1	Ps. 12.3	Ps. 1,710.0
Long distance	836.6	102.9	13.9	953.4
Rent of dedicated links	0.2	—	—	0.2
Sale of equipment to customers	0.7	0.7	—	1.4
Capacity leasing	24.9	—	—	24.9
Total revenue	Ps. 1,915.0	Ps. 748.7	Ps. 26.2	Ps. 2,689.9

For the year ended December 31, 2013:

2013

Services	**Metropolitan Area**	**Central-South**	**North**	**Total**
		(In millions)		
Local	Ps. 1,097.0	Ps. 669.6	Ps. 16.7	Ps. 1,783.3
Long distance	448.8	137.8	31.4	618.0
Rent of dedicated links	0.2	—	—	0.2
Sale of equipment to customers	2.5	2.7	—	5.2
Capacity leasing	61.0	—	—	61.0
Total revenue	Ps. 1,609.5	Ps. 810.1	Ps. 48.1	Ps. 2,467.7

Similarly, the following table shows a business analysis based on revenue by segment with the understanding that intersegment revenues are not presented, because the Management of the Company uses this information for evaluating performance, making general operating decisions and allocate resources. No source of intersegment revenue is applicable for the periods presented below:

Segment	For the Year Ended December 31, 2015		2014		2013	
Residential	Ps.	773.2	Ps.	889.5	Ps.	939.4
Commercial		573.0		669.3		639.5
Public telephone		60.6		127.6		146.2
Wholesale		942.7		989.3		724.7
Others		19.4		14.2		17.9
Total revenue	Ps.	2,368.9	Ps.	2,689.9	Ps.	2,467.7

c) REPORT ON RELEVANT CREDITS.

Our consolidated debt as of December 31, 2015 was Ps. 2,249.1 million, of which 93.7% corresponded to the Step-Up Senior Notes 2020, which is a long-term debt denominated in U.S. dollars. Our leverage ratio, as defined by the indenture governing our Step-Up Senior Notes due 2020, was 5.6:1.0 as of December 31, 2015 and 3.7:1.0 as of December 31, 2014 and 4.4:1.0 as of December 31, 2013.

The indenture governing our Step-Up Senior Notes contains certain covenants that among other things, limit the ability of the Company and subsidiaries to incur additional indebtedness (except for permitted indebtedness) and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of the Company's subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. See "Financial Situation, Liquidity and Capital Resources – Recapitalization and Debt Restructuring".

In order to reduce the negative effects of a devaluation of the Peso on our level of indebtedness and debt service, we have contracted hedges in the financial markets. In October of 2015 we entered into Cross Currency Swaps to cover the interest of the Step-Up Senior Notes 2020 with Credit Suisse and Morgan Stanley for notional amounts of USD$45 million dollars and USD$35 million dollars respectively with a maturity date on December 15 of 2017.

At December 31, 2015, an immediate 10% devaluation of the Peso relative to the U.S. dollar would have increased our interest expense (related to the interest payments on the USD$137.6 million aggregate principal amount of our Step-Up Senior Notes maturing on June 2020 not covered by the currency swaps) by approximately Ps.1 million over a one-year period.

In addition, any further decrease in the value of the Peso may negatively affect the value of Mexican securities such as our own.

The following table presents a breakdown of our consolidated debt as of December 31, 2015, 2014 and 2013:

	As of December 31 of					
	2015[1]		2014[2]		2013[3]	
			(thousands)			
Short and long-term financing denominated in Pesos:						
Vendor financing	Ps.	-	Ps.	-	Ps.	8,348
5-year amortizable bank loan		142,500		-		-
Total Peso-denominated financing		142,500		-		8,348
Long-term obligations denominated in U.S. dollars:						
Senior notes and Step-Up senior notes		2,100,311		2,218,905		1,909,139
Accrued interest		6,315		7,250		6,200
Total U.S. dollar denominated financing		2,106,626		2,226,155		1,915,339
Total financing	Ps.	2,249,126	Ps.	2,226,155	Ps.	1,923,687

We have paid both interest and principal of our financial liabilities according to the contracted conditions.

d) MANAGEMENT’S DISCUSSION AND ANALYSIS ON OPERATING RESULTS AND FINANCIAL SITUATION OF THE COMPANY.

The following analysis should be read in conjunction with the financial statements of the Trust and the notes to those statements included in this report.

This report contains statements that reflect future plans, estimates and prospects of the Trust, which involves risks, uncertainties and assumptions. Our actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in "Risk Factors". In addition to other information presented in this report, investors should consider the comments stated in the "Risk Factors" section before evaluating the Company or its business.

Devaluation and Inflation

Relative to the U.S. dollar, the Peso depreciated 16.9% in 2015, 12.6% in 2014 and 0.5% in 2013. Peso depreciation influences the increase in inflation. The following table summarizes the general economic conditions and inflation in Mexico for the periods specified below:

Year Ended December 31,	Inflation rate	Average 28-day Cetes	Mexican GDP Annual Growth Rate*	Gross International Reserves as of the End of Each Year (Billion)
2015	2.1%	3.0%	2.5%	USD$ 177.6
2014	4.1%	3.0%	2.1%	USD$ 195.7
2013	4.0%	3.8%	1.1%	USD$ 180.2

Source: Banco de México

[1] USD$137.6 million senior note (refinanced and issued on October 11, 2013) bearing interest at an escalated rate ranging from 6% to 8%, maturing on June 15, 2020, converted to nominal pesos at December 31, 2015. U.S. dollars were converted to Mexican pesos at an exchange rate of Ps.17.21 per dollar, reported by the Banco de México in December 31, 2015.

[2] USD$175.7 million senior note (refinanced and issued on October 11, 2013) bearing interest at an escalated rate ranging from 6% to 8%, maturing on June 15, 2020, converted to nominal pesos at December 31, 2014. U.S. dollars were converted to Mexican pesos at an exchange rate of Ps.14.72 per dollar, reported by the Banco de México in December 31, 2014.

[3] USD$175.7 million senior note (refinanced and issued on October 11, 2013) bearing interest at an escalated rate ranging from 6% to 8%, maturing on June 15, 2020, converted to nominal pesos at December 31, 2013. U.S. dollars were converted to Mexican pesos at an exchange rate of Ps.13.08 per dollar, reported by the Banco de México in December 31, 2013.

The general economic conditions in Mexico resulting from a Peso devaluation and consequential inflation may have a negative impact on our results of operations by:

- Increasing the Peso-carrying costs of our U.S. dollar-denominated debt and capital expenditure requirements;
- Decreasing the purchasing power of Mexican consumers, resulting in a decrease in demand for telephony services; and
- Resulting in our inability, due to competitive pressures, to increase our prices in response to such inflation.

Impact of Foreign Currency Fluctuations

Our principal foreign currency fluctuation risk involves changes in the value of the Peso relative to the U.S. dollar. Although U.S. dollar-denominated revenues and expenses, including capital expenditures, are exposed to foreign currency fluctuations, our financial debt instruments have greater exposure. As of December 31, 2015, the amount of debt denominated in U.S. dollars was Ps.2,106.6 million.

Depreciation of the Peso against the U.S. dollar results in an increase of our dollar-denominated revenues and expenses as reported in Pesos. Conversely, appreciation in the value of the Peso against the U.S. dollar results in decreases to U.S. dollar-denominated revenue and expenses as reported in Pesos.

Interest expense on our U.S. dollar-denominated debt, as expressed in Pesos in our financial statements, varies with exchange rate fluctuations. Depreciation of the Peso, results in increases in interest expense on a Pesos basis.

We record foreign exchange gains or losses when the Peso appreciates or depreciates against the U.S. dollar. Because our U.S. dollar-denominated monetary liabilities have exceeded, and are expected to continue to exceed, our U.S. dollar-denominated monetary assets, depreciation of the Peso, against the U.S. dollar will result in foreign exchange losses.

The Peso-to-dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the Peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar-denominated obligations.

In order to diminish the negative effects of a Peso devaluation, Maxcom has contracted hedges in the financial markets. In October of 2015 entered into Cross Currency Swaps to cover the interest of the Step-Up Senior Notes 2020 with Credit Suisse and Morgan Stanley for notional amounts of USD$45 million dollars and USD$35 million dollars respectively with a maturity date on December 15 of 2017.

At December 31, 2015, an immediate 10% devaluation of the Peso relative to the U.S. dollar would have increased our interest expense (related to the interest payments on the USD$137.6 million aggregate principal amount of our Step-Up Senior Notes maturing on June 2020 not covered by the currency swaps) by approximately Ps.1 million over a one-year period. In addition, any further decline in the value of the Peso could adversely affect the price of Mexican securities, including Maxcom

See “Section 3. a) Selected Financial Information - Exchange Rate” for a discussion of exchange rates.

i) OPERATING RESULTS.

Revenues

Our net revenues primarily include monthly fees, usage fees, installation charges, interconnection fees and the sales of telephone sets.

Voice services constitute our core business. Revenues from voice services include:

- Installation charges of voice lines;
- Monthly fees for the rental of voice lines, which depending on the product, include a certain number of free local calls;
- Usage charges of voice lines, which can include a combination of local calls above those already included in the monthly fees, long distance minutes, as well as minutes to mobile numbers under the "Long Distance Calling Party Pays" system; and
- Charges relating to value-added services such as voice mail, call hold, call forwarding, three-way calling and caller identification;
- Mobile services; and
- The sale of telephone sets.

Revenues from data services include:

- Internet dial-up access;
- Asymmetric digital subscriber line (ADSL);
- Dedicated Internet access;
- Managed services;
- Digital private lines; and
- Lease of backbone capacity.

Revenues from pay TV includes charges related to paid TV services, such as premium channels, Pay-Per-View or Video On-Demand.

Revenues from wholesale services are related primarily to the sale of bulk minutes where the cost of minutes depends on the volume of traffic. We also include interconnection fees and other miscellaneous revenues in this group.

Average Revenue per Unit (ARPU)

Average revenue per unit is used as an industry-standard measurement of the average amount of revenue a telecommunications company derives from each customer of its voice business. We calculate average revenue per unit by dividing the total voice revenues for a given period by the average number of voice lines, excluding wholesale lines, in service during such period. Revenues from data and wholesale services are reported separately and are not a factor in calculating average revenue per unit.

We calculate the average revenue per unit for voice lines for each of our business and residential segments. The blended average revenue per unit is affected by our business/residential line mix because business lines tend to generate higher average revenue per unit than residential lines. Total Company average revenue per unit includes public telephony revenues and lines.

Revenue Generating Units (RGUs)

Revenue Generating Units or RGUs are related to the sources of revenue, which may not always be the same as subscriber numbers. One person may subscribe to two different services thereby accounting for only one subscriber but two RGUs.

Revenue Generating Unit can be: a telephone line subscriber, broadband internet subscriber, mobile telephony subscriber or a paid television subscriber. A home or business may contain one or more RGUs. For example, a subscriber to our paid TV services, broadband internet, mobile telephony service and residential telephony service would constitute four RGUs.

Operating Costs and Expenses

Our operating costs and expenses include:

- Network operating costs, which include: (i) technical expenses (comprised of electric power, site leases and maintenance of telecommunications equipment); (ii) installation expenses, when applicable; and (iii) disconnection expenses.
- Selling, general and administrative expenses, which primarily include: (i) salaries, wages and benefits; (ii) fees, which are primarily related to consulting, legal and accounting services; (iii) leasing costs, which are primarily related to our headquarters, warehouses and other facilities; (iv) marketing expenses, which are primarily related to the implementation of our branding campaign, general advertising and promotions; and (v) allowance for doubtful accounts (related to past due accounts receivable); and
- Depreciation and amortization mainly related to frequency rights, telephone network systems and equipment and intangibles.

We anticipate that our operating costs and expenses will generally increase with the size of our network infrastructure and the number of customers served. We expect technical expenses will generally increase as the size and capacity of our network increases. Selling, general and administrative expenses are indirectly related to the number of customers served and some of these expenses are directly related with the acquisition of new customers. Historically, sales commissions, advertising and promotion expenses will increase at approximately the same rate as the number of new customers acquired. Our depreciation and amortization expenses are directly related to our existing fixed assets and to the expansion of our network and acquisition of equipment as well as the increase of intangible assets.

Net finance cost

For presentation purposes, "net finance cost" refers to the combined financial effects of:

- Interest expense and interest income;
- Net foreign exchange gains or losses;
- Gain or loss on extinguishment of debt;
- Effects of valuation of derivative financial instruments; and
- gain on repurchase of our senior notes;

Operating results

The following table sets forth, for the periods indicated, selected statement of operations data calculated in accordance with IFRS and expressed as a percentage of net revenue:

	Year ended December 31,		
	2015	**2014**	**2013**
Revenues, net	100.0%	100.0%	100.0%
Operating cost and expenses:			
Network operating cost	53.8	51.5	46.3
Selling, general and administrative expenses	30.8	28.7	35.4
Depreciation and amortization	15.0	13.7	23.3
Other expenses	7.5	4.9	13.3
Debt restructuring charges	0.0	0.3	8.6
Impairment of long-lived assets	0.0	(2.6)	23.4
Total operating costs and expenses	107.1	96.6	150.3
Operating income (loss)	(7.1)	3.4	(50.3)
Interest expense	(6.6)	(5.8)	(8.7)
Interest income	2.3	1.7	0.7
Foreign currency gain (loss)	(13.3)	(8.7)	(1.9)
Finance charge	(6.5)	(2.4)	0.0
Gain (loss) on the extinguishment of debt	8.1	0.0	10.1
Gain (loss) on valuation of derivative financial instruments	-	-	(0.4)
Net finance costs	(16.1)	(15.2)	(0.1)
Income tax and deferred income tax, net	(1.5)	0.5	(0.6)
Net loss of the year	(24.7)	(11.3)	(51.1)

Items that could be subsequently reclassified in results			
Effective portion generated by financial instruments	(0.1)	1.9	-
Deferred income tax	0.0	(0.6)	-
	(0.1)	1.3	-
Comprehensive loss of the year	(24.8)%	(10.0)%	(51.1)%

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net revenues

Our net revenues decreased 11.9%, from Ps. 2,689.9 million in 2014 to Ps. 2,368.9 million in 2015. The decrease primarily resulted from:

- Residential revenues represented 32.6% of total revenues during 2015, compared with 33.1% in the previous year of 2014. Revenues in the residential business reached Ps. 773.2 million in 2015, a decrease of 13.1% or Ps. 116.3 million in comparison to Ps. 889.5 million in 2014. The effect in revenues is a combination of a decrease in voice services by approximately Ps. 93.9 million, a decrease in paid TV services by approximately Ps. 21.1 million, an increase in data revenues by approximately Ps. 15.0 million and a decrease in mobile services by Ps. 16.3 million.
- Commercial revenues represented 24.2% of total revenues during 2015, compared with 24.9% in 2014. Revenues in the commercial business totaled Ps. 573.0 million in 2015, a decrease of 14.4% or Ps.96.3 million in comparison to Ps.669.3 million in 2014. This decrease in revenues was explained by a reduction of Ps. 124.1 million in income from voice services that was offset by a decrease of Ps.27.2 million in data services.
- Public Telephony represented 2.6% of total revenues during 2015 in comparison with 4.7% in 2014. Revenues in this segment totaled Ps.60.6 million in 2015, a decrease of 52.5% compared to Ps. 127.6 million in 2014. The decrease in the public telephony business was primarily driven by the availability of the number of public telephones and a decrease in the average usage per phone that is driven by the acquisition of more cell phones in the market. Additionally, the assets used to provide this service were sold by the end of October of 2015.
- Wholesale revenues totaled Ps.942.7 million in 2015, a decrease of 4.7% in comparison to Ps. 989.3 million in 2014. The decrease in the wholesale business was mainly driven by less traffic; and
- Revenue from other services accounted for 0.8% or Ps.19.4 million of total revenues in 2015, an increase if compared to the Ps.14.2 million recorded last year. Other revenues are primarily comprised of lease of microwave frequencies and Customer Premise Equipment (CPE) sales.

The following table sets forth our revenues for the periods indicated below:

	Year Ended December 31,				
	2015		2014		%
		(In millions)			
Residential	Ps.	773.2	Ps.	889.5	(13.1)%
Commercial		573.0		669.3	(14.4)%
Public telephony		60.6		127.6	(52.5)%
Wholesale		942.7		989.3	(4.7)%
Other revenues		19.4		14.2	(36.0)%
Total revenues	Ps.	2,368.9	Ps.	2,689.9	(11.9)%

The following table presents a breakdown of our ARPU for the periods indicated below:

	ARPU				
	2015		2014		%
	(In millions)				
Monthly charges	Ps.	161.9	Ps.	158.1	2.4%
Usage		61.6		92.4	(33.3)%
Subtotal		223.5		250.5	(10.8)%
Non-recurring		4.8		4.8	(0.0)%
Total	Ps.	228.3	Ps.	255.3	(10.6)%

Total ARPU (we calculate average revenue per unit by dividing the total voice revenues for a given period by the average number of voice lines, excluding wholesale lines, in service during such period) decreased 10.6% from Ps.255.3 in 2014 to Ps.228.3 in 2015. The ARPU decreased because the growth of RGUs base was not proportional to revenues. The major changes in absolute and relative terms were: (i) an increase in monthly charges of 2.4% from Ps.158.1 in 2014 to Ps.161.9 in 2015; and (ii) a 33.3% decrease in usage from Ps.92.4 in 2014 to Ps.61.6 in 2015.

Revenue Generating Units (UGIs)

The term RGU represents an individual service subscriber who generates recurrent revenue for us. During 2015, we disconnected a total of 76,968 RGUs. As of December 31, 2015, Maxcom reported a total of 545,872RGUs, a decrease of 12.4% in comparison to the same period last year.

The following table presents a breakdown of our RGUs by type of customer as of December 31, 2015 and 2014 and their percentage variation:

	2015	2014	%
RGUs:			
Residential	408,408	474,735	(14.0)%
Commercial	117,382	100,696	16.6%
Public Telephony	-	33,634	-
Wholesale	20,082	13,775	45.8%
Total UGIs	545,872	622,840	(12.4)%

Operating Costs and Expenses

Our operating costs and expenses decreased by 2.3% from Ps. 2,597.5 million as of December 31, 2014 to Ps. 2,537.2 million in 2015. This decrease was mainly due to:

- A decrease of Ps. 118.4 million, or 9.7% in network operating services resulting mainly from
  - A Ps. 11.4 million increase in TV content costs.
  - A Ps 8.3 million increase in network associated costs
  - A Ps.51.9 decrease in long-distance interconnection costs.
  - A Ps.0.5 million decrease in local interconnection costs.
  - A Ps. 64.9 decrease in costs related to mobile telephony.
  - A Ps.20.8 million decrease in costs related to public telephony.

- A Ps.5.4 million, or 7.7%, increase in technical expenses primarily due to:
  - A Ps.12.4 million increase in network maintenance costs; and,
  - A Ps.7.0 million increase in other technical expenses.

- Installation expenses in 2015 decreased by Ps.0.5 million or 22.3%.

- A Ps.12.2 million, or 3.3% decrease in depreciation and amortization expenses and

- Selling, general and administrative expenses decreased by Ps.42.9 million, or 5.6% mainly due to:
    - A Ps.16.3 million decrease in salaries, wages and benefits.
    - A Ps.30.4 million decrease in bad debt reserve.
    - An increase of Ps.8.3 million in rents.

Net Finance Cost

Our comprehensive finance cost was Ps. 380.3 million as of December 31, 2015, a decrease of Ps.29.8 million compared to Ps. 410.1 million in 2014.

The following table sets forth our comprehensive finance cost for the periods indicated below:

	Year Ended December 31,				
	2015		2014		%
	(In million)				
Interest expense	Ps.	(157.2)	Ps.	(157.3)	(0.1)%
Interest income		54.4		46.6	16.7%
Foreign currency (loss) gain		(314.2)		(234.3)	34.1%
Gain on extinguishment of debt		36.7		(65.1)	-
Net finance cost	Ps.	(380.3)	Ps.	(410.1)	(7.3)%

The decrease of net finance cost was primarily due to:

- A Ps.0.1 million or 0.1% decrease in interest expense. The variation on this item is minimal despite the bond repurchases, as the exchange rate has depreciated significantly during 2015. The interest rate of the bonds remains at 6% both in 2015 and 2014.

- We had a Ps.7.8 million or 16.7% increase in interest income, derived from a higher profit generation of the hedges;

- A Ps.314.2 million foreign currency loss compared to a foreign currency loss of Ps.234.3 million recognized in 2014 mainly due to a depreciation of the Mexican Peso of 16.9% during 2015 compared to a 12.6% depreciation in 2014; and

- A positive effect of 156.4% or Ps. 101.8 million related to the profit generated by the repurchase of bonds during 2015.

Net Losses

	Year Ended December 31,			
	2015		2014	
	(In million)			
Revenues - net	Ps.	2,368.9	Ps.	2,689.9
Total operating cost and expenses		2,537.2		2,597.5
Net finance cost		(380.3)		(410.1)
Taxes		(35.7)		12.4
Net loss for the year	Ps.	(584.3)	Ps.	(305.3)

We incurred losses of Ps.584.3 million for the year ended December 31, 2015 as compared to losses of Ps. 305.3 million for the year ended December 31, 2014. The losses for the year ended December 31, 2015 are mainly due to lower revenue generation and the effects of the exchange rate volatility.

Tax Provisions

During 2015, we recorded an expense of Ps.35.7 million in tax provisions of companies of the group, compared to the benefit of Ps.12.4 million registered in 2014.

New Income Tax Law

In October of 2013, the chambers of Senators and Deputies approved the issuance of a new Income Tax Law (LISR), which came into force on January 1, 2014, abrogating the Income Tax Law published on January 1, 2002 (previous Income Tax Law). The new Income Tax Law collected the essence of the previous one, however, it has important modifications, among which the following ones are the most relevant.

i. It limits deductions of contributions to pension funds and exempt wages, car leasing, consumption in restaurants and social security contributions; also it eliminates the immediate deduction of fixed assets.

ii. It modifies the mechanics to accumulate income from term disposals and generalizes the procedure for determining the gain on disposal of shares.

iii. Modifies the procedure to determine the tax base for Employee Profit Sharing (PTU), establishes the mechanism for determining the initial balance of the Capital Contribution Account (CUCA) and the Fiscal Net Income Account (CUFIN).

iv. Establishes a rate of income tax (ISR) applicable for 2014 and subsequent years of 30%; unlike the previous Income Tax Law which established a rate of 29 to 28% for 2014 and 2015 respectively.

v. The direct cost system and the valuation method of last-in first-out are eliminated.

vi. It establishes an additional tax of 10% on dividends declared on profits generated starting on 2014 to residents abroad and Mexican individuals, the deductions will be made by the company that declared the dividend and will be considered final payment.

The Company reviewed and adjusted the deferred tax balance as of December 31, 2013, considering the application of these new provisions in the determination of the temporary differences, whose impacts are detailed in the reconciliation of the effective tax rate presented below. However, the effects of limiting deductions and other previously stated effects apply starting on 2014, and affect mainly the tax incurred from that year onwards.

Reconciliation of effective tax rate:

	2015		2014	
	%	$	%	$
Loss before income taxes		Ps.(548,605)		Ps.(317,626)
Total tax expense (benefit) using the Company's domestic tax rate	27%	145,758	(31%)	99,941
Inflationary effect	(1%)	4,627	(30%)	96,119
Non-deductible employee benefits	0%	1,463	(1%)	1,783
Unrealized exchange rate loss and doubtful accounts (non-deductible)	(42%)	(233,087)	51%	(161,639)
Unrecognized deferred tax assets	(1%)	6,999	2%	(6,387)
Other	(7%)	38,576	5%	(17,450)
	7%	Ps. (35,664)	(4%)	Ps. 12,367

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Net revenues

Our net revenues increased 9.0%, from Ps.2,467.7 million in 2013 to Ps.2,689.9 million in 2014. The increase primarily resulted from:

- Residential revenues represented 33.1% of total revenues during 2014, compared with 38.1% in the previous year of 2013. Revenues in the residential business reached Ps.889.5 million in 2014, a decrease of 5.3% or Ps.49.9 million in comparison to Ps.939.4 million in 2013. The effect in revenues is a combination of a decrease in voice services by approximately Ps.55.4 million, a decrease in paid TV services by approximately Ps.11.9 million, an increase in data revenues by approximately Ps.19.6 million and a decrease in mobile services by Ps.2.2 million.
- Commercial revenues represented 24.9% of total revenues during 2014, compared with 25.9% in 2013. Revenues in the commercial business totaled Ps.669.3 million in 2014, an increase of 4.7% or Ps.29.8 million in comparison to Ps.639.5 million in 2013. This increase in revenues was explained by an increase of Ps.41.3 million in voice services that was offset by a decrease of Ps.11.5 million in data services.
- Public Telephony represented 4.7% of total revenues during 2014 in comparison with 5.9% in 2013. Revenues in this segment totaled Ps.127.6 million in 2014, a decrease of 12.7% compared to Ps.146.2 million in 2013. The decrease in the public telephony business was primarily driven by the availability of the number of public telephones and a decrease in the average usage per phone that is driven by the acquisition of more cell phones in the market
- Wholesale revenues totaled Ps.989.3 million in 2014, an increase of 36.5% in comparison to Ps.724.7 million in 2013. The increase in the wholesale business was mainly driven by higher traffic; and
- Revenue from other services accounted for 0.5% or Ps.14.2 million of total revenues in 2014, a decrease from the Ps.17.9 million recorded last year. Other revenues are primarily comprised of lease of microwave frequencies and Customer Premise Equipment (CPE) sales.

The following table sets forth our revenues for the periods indicated below:

	Year Ended December 31,		
	2014	2013	%
	(In millions)		
Residential	Ps. 889.5	Ps. 939.4	(5.3)%
Commercial	669.3	639.5	4.7%
Public telephony	127.6	146.2	(12.7)%

Wholesale	989.3	724.7	36.5%
Other revenue	14.2	17.9	(20.7)%
Total revenues	Ps. 2,689.9	Ps. 2,467.7	9.0%

The following table presents a breakdown of our ARPU for the periods indicated below:

	ARPU		
	2014	2013	%
	(In millions)		
Monthly charges	Ps. 158.1	Ps. 162.2	(2.5)%
Usage	92.4	98.5	(6.2)%
Subtotal	250.5	260.7	(3.9)%
Non-recurring	4.8	5.0	(4.0)%
Total	Ps. 255.3	Ps. 265.7	(3.9)%

Total ARPU (we calculate average revenue per unit by dividing the total voice revenues for a given period by the average number of voice lines, excluding wholesale lines, in service during such period) decreased 3.9% from Ps.265.7 in 2013 to Ps.255.3 in 2014. The ARPU presented a diminution because the growth of RGUs base not was proportional at the revenues. The major changes in absolute and relative terms were: (i) a decrease in monthly charges of 2.5% from Ps.162.2 in 2013 to Ps.158.1 in 2014; (ii) a 6.2% decrease in usage from Ps.98.5 in 2013 to Ps.92.4 in 2014; and (iii) a 4.0% decrease in non-recurring charges from Ps.5.0 in 2013 to Ps.4.8 in 2014.

Revenue Generating Units (UGIs)

The term RGU represents an individual service subscriber who generates recurrent revenue for us. During 2014, we connected a total of 4,974 RGUs. As of December 31, 2014, Maxcom reported a total of 622,840 RGUs, an increase of 0.8% in comparison to the same period last year.

The following table presents a breakdown of our RGUs by type of customer as of December 31, 2014 and 2013 and their percentage variation:

	2014	2013	%
RGUs:			
Residential	474,735	483,008	(1.7)%
Commercial	100,696	82,943	21.4%
Public Telephony	33,634	35,044	(4.0)%
Wholesale	13,775	16,871	(18.4)%
Total lines	622,840	617,866	0.8%

Operating Costs and Expenses

Our operating costs and expenses decreased by 30.0% from Ps.3,709.4 million as of December 31, 2013 to Ps.2,597.5 million in 2014. This decrease was mainly due the occurrence of extraordinary events during 2013, such as: i) impairment recognition of Ps.578.3 million; and ii) recognition of legal and professional expenses related to the reorganization and recapitalization process by an amount of Ps.212.0 million.

- A Ps.219.2 million, or 22.0% increase in network operating services resulting mainly from

- A Ps.248.7 million increase in costs related to long distance interconnection due to higher wholesale operation.
- A Ps.3.8 million increase in TV content costs.
- A Ps.19.0 million in higher local interconnection costs.
- A Ps.3.4 million decrease in costs related to mobile interconnection costs.
- A Ps.6.7 million decrease in costs related to public telephony.
- A Ps.4.8 million decrease in costs related to fixed to mobile interconnection.

- A Ps.23.0 million, or 16.1%, increase in technical expenses primarily due to:
  - A Ps.22.5 million increase in network maintenance costs; and,
  - A Ps.0.5 million increase in other technical expenses.

- Installation expenses in 2014 decreased by Ps.1.2 million or 32.0%.

- A Ps.206.1 million, or 35.9% decrease in depreciation and amortization expenses

- Selling, general and administrative expenses decreased by Ps.100.7 million, or 11.5% mainly due to:
  - A Ps.39.5 million increase in salaries, wages and benefits.
  - A Ps.49.5 million decrease in external services.
  - A Ps.47.7 million decrease in bad debt reserve.

Net Financing Cost

Our comprehensive financing cost was Ps.410.1 million as of December 31, 2014, a decrease of Ps.406.7 million compared to Ps.3.4 million in 2013.

The following table sets forth our comprehensive cost of financing for the periods indicated below:

	Year Ended December 31,				
	2014		2013		%
	(In million)				
Interest expense	Ps.	(157.3)	Ps.	(214.3)	(26.6)%
Interest income		46.6		18.3	154.6%
Foreign currency (loss) gain		(234.3)		(46.6)	402.8%
Gain on extinguishment of debt		(65.1)		248.5	—
Gain (loss) on valuation of derivative financial instrument		—		(9.3)	(100.0)%
Net finance cost	Ps.	(410.1)	Ps.	(3.4)	11,961.8%

The increase of net finance cost was primarily due to:

- A Ps.57.0 million or 26.6% of decrease in interest expense, was mainly due by the effect of interest rate recognized on 2013 of the Senior notes due 2014 (11%) and the recognition in 2014 of Step-Up Senior Notes due 2020 (6%).

- We had a Ps.28.3 million or 154.6% increase in the item of interest income, derived from a surplus in cash of the Company by the capital contributions made in the last quarter of 2013;

- A Ps.234.3 million foreign currency loss compared to a net foreign currency loss of Ps.46.6 million recognized in 2013 mainly due to a depreciation of the Mexican Peso of 12.6% during 2014 compared with a depreciation of 0.5% during 2013;

- A Ps.9.3 million effect from the valuation of derivative financial instruments. New swaps were contracted with Morgan Stanley (France) and Credit Suisse in January 2014, these being for hedging, however the valuation effects are directly recognized in equity unlike the swaps contracted in 2013, which effects were recognized in results; and

- A Ps.248.6 million effect related to the fair value recognition of the new debt in 2013.

Net Losses

	Year Ended December 31,			
	2014		2013	
	(In million)			
Revenues - net	Ps.	2,689.9	Ps.	2,467.7
Total operating cost and expenses		2,597.5		3,709.4
Net finance cost		(410.1)		(3.4)
Income tax expense		12.4		(15.3)
Net loss for the year	Ps.	(305.3)	Ps.	(1,260.4)

We incurred losses of Ps.305.3 million, for the year ended December 31, 2014 as compared to losses of Ps.1,260.4 million for the year ended December 31, 2013.

The losses for the year ended December 31, 2014 are mainly related to the volatility in the exchange rate, having a direct impact on the valuation of our debt, however, when comparing the loss recognized at the end of December 31, 2013 it is much lower, considering that in 2013 non-recurring charges regarding the debt restructure process and impairment analysis were recognized.

Tax Provisions

During 2014, we recorded an income of Ps.12.4 million in tax provisions of some companies of the Group, compared to the debit of Ps.15.3 million registered in 2013.

Tax reform impacts

On December 11, 2013 was issued the decree by the President in the Oficial Gazette of the Federation (DOF, for its acronym in Spanish) amending; supplementing and repealing several tax laws which apply from 2014. The most significant Company´s affections are described below:

General provisions: The Income Tax Law (Ley del Impuesto Sobre la Renta or “LISR”) includes changes to the tax rate (30% for 2014), to authorized deductions, to as the moments for income recognition or deductions, as well as changes in some regimes.

Employee benefits: Worker remunerations that represent an exempt item of income for the employee, such as fringe benefits, employees’ savings and loan funds, severance payments, annual bonus, overtime, vacation premium, Sunday premium and exempt portion of PTU, may only be deducted to 47% or 53%. The tax reform also states that the deduction for contributions to pension and retirement funds’ will be limited to 47% or 53% of the contribution made during the year.

Flat Rate Business Tax Law (Ley del Impuesto Empresarial a Tasa Única or “LIETU”) and Cash Deposit Tax Law (Ley del Impuesto a los Depósitos en Efectivo or “LIDE”): These laws are repealed, and transition provisions are established to secure the rights and obligations acquired during the effective term of the law.

VAT: The 16% rate is standardized throughout the country, by eliminating the 11% rate applicable to the border zone.

Reconciliation of effective tax rate:

	2014		2013	
	%	$	%	$
Loss before income taxes		Ps.(333,138)		Ps.(1,235,424)
Total tax expense (benefit) using the Company's domestic tax rate	(30%)	99,941	(30%)	370,627
Inflationary effect	(29%)	96,119	4%	(50,642)
Non-deductible employee benefits	(1%)	1,738	1%	(2,330)
Unrealized exchange rate loss and doubtful accounts (non-deductible)	49%	(161,639)	2%	(25,301)
Unrecognized deferred tax assets	2%	(6,387)	24%	(282,638)
Other	5%	(17,450)	1%	(25,021)
	4%	Ps. 12,367	2%	Ps. (15,305)

Resources from Operating, Financing and Investing Activities

	At December 31, 2015	2014	%
	(Thousands of Pesos)		
Net resources from (used in) operating activities	Ps. (61,951)	Ps. 469,370	N.A.
Net resources from (used in) investing activities	(737,284)	(887,911)	(17.0%)
Net resources from (used in) financing activities	63,074	(117,146)	N.A.

	At December 31, 2014	2013	%
	(Thousands of Pesos)		
Net resources from (used in) operating activities	Ps. 469,370	Ps.169,368	177.1%
Net resources from (used in) investing activities	(887,911)	(384,844)	130.7%
Net resources from (used in) financing activities	(117,146)	2,019,568	N.A.

Historically, our resources generated from operating activities have not been sufficient to meet our debt service, working capital and capital expenditure requirements. We have relied on private equity, capital markets and vendor financing. Under IFRS our earnings were insufficient to cover our fixed charges by Ps. 548.6 million in 2015, Ps. 317.6 million in 2014 and Ps. 1,212.4 million in 2013.

As of December 31, 2015, we had Ps. 795.3 million of cash and cash equivalents, compared to. Ps. 1,443.1 million in 2014 and Ps. 1,953.7 million in 2013.

Resources from (used in) Operating Activities

For the year ended December 31, 2015, the Company reported a balance in resources used in operating activities of Ps.62.0 million, compared with a balance in resources generated from operating activities of Ps.469.4 million in the same period of 2014. This difference resulted mainly from an increase of Ps.231.0 million in net loss and a decrease of Ps.84.2 million in items not affecting cash, included in the net loss. Additionally, in 2015 we reported a decrease in the cash flow of Ps. 149.1 million derived from changes in working capital items, against an increase in the cash flow of Ps.48.4 million reported in 2014.This decrease in cash flow resulted mainly from:

- An increase of Ps.37.7 million in resources from accounts receivable;
- An decrease of Ps.258.7 million in resources from liabilities; and,
- An increase of Ps.23.5 million in resources from inventory.

For the year ended December 31, 2014, the resources provided by operating activities increased by Ps.300.0 million when compared to the same period in 2013. This increase was mainly due to an increase of Ps.119.7 million in cash generation, which resulted from a decrease of Ps.927.4 million in the net loss and a decrease of Ps.807.7 million in items with no impact on cash, included in the net loss. Additionally, an increase of Ps.168.9 million was obtained as a result of changes in working capital items, detailed below:

- An increase of Ps.137.7 million in resources from accounts receivable;
- An increase of Ps.50.0 million in resources from liabilities; and,
- A decrease of Ps.18.8 million in resources inventory.

Resources from (used in) Financing Activities

For the year ended December 31, 2015, the Company posted a balance in resources generated from financing activities of Ps.63.1 million compared with a balance of Ps.117.1 million in net resources used in financing activities. This difference is mainly explained by:

- Ps.393.0 million generated from capital stock;
- Ps.13.7 million decrease from more interest paid;
- Ps.199.0 million decrease from other financing activities, mainly related to repurchase of Senior Notes which was partially offset by the credit contracted with Bancomext.

For the year ended December 31, 2014, the Company posted a net balance in resources used in financing activities of Ps.117.1 million compared with a net balance of Ps.2019.6 million in resources generated from financing activities. This difference is mainly explained by:

- Reduction of Ps.2,139.5 million from capital stock;
- Ps.21.3 million increase in resources from lower interest paid; and,
- Ps.18.5 million decrease in resources from other financing activities, mainly related to repurchase of Senior Notes and shares during 2012 and 2013.

Resources from (used in) Investing Activities

For the year ended December 31, 2015, net resources used for investing activities decreased by Ps.150.6 million. This change is due to investment in systems and equipment during 2014. This variation stems from lower investments in systems and equipment during 2015.

For the year ended December 31, 2014, net resources used for investing activities increased by Ps.503.1 million. This change is due to investment in systems and equipment during 2014.

Capital Expenditures

Through December 31, 2015, we have invested Ps.800.1 million in telephone network systems and equipment. In 2014 we invested Ps.935.5 million in the expansion of our operating system network support, excluding cumulative pre-operating expenses and expenses related to the issuance of various debt instruments. For the year ended December 31, 2013 the Company made capital investments of Ps.386.5 million.

ii) FINANCIAL SITUATION, LIQUIDITY AND CAPITAL RESOURCES

Financing Sources and Liquidity

Our business is capital intensive. We have historically met our working capital and capital expenditure requirements through our various debt arrangements, vendor financings and raising capital. As of December 31

2015, we had Ps.795.3 million of cash and cash equivalents and Ps.316.6 million in working capital. As of December 31, 2014 we had Ps.1,443.1 million in cash and equivalents and Ps.140.3 million in working capital. We maintain the majority of our cash with Mexican banks, and it is invested daily in Mexican Pesos denominated interest bearing securities.

Our principal uses of cash have included debt service, capital investments and working capital. We expect that these will remain our principal uses of cash in the future; however, we may use cash to pursue acquisitions. Maxcom expects to use approximately Ps.550 million in cash during 2016 to fund its investments program that considers mainly the construction of the last-mile connectivity for commercial customers, the maintenance of the residential customer base, the increase in capacity of our network infrastructure and the renewal of equipment. From this amount we have spent already Ps 130.2 million as of March 31, 2016. At December 31, 2015 the estimated cost to complete our construction in progress was approximately Ps.481.5 million, which is expected to be concluded before December 31, 2016.

Recapitalization and Debt Restructuring

On December 4, 2012 Maxcom received an offer from Ventura Capital Privado, S.A. de C.V., (“Ventura”) to acquire for cash, at a price equal to Ps.2.90 (two Pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom pursuant to a public tender (the “Tender”) to be conducted, upon authorization of the Mexican and U.S. corresponding governmental authorities. As part of such transaction, Ventura committed to subscribe a capital increase of at least USD$22 million.

Ventura’s obligation to consummate the tender was subject to i) acquiring more than 50% of all shares outstanding and ii) a successful completion of an offer to exchange Maxcom’s outstanding 11% Senior Notes Due 2014.

On February 20, 2013 Maxcom commenced an offer to exchange all of its outstanding 11% Senior Notes due 2014 for new Step-Up Senior Notes due 2020 (“Step-Up Senior Notes”). On the same date, Ventura initiated an equity tender offer to acquire 100% of the issued and outstanding shares of Maxcom.

After several intents Maxcom informed on April 24, 2013, that since the conditions for the consummation of the exchange offer were not satisfied, such exchange offer was not executed.

In light of this outcome, Maxcom considered all of its alternatives including, but not limited to, commencement of a Chapter 11 case or other restructuring proceeding.

On June 18, 2013 Maxcom announced its intention to use a 30-day grace period with respect to its scheduled interest payment of approximately USD$11 million on its 11% Senior Notes due 2014 to implement a comprehensive plan of recapitalization.

On July 3, 2013 Maxcom, Ventura, an ad hoc group of bondholders (the “Ad Hoc Group”) holding an aggregate amount of approximately USD$84 million of Maxcom’s Senior Notes due 2014, and certain of its current equity holders reached an agreement on the terms of a restructuring and support agreement, a recapitalization agreement. In connection with this comprehensive restructuring process, Maxcom entered into a recapitalization agreement with Ventura and certain related shareholders, pursuant to which the Ventura also agreed to make a capital contribution of at least USD$45 million dollars and conduct a tender offer to acquire for cash, at a price equal to Ps.2.90 (two Pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom.

On July 23, 2013, the Company commenced voluntary case under chapter 11 of the United States Code, 11 U.S.C. §§ 101-1532, in the United States Bankruptcy Court for the District of Delaware to effect the restructuring as set forth in the plan of reorganization (the “Plan”), including the issuance of new step-up senior notes by the Company.

On September 10, 2013, the U.S. Bankruptcy Court for the District of Delaware confirmed the Company's Plan. The only class of creditors entitled to vote, the holders of the Senior Notes 2014, overwhelmingly voted in favor of the Plan and no party objected to confirmation of the Plan.

Pursuant to the terms of the Plan, all classes of creditors were unimpaired and their payments were not affected, except for the holders of Maxcom's Senior Notes 2014, which received (i) the step-up senior notes due 2020 (which include the capitalized interest amount for unpaid interest accrued on the Senior Notes 2014 from (and including) April 15, 2013 through (and excluding) June 15, 2013, at the rate of 11% per annum), (ii) cash in the amount of unpaid interest accrued on the Senior Notes 2014 (A) from (and including) December 15, 2012 through (and excluding) April 15, 2013, at the rate of 11% per annum, and (B) from (and including) June 15, 2013 through (and excluding) the effective date of the Plan at the rate of 6% per annum, and (iii) rights to purchase equity that is unsubscribed by the Company's current equity holders pursuant to the terms of the Plan.

On September 27, 2013 Ventura completed the equity tender offer to acquire equity, acting through the Trust 1387 held by Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, a banking institution organized and existing under the laws of the United Mexican States and other investors. As part of this transaction, Ventura investors became the major shareholder in the Company.

On October 2, 2013, Maxcom held a general ordinary shareholders' meeting that approved among other things, a capital increase of approximately Ps.2,999.1 million.

According to the terms of the Plan, on October 11, 2014, Maxcom issued new Step-Up Senior Notes due 2020 in an aggregate principal amount of USD$180,353,962, which reflects the amount of the Senior Notes 2014 less the amount of Senior Notes 2014 held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest (i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum, (ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and (iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Senior Notes 2014; and (iv) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

The Step-Up Senior Notes are governed by indenture that Maxcom and its subsidiaries entered into with The Deutsche Bank Trust Company Americas, acting as trustee, on October 11, 2013. The indenture governing our Step-Up Senior Notes contains certain covenants that among other things, limit the ability of the Company and subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of the Company's subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates

Pursuant to the terms of the indenture governing Maxcom's Step-Up Senior Notes, Maxcom used 50% of the capital contribution made by the Ventura investors to make an offer to repurchase Step-Up Senior Notes, but only to the extent such capital contribution that exceeded USD$5 million, at a price equal to 85% for the principal amount of the notes, in cash. This tender offer was initiated on November 8, 2013 and consummated on December 12, 2013, accepting the purchase and payment of validly tendered Step-Up Senior Notes in an amount of USD$2,544,811.

During December 2013, a few of the Step-Up Senior Bond Holders exercised their equity purchase rights, thereby the company exchanged bonds worth Ps.23.3 million (equivalent to USD$ 1.8 million) at carrying value, for 22,655,679 Series "A" common stock shares. The rest of the equity purchase rights held by the remaining Step-Up Senior Bond Holders were extinguished, as the right to convert them had expired in December 2013. As a result of the above events, Maxcom decreased the liability valued at its fair value of Ps.33.4 million (equivalent to USD$2.6 million). The shares issued were recognized as an increase of capital stock and additional paid-in-capital of Ps.22.1 million (equivalent to USD$1.7 million dollars) and Ps.34.6 million (equivalent to USD$2.7 million), respectively.

The indenture governing the Step-Up Senior Notes due 2020 prohibits us from incurring additional indebtedness (other than permitted indebtedness) unless our leverage coverage ratio would be no greater than (i) 4.25 to 1 in the case of any incurrence or issuance on or before December 31, 2013, (ii) 4.00 to 1 in the case of any incurrence or issuance on or after January 1, 2014 and on or before December 31, 2014 and (iii) 3.50 to 1 in the case of any incurrence or issuance on or after January 1, 2015, determined on a pro forma basis (including a pro forma application of the net proceeds there from). Our leverage ratio as of a specific date is the ratio of (i) the aggregate principal amount of our outstanding indebtedness plus the amount of all obligations in respect of the repayment of certain specified stock and the liquidation preference of preferred stock of our restricted subsidiaries to (ii) our aggregate EBITDA for the period consisting of the last two full fiscal quarters for which financial statements are publicly available multiplied by two. Regardless of our leverage ratio, we may incur permitted indebtedness, which includes, among other things:

- indebtedness, not to exceed USD$15.0 million at any time outstanding, represented by capital lease obligations, financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the permitted business of the company, in an aggregate principal amount, including all permitted refinancing indebtedness incurred to renew, refund, refinance, replace, decrease or discharge any such indebtedness;

- hedging obligations for the purpose of managing our exposure to fluctuations in interest rates with respect to indebtedness permitted to be incurred by us pursuant to the indenture or protecting us against currency fluctuations in the ordinary course of business and not for speculative purposes; and

- indebtedness not to exceed USD$20.0 million in an aggregate principal amount at any time outstanding, including all permitted refinancing indebtedness incurred to renew, refund, refinance, replace, decrease or discharge such indebtedness.

The indenture governing our Step-Up Senior Notes due 2020 contains events of default, including, without limitation, (subject to customary grace periods, cure rights and materiality thresholds) defaults based on (i) the failure to make payments of interest or principal when due, (ii) breaches of covenants, (iii) cross-defaults and cross acceleration to other material indebtedness, (iv) bankruptcy events, (v) material judgments and (vi) the actual or asserted invalidity of any guarantee. If any such event of default occurs, the notes could be declared due and immediately payable. Subject to certain exceptions, the indenture prohibits us and any of our restricted subsidiaries from entering into an affiliate transaction, unless (i) the transaction is on terms no less favorable to us or the relevant restricted subsidiary than those that would have been obtained in a comparable transaction by us or such restricted subsidiary with an unrelated entity; (ii) in transactions involving in excess of USD$2.5 million, a majority of the disinterested directors have determined that the transaction complies with (i); and (iii) in transactions involving in excess of USD$6.0 million, we deliver to the trustee a fairness opinion from an investment banking firm of national standing.

iii) INTERNAL CONTROL.

We have been busy on maintaining a control environment that allows us to provide security in the conducting and recording of our operations, as well as the generation of reliable and timely information to support management on decision-making, and to disclose to third parties interested in our financial situation. This function is in charge of our officers and its operation rests on the heads of each one of the key business processes.

Control environment.

Fulfills the regulatory framework of: the attitude of the management and staff in general to our established controls; organizational structure; methodology to assign and delegate authority and responsibility;

integrity and competence of personnel working in the various subsidiaries, as well as communication and relationship with external regulatory bodies such as CNBV.

Structure of potential business risks.

There are specific process controls, identifying the points where eventually actions that undermine the achievement of business targets might occur; this strengthens the effectiveness and efficiency of operations and includes organizational goals, resource protection against potential losses and misuse, as well as the assurance that risks are properly identified and managed.

Procedures on financial and management information generation and issuance systems.

Controls have been established for the proper maintenance of accounting records that grant reliability and certainty to the information used within the organization and published for the authorities and for third parties; this implies the protection of records against unauthorized access and protection of possible distortions or negative repercussions to operating results. The financial information generation and issuance system, includes policies and procedures designed for the proper safeguarding of assets, the efficiency and effectiveness of operations, and the timely presentation of financial information in accordance with the International Financial Reporting Standards (IFRS) and the applicable legal provisions.

Derived from the LMV, the Audit Committee and the Corporate Practices Committee were created, getting support of the functions of internal and external audit for its activities; they are composed only by Independent Board Members and within their functions stands out:

- To appoint, monitor, evaluate and remove the external auditor, determining his fees and activities to do.
- To review internal control guidelines, accounting policies, additional services that the auditor can provide.
- To discuss the financial statements with management and the external auditor, to propose their approval by the Board.
- To give its opinion on transactions with related persons.
- To ensure that operations with related and relevant persons comply with the provisions of LMV.
- To give its opinion on the performance, remuneration and loan granting to relevant executives.
- If required, request opinions from independent experts.
- If required, convene Shareholders' Meetings.

iv) INFORMATION OF GUARANTOR SUBSIDIARIES

In the emission of the Step-Up Senior Notes maturing in 2020 all the subsidiaries of, Maxcom excluding Fundación Maxcom, A.C. act as guarantors.

Maxcom Telecomunicaciones, S.A.B. de C.V. and Subsidiaries

(Thousands of Mexican Pesos)

	MAXCOM	MSA	CTE	OOP	TECBTC	MSF	MUSA	MTV	TLR	SUSA	TLS	SCG	ATE	CEL	SMSF	Elimination	Consolidated
Balance sheet as of December 31, 2015																	
Cash and cash equivalents and Current restricted cash	780,882	1,958	4,052	438	360	2,128	-	-	217	1,129	-	-	10	-	4,124	-	795,298
Accounts receivable - net	388,865	-	-	-	-	-	-	-	-	(0)	-	-	-	-	-	-	388,864
Value added tax, receivable	749,844	(118,987)	(57,651)	(19,469)	(58,625)	(596)	-	(56)	(24,172)	-	(1,681)	(2,541)	(11)	-	(170,396)	-	295,659
Related parties	(538,201)	190,975	56,979	38,370	81,351	8,400	68	(451)	23,072	7,667	10,048	18,369	43	50	203,855	(100,594)	(0)
Other accounts receivable	43,343	17	(53)	0	(18)	3	-	-	41	-	-	-	-	-	94	-	43,427
Inventory - net	29,177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,177
Prepaid expenses	18,720	-	5	-	5	-	-	-	-	15	-	-	-	-	-	-	18,744
Investment in subsidiaries																	-
Network telephony system and equipment - net	3,645,580	-	-	-	-	-	-	-	53,233	2,594	20,985	5,464	-	-	-	-	3,727,856
Investment properties - net	38,112	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,112
Intangible assets - net	222,853	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	222,853
Restricted cash to LT	15,383	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,383
Deferred taxes		1,078	2,287	332	559	-	-	-	-	-	-	-	-	-	2,335	-	6,591
Derivative financial instruments																	-
Other assets	10,018	-	107	-	-	-	-	-	635	14	-	-	-	-	-	-	10,774
Total Assets	**5,404,575**	**75,041**	**5,726**	**19,672**	**23,631**	**9,935**	**68**	- **507**	**53,025**	**11,420**	**29,351**	**21,292**	**42**	**50**	**40,012**	**(100,594)**	**5,592,738**
Total Liabilities	**2,730,800**	**7,081**	**10,977**	**4,449**	**7,133**	**-**	**-**	**3**	**605**	**-**	**63**	**-**	**-**	**-**	**31,969**	**-**	**2,793,080**
Shareholders' Equity:																	-
Capital stock	7,528,698	66	96	55	53	171,497	127	55	702,304	12	97,874	11,308	50	50	50	(983,599)	7,528,698
Share premium	41,113	-	-	-	-	-	-	-	15,158	13,032	-	-	-	-	-	(28,190)	41,113
Accumulated deficit	(4,928,478)	67,894	(5,348)	15,168	16,445	(161,562)	(59)	(566)	(665,042)	(1,624)	(68,586)	9,983	(8)	-	7,992	911,195	(4,802,595)
Other comprehensive result	32,442	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,442
Total shareholders' equity	**2,673,775**	**67,960**	**(5,252)**	**15,223**	**16,499**	**9,935**	**68**	**(511)**	**52,420**	**11,420**	**29,289**	**21,292**	**42**	**50**	**8,042**	**(100,594)**	**2,799,658**
Total liabilities and shareholders - equity	**5,404,575**	**75,041**	**5,726**	**19,672**	**23,631**	**9,935**	**68**	**(507)**	**53,025**	**11,420**	**29,351**	**21,292**	**42**	**50**	**40,012**	**(100,594)**	**5,592,738**

Maxcom Telecomunicaciones, S.A.B. de C.V. and Subsidiaries
(Thousands of Mexican Pesos)

	MAXCOM	MSA	CTE	OOP	TECBTC	MSF	MUSA	MTV	TLR	SUSA	TLS	SCG	ATE	CEL	SMSF	Elimination	Consolidated
Statements of Comprehensive Income for the year ended December 31, 2015																	
Revenues	2,368,933	75,111	71,443	37,545	70,777	-	-	-	23,514	1,485	1,159	1,497	-	-	363,715	(646,245)	2,368,933
Operating cost and expenses	(2,567,824)	(67,060)	(74,637)	(35,733)	(68,319)	(12)	-	(20)	(13,527)	(1,416)	(450)	(900)	-	-	(353,555)	646,245	(2,537,209)
Finance cost, net	(411,553)	10,221	2,982	2,037	4,412	669	-	-	1	699	-	41	-	-	10,162	-	(380,329)
Taxes	(15,187)	(4,394)	(1,261)	(818)	(3,073)	-	-	(3)	-	-	(283)	-	-	-	(10,645)	-	(35,664)
Other comprehensive result	(3,288)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,288)
Comprehensive income (loss)-net	**(628,919)**	**13,877**	**(1,473)**	**3,032**	**3,796**	**657**	**-**	**(23)**	**9,988**	**768**	**426**	**638**	**-**	**-**	**9,676**	**(0)**	**(587,557)**

Maxcom Telecomunicaciones, S.A.B. de C.V. and Subsidiaries
(Thousands of Mexican Pesos)

	MAXCOM	MSA	CTE	OOP	TECBTC	MSF	MUSA	MTV	TLR	SUSA	TLS	SCG	ATE	CEL	SMSF	Elimination	Consolidated
Statement of Cash Flows for the Year Ended December 31, 2015																	
Net (loss) income the year	-625,631	13,877	-1,473	3,032	3,796	657	-	-23	9,988	768	426	638	-	-	9,676		-584,269
Depreciation and amortization	349,668	-	-	-	-	-	-	-	4,227	914	-	811	-	-	-		355,620
Other adjustments to reconcile net income to cash provided by operating activities	555,417	-13,053	-4,470	-1,828	-3,678	-	-	-	-69,493	-	-	-	-	-	-1,919	-8,494	452,482
Net change in working capital	279,454	824	-5,943	1,204	119	657	-	-23	-55,278	1,683	426	1,450	-	-	7,757	-8,494	223,834
Resources (used in) provided by Operating activities	-2,617,149	385,500	217,769	140,370	526,923	2,885	-	-143	108,579	6,623	3,939	6,890	-29	-	1,358,208	-283,391	-143,025
Resources used in financing activities	391,505	-50,899	-35,725	-15,741	-60,825	-	-	-	-6,426	-	-	-	-	-	-158,816	-	63,074
Resources (used in) provided by investing activities	-791,708	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-791,708
Cash and cash equivalents:																	
Net increase (decrease) in cash and cash equivalents	-2,737,898	335,425	176,101	125,833	466,217	3,542	-	-166	46,876	8,306	4,365	8,340	-29	-	1,207,149	-291,885	-647,825
Beginning balances	1,434,541	927	1,876	424	698	2,128	-	-	237	930	-	29	9	-	1,324	-	1,443,123
Ending balances	-1,303,357	336,352	177,977	126,257	466,915	5,670	-	-166	47,113	9,236	4,365	8,369	-20	-	1,208,473	-291,885	795,298

v) RECENT DEVELOPMENTS

Repurchase of "Step-up Senior Notes Due 2020"

On December, 2015, Maxcom informed investors that it had executed in the open market a repurchase of its Step-up Senior Notes Due 2020 maturing on June 15, 2020 and issued on October 11, 2013 (the "Repurchased Notes") for a face value of USD$816,599. Such transaction was executed at an average price of USD$54.94 for each USD$100.00 of nominal value. The Company also decided to cancel out the Repurchased Notes; having an updated outstanding balance of its Step Senior Notes 2020 of USD$137,566,405.00.

Filing of Value Added Tax Devolutions

During the first quarter of 2016 we filed requests for refund of value added taxes. As of March 31, 2016 fiscal authorities had refunded Ps.45 million.

Shares subsribed and paid for

On April 19 of 2016, according to the resolutions approved by the General Ordinary Shareholders' Meeting held on November 9, 2015 (the "Shareholders' Meeting"), regarding the increase in the variable portion of the capital stock, of as much as Ps.700'000,000.00, through the issuance of 2,100´000,000 shares (equivalent to 700´000,000 ordinary participation certificates ("CPOs")) and according to the faculty granted by the Shareholders' Meeting to the Chairman of the Board of Directors, of the shares that were not subscribed and paid for by the Shareholders of Maxcom, within the term to exercise their preferential right as provided for under article 132 of the General Business Corporation Law, 300´000,000 shares (equivalent to 100´000,000 CPOs) have been subscribed and paid for, at a price of Ps.1.00 per CPO.

Consequently, as of today 1,637´381,286 shares (equivalent to 545´793,762 CPOs), have been subscribed and paid for, thus the Company has received a total amount of Ps.545´793,762.00, as a result of the aforementioned capital increase.

CPOs Trust extinction, Shares Reverse Split and Amendment of Bylaws

On March 1, 2016 we held an extraordinary shareholders general meeting where, among other matters, we resolved: (i) To carry out the delisting on the Mexican Stock Exchange ("BMV") of the CPOs, for their later cancellation from the National Registry of Securities (the "RNV") and eventually the extinction of the CPOs Trust, (ii) To conduct a consolidation (reverse split) of the shares representing the capital stock of Maxcom (the "Inverse Split"), (iii) To request the registration of the shares representing the capital stock of Maxcom at the BMV without a public offering, in the list of authorized securities to be traded in that institution, (iv) To amend the bylaws as a consequence of the aforementioned resolutions.

We expect to conclude the implementation process for the extinction of CPOS Trust and Reverse Split during the month of May of 2016.

Therefore, once the above mentioned process is completed, our securities that will be listed in the BMV, will be ordinary, nominative, without par value Series "A" shares; and the CPOs will cease to be listed in that institution.

Telecommunications Law in Mexico

On March 6, 2014, IFT declared Telmex and Telcel as preponderant economic agents in the telecommunications industry forcing them to meet various asymmetric measures with respect to other telecommunication operators, seeking to balance the market. Among these measures is the obligation to issue and publish the Reference Offers of Wholesale Services of Guest User, Infrastructure Sharing, Dedicated Links and Marketing or Resale of Services for Mobile Virtual Network Operators.

During 2015, we signed the Agreements to subscribe the above mentioned Reference Offers. Among the agreements signed is the Covenant for the Marketing or Resale of Services of Mobile Virtual Network

Operator entered with Telcel on June 16. 2015. On March 9, 2016 the Guidelines for the Operation of Mobile Virtual Network Operators were published.

On December 30, 2015, Telmex´s offer was also published, for the Unbundling of its network, we continue in talks with them to sign the Covenant.

In December 2015, IFT issued the "Guidelines for Collaboration on Security and Justice Matter", by virtue of which the telecommunication operators are obliged to cooperate with the national security authorities, providing information of calls in the specified phone numbers on every request. To such effect, we are obliged to develop a platform for this collaboration, which must be fully implemented by 2018, in addition to the implementation of code "911" as a single number attuned for the attention of emergency services, which we hope to be fully implemented during 2016.

e) ESTIMATES, PROVISIONS OR CRITICAL FINANCIAL RESERVES.

Critical Accounting Policies

The consolidated financial statements attached herein have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). IFRS comprises: i) IFRS; ii) International Accounting Standards (IAS); iii) IFRS Interpretations Committee (IFRS IC) Interpretations, and iv) Standards Interpretations Committee (SIC).

Applications of Critical Accounting Policies and Estimates

We have identified certain key accounting estimates on which our consolidated financial condition and results of operations are dependent. These key accounting estimates most often involve complex matters or are based on subjective judgments or decisions that require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience, where applicable, and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. In addition, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. In the opinion of our management, our most critical accounting estimates under IFRS are those that require management to make estimates and assumptions that affect the reported amounts related to the book value of telephone network systems and equipment, intangible assets, frequency rights, including depreciation and amortization rates, assumptions made for the calculation of the impairment test to long-lived assets; valuation of allowances for receivables, inventories, construction in progress of telephone network systems and equipment and the recognition of deferred income tax assets; valuation of financial instruments; and obligations related to employee benefits. For a full description of all of our accounting policies, see note 5 to the consolidated financial statements included in this document.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and
- changes in the estimate or different estimates that we could have selected would have had a material impact on our financial condition or results of operations.

Allowance of Doubtful Accounts Receivable

The allowance for doubtful accounts represents our estimate of losses resulting from the failure or inability of our customers to make required payments. Determining our allowance for doubtful accounts receivable requires significant estimates. Due to the large number of customers that we serve, it is impractical to review the creditworthiness of each of our customers, although a credit review is performed for business customers that request more than two lines. We consider a number of factors in determining the proper size and timing for the recognition of and the amount of the allowance, including historical collection experience, customer base, current economic trends and the aging of the accounts receivable portfolio. From this analysis, our current policy is to reserve an amount equal to 90% and 100% of invoices due over 91 days but less than 120 days, and over 121 days, respectively, except when there is a negotiated agreement with a customer. In such cases, the allowance amount is 30% with balances due over 91 days if there is not a negotiation settled with the client.

In addition, in order to mitigate collection risk, our collection procedures include, but are not limited to, periodic reminder phone calls once a customer is past due, suspension of service, use of a collection agency and disconnection of service, if needed. Furthermore, within our network we have systems to detect fraudulent call activity. If these systems fail to identify this activity, we may have to recognize a higher degree of uncollectible accounts. While we believe that our estimates are reasonable, changes in our customer trends or any of the factors mentioned above could materially affect our bad debt expense. At December 31, 2015 and 2014, our provision for bad debt was Ps.302.4 million and Ps.244.1 million, respectively. We consider this provision sufficient to cover the potential risk of uncollectible accounts; however, we cannot assure that we will not be required to increase the amount of this provision in the future.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents the amount receivable for services provided. The Company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity, as described below:

- Sale of telephone equipment to clients is recognized at the time of delivery of said equipment and the risk and rewards are transferred to the customer. Revenues from services are recognized as rendered.

- Revenues from public telephone services are recognized based on the cash collected, which is at the same time when services are rendered.

- Revenues from interconnection services are recognized on accrual basis. The Company entered into local interconnection agreements with various telephone companies under the “bill and keep” compensatory clause. In accordance with these agreements, if the imbalance between local calls originated from the other telephone concessionaire and completed by Maxcom, and the calls originated from Maxcom and completed by the other telephone company over the course of one month do not exceed an established percentage of 5%, there will be no payment of an interconnection rate charge to the user for interconnection services. However, if the imbalance exceeds that percentage in a particular month, the Company or the telephone concessionaire is subject to a charge per minute. During the years 2015, 2014 and 2013, the imbalance did not exceed 5%. In August 2013 Telmex was declared a dominant operator which means it is obliged to grant a tariff of zero to the other operators. Due to aforementioned, despite being in force, the compensatory clause ceased to be used after this date in the case of Telmex.

  The Company has interconnection agreements for long-distance and mobile services with other concessionary telephone companies. However, they do not include the clause of the “bill and keep” compensatory agreement.

- Revenues from pay television services are recognized as rendered.

- Revenues from mobile telephone services are recognized when the service is provided or minutes expire.

- For mobile telephone revenues the Company evaluates the revenue recognition of multiple-element arrangements evaluating the time and manner in which revenues for the different accounting units should be recognized. For the Company the separated accounting units are the sale of mobile telephone equipment which is recognized at fair value at the moment of delivery to the customer; and mobile services which are recognized as the service is provided.

- Customer contracts that include both equipment and bundled services (voice, data, pay TV or mobile services) are evaluated to determine whether the components are separable. Revenue from bundled services is recognized in the month in which the services are provided. The sale of the equipment is not separable from the sale of the services; the services cannot be obtained independently from the purchase of the equipment. Therefore, the bundled services are not unbundled.

- Revenues from lease of transmission capacity through the fiber optic ring are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized on the same basis as the lease revenues. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as deferred revenues in non-current other accounts payable and current other accounts payable, respectively, in the statement of financial position.

Installation cost

The Company amortize the installation cost over the period in which the service is provided. Once the customer terminates the service, the Company does not consider any additional value related to the installation cost. The Company performs impairment reviews related to determine the average customer life and came to the conclusion that is five years.

Derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market (over-the-counter derivatives) is determined by using valuation techniques.

The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Impairment sensitivity analysis

The Company test telecommunication network and equipment for impairment whenever events or changes in circumstances indicate that their book value may not be recoverable. When any indicator of impairment is identified, a test is performed based on each CGU. The CGUs identified by the Company are other telecommunication services, pay TV (impaired) and public telephony [PT] (impaired). The book values of other telecommunication services are compared to their recoverable amount, which is the higher between the value in use and the fair value less selling costs.

The impairment analysis as of December 31, 2015 and 2014 was performed with a rate of 11.34% and 12.00%, respectively. For measuring sensitivity in both years, an increase or decrease of 100 basis points in the discount rate does not have a significant impact on the impairment analysis.

Valuation of Long-Lived Assets

For impairment testing, assets are grouped into Cash Generating Units (CGU), that is, the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets.

Since the Company provides bundled services and that the network and certain intangibles are common across many services, Management has determined that such assets should be tested for impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Key assumptions used in the calculation of recoverable amounts are the discount rate and the asset's residual values.

As of December 31, 2015 and 2014 no impairment exists, likewise in 2014, the Company reversed an impairment loss.

Deferred Taxes

Deferred taxes under IFRS, are accounted under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base, and in the case of income taxes, for operating losses and the asset tax carry forwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Income tax assets and liabilities recognize the effect of a change of approved tax rates in the period.

Significant management judgment is required in determining our reserve for income taxes and for deferred tax assets and liabilities recorded against our deferred tax assets that are based on management projections of future financial results. Accordingly, we have only recognized deferred tax assets that we feel it is more likely than not that we will use our net operating loss carry forwards before they expire.

As of December 31, 2015, we had cumulative tax losses in aggregate of Ps Ps.1,458.1 million that will be carried forward against future taxable income as follows:

Year of Loss	Amount (in thousands of Pesos)	Year of Maturity
2015	384,171	2025
2014	10,815	2024
2011	219,335	2021
2010	4,135	2020
2008	569,942	2018
2007	174,526	2017
2006	95,167	2016
Total	Ps. 1,458,091	

Starting January 1, 2008, we and our subsidiaries are subject to Income Tax at a legal entity level, which means that our subsidiaries are not consolidated for tax payment calculations.

As management believes that in the future we will face income tax liabilities, the effect of deferred taxes at December 31 of 2015, 2014 and 2013 have been recorded under taxable income basis.

On December 11, 2013 the Official Gazette (DOF, for its acronym in Spanish, Diario Oficial de la Federación) issued a decree that amends; supplements and repeals several tax laws which apply from 2014. These changes to the tax law do not affect the amount or the reversal period of tax loss carry-forwards estimated by the Management.

4. ADMINISTRATION.

a) INDEPENDENT AUDITORS.

In October 2013, the Board of Directors, as per recommendation of its Audit Committee, approved the appointment of PricewaterhouseCoopers, S.C. ("PwC") as the Company's independent auditor for the year 2013.

Therefore, our consolidated financial statements as of December 31 of 2015, 2014 and 2013 and for the years ended December 31 of 2015, 2014 and 2013, were audited by said firm, which has issued no qualified or negative opinions or abstentions regarding our audited financial statements.

The professional fees paid to our external audit firm for 2015 amounted to Ps.4.8 million, all of which corresponded to audit fees. For 2014 and 2013 the amount of professional fees totaled Ps.5.7 and Ps.2.3 million respectively. It is important to mention that we made no payments to the audit firm where our external auditor works other than those related to the audit of financial statements.

The Audit Committee appointed by the Board of Directors is responsible for the hiring of the independent external auditor. It is noteworthy that our external auditors have been chosen because of their prestige and experience.

b) TRANSACTIONS WITH RELATED PARTIES AND CONFLICTS OF INTEREST.

General policy

Our general policy is that we will not, and will not permit our subsidiaries to, enter into any contract or transaction with or for the benefit of any affiliate (other than transactions between us and our subsidiaries), which is not at a price and on other terms at least as favorable to us or our subsidiaries as those which could be obtained on an arm's-length basis from an unaffiliated third party. Transactions with related parties were made at market conditions.

During 2015, we maintained transactions with shareholders, paying consultant services fees to Ventura Capital Privado by Ps.11.2 million. Concerning to 2014 y 2013, the transactions with shareholders amounted to Ps.6.9 million and Ps.8.2 million, respectively.

As of December 31, 2015 and 2014, we present no intercompany balance of any nature. As of the end of 2013, the balance of accounts receivable from related parties amounted to Ps.1 thousand and the balance of accounts payable amounted to Ps.23 thousand.

c) MANAGERS AND SHAREHOLDERS.

Directors and senior management

Our Board of Directors

Our board of directors is responsible for the management of our business. The board of directors is comprised of 15 (fifteen) members and their corresponding alternate members, each of whom is elected annually at our general shareholders' meeting. All board members hold their positions for one year and may be reelected.

Our bylaws provide that the board of directors be comprised of at least 5 and no more than 21 members and their corresponding alternates, in which at least 25% of the members and their corresponding alternates are independent pursuant to Mexican law.

Meetings of the board of directors are validly convened and held if a majority of the members are present. Resolutions passed at these meetings will be valid if approved by a majority of the members of the board of directors present at the meeting. If required, the chairman of the board of directors may cast a tie-breaking vote.

On April 22, 2016, through a General Ordinary Annual Shareholders Meeting, our shareholders approved the appointment of all the directors of the Company.

The following table states the composition of our Board of Directors:

Name	Age	Position
Enrique Castillo Sánchez Mejorada **	59	Chairman
Javier Molinar Horcasitas **	56	Vice Chairman
Henry Davis Carstens**	50	Director
Alberto Martín Soberón	56	Director
Juan Carlos Alverde Losada	45	Director
Arturo Monroy Ballesteros	43	Director
Rodrigo Lebois Mateos **	52	Director
Ricardo Guillermo Amtmann Aguilar	61	Director
Wilfrido Javier Castillo Sánchez Mejorada **	74	Director
Héctor Olavarría Tapia*	42	Director
Carlos Muriel Gaxiola *	55	Director
Fabián Dario Alcides Bifaretti*	52	Director
Ángel Francisco Romanos Berrondo *	49	Director
Juan Carlos Braniff Hierro*	59	Director
Federico Chávez Peón *	49	Director

(*) Independent in accordance with the LMV
(**) Their individual shareholding is greater than 1% of our capital stock. *See* "Main Shareholders"

Héctor Olavarría Tapia, Carlos Muriel Gaxiola, Fabián Dario Alcides Bifaretti, Ángel Francisco Romano Berrondo, Juan Carlos Braniff and Federico Chávez Peón are independent directors.

Fernando Castillo Badía, Manuel Papayanopulos Thomas, Paul Davis Carstens, Gerardo Martín Bello, Ricardo Perrusquía, Juan Gilberto Guasco Godínez, Almudena Lebois Ocejo, Ricardo Amtmann López, Wilfrido Javier Castillo Miranda Olea, Héctor Marcelo Antonio Escobar Flores, Ana Buch Torres, Manuel Ruiz Sánchez, Patricia Ferro Bertolo, José Carlos Balcázar and Manuel Antonio Romo Villafuerte serve as alternate directors during the absence of Enrique Castillo Sánchez Mejorada, Javier Molinar Horcasitas, Henry Davis Carstens, Alberto Martín Soberón, Juan Carlos Alverde Losada, Arturo Monroy Ballesteros, Rodrigo Lebois Mateos, Ricardo Guillermo Amtmann Aguilar, Wilfrido Javier Castillo Sánchez Mejorada, Héctor Olavarría Tapia, Carlos Muriel Gaxiola, Fabián Dario Alcides Bifaretti, Ángel Francisco Romanos Berrondo, Juan Carlos Braniff Hierro and Federico Chávez Peón, respectively. Fernando de Ovando Pacheco is the secretary, not a member, of our board of directors. Armando Jorge Rivero Laing serves as alternate secretary of our board of directors.

Set forth below is a brief biographical description of each of our directors:

Enrique Castillo Sánchez Mejorada has been President of our Board of Directors since October of 2013. He started his professional career in Banco Nacional de México, where he reached the position of Director. Afterwards he held several executive positions in the following institutions: Nacional Financiera, Casa de Bolsa Inverlat, Seguros América, InverMéxico Banco Mexicano, Credit Suisse México, and was President of the Board of Ixe Grupo Financiero. He was also Vice-President and President of Asociación de Bancos de México. He currently participates as Independent Director in Organización Cultiba, S.A.B. de C.V., Grupo Herdez, S.A. de C.V., Grupo Alfa, S.A.B. de C.V., Médica Sur, S.A.B. de C.V., Banco Nacional de México, S.A., Unifin Financiera, SAPI de C.V. and Southern Copper Corporation. He holds a Bachelor's Degree in Business Administration from Universidad Anahuac.

Javier Molinar Horcasitas has been Vice-President of our Board of Directors since October of 2013. He served as Corporate and Subsidiaries Promotion Officer at Casa de Bolsa Inverlat, where he also performed as a member of the Board and as Executive Vice-President at Grupo Financiero Santander Mexicano. In year 2000 he joined Ixe Grupo Financiero where he was responsible for the Business, Administration, and Finance areas, he was CEO of Ixe Banco and of Ixe Grupo Financiero. In July of 2011 he joined the Board of Directors of Grupo Financiero Banorte, where he leaded the integration process derived from the merge of Grupo Financiero Banorte and Ixe Grupo Financiero. Currently he is Senior Partner of Ventura Capital Privado, S.A. de C.V., President of the Board of Directors of Ventura Entertainment, S.A.P.I. de C.V., and IRL Holding, S.A.P.I. de C.V. He is also member of the Board of Directors of Grupo Gigante, S. A. de C. V., where he is the head of the Finance and Planning Committee and is member of the Board of Directors of Grupo Porres. He obtained the Bachelor's Degree in Business Administration from Universidad La Salle.

Henry Davis Carstens has been member of our Board of Directors since October of 2013. He held several positions in institutions of the financial sector as Inverlat, Chase Manhattan Bank and Banco Mexicano. He was CEO of Midas Franchise System in Mexico, as well as President and CEO of Grupo Probelco and was member of the Credit, Risk and Executive Committees and of the Board of Directors of Ixe Grupo Financiero. He was also Vice-President and Board Member of the Cámara Nacional de la Industria de Perfumería y Cosmética. Currently he participates as Board Member in Grupo Financiero Aserta, Afianzadora Aserta, S.A. de C.V., Afianzadora Insurgentes, S.A. de C.V., Corporativo DAC, S.A. de C.V. and Ventura Entertainment, S.A. de C.V. He has a Bachelor's Degree in Economics by Instituto Tecnológico Autónomo de México and an MBA by Kellogg Graduate School of Management (Northwestern University).

Alberto Martín Soberón has been member of our Board of Directors since October of 2013. Mr. Martín participates and has participated in the Board of Directors of Soriana, Ixe Grupo Financiero, and Grupo Inmex, amongst others. He has served as CEO at Tiendas de Descuento del Nazas, which later merged with Tiendas de Descuento del Norte to constitute Soriana. He was Director at Grupo Financiero InverMéxico. He has Bachelor's Degrees in Public Accounting and in Technologies Engineering by Instituto Tecnológico y de Estudios Superiores de Monterrey.

Juan Carlos Alverde Lozada has been member of our Board of Directors since October of 2013. Mr. Alverde started his professional career in Alverde Tiendas, were he served as CEO. Afterwards he worked in Office Depot USA and held several executive positions at Restaurantes Toks being currently Chief Operative Officer of Restaurants of Grupo Toks. He has a Bachelor's Degree in Communication Sciences by Universidad Anáhuac de México and a Master's Degree in Integrated Marketing Communications by Northwestern University.

Arturo Monroy Ballesteros has been member of our Board of Directors since October of 2013. He performed as Deputy Director of Financial Engineering at the Public Credit General Office, he was Advisor of the C. Secretary of Communications and Transportation and Deputy Director of Investment Banking and Corporate Financing in Nafin. He currently serves as Deputy CEO of Investment Banking and Structured Financing at Grupo Financiero Banorte and CEO of Sólida Administradora de Portafolios, which is a subsidiary of this latter financial group. He holds a Bachelor's Degree in Actuarial Science by Universidad Anáhuac, a Master's Degree in Finance by the same university and has taken several programs in investment banking and risk management in New York and Rio de Janeiro.

Rodrigo Lebois Mateos was appointed member of our Board of Directors in April of 2016. He is the Founding Shareholder of Unifin Financiera and serves as its Chairman. Prior to the creation of Unifin in 1993, he held several positions with car dealers, including as General Manager and member of the board of directors of Grupo Ford Satélite. He also served as President of the National Association of Nissan Car Dealers, and board member of Sistema de Crédito Automotriz (SICREA) and Arrendadora Nimex. Mr. Lebois is the President of Fundación Unifin and Chairman of the Board of Directors of Unifin Capital, Unifin Credit, Unifin Autos and Unifin Agente de Seguros y Fianzas. He has a Bachelor's Degree in Business Administration by Universidad Anahuac and has completed several executive programs.

Ricardo Guillermo Amtmann Aguilar has been member of our Board of Directors since October of 2013. Mr. Amtmann is currently President and CEO of Laboratorios Sanfer, S.A. de C. V. He also participates in the Board of Directors of Banamex (Consejos Consultivos), Almacenadora del Valle de México and Hospital Bite Medical. He participated as member of the Board of Acciones Bursátiles, Allergan, Casa de Bolsa Bancomer, Arrendadora Chapultepec, Arrendadora Monterrey, Berol, and Ixe Grupo Financiero, between others. He holds a Bachelor's Degree in Business Administration by Universidad Anáhuac in México and a Master's Degree by the same University.

Wilfrido Javier Castillo Sánchez Mejorada has been member of our Board of Directors since April of 2015. He is one of the founders of Quálitas and member of the Board of Directors since 1996. In this institution he served as Chief Financial Officer from 1996 to July of 2014 and since then he acts as Director of Investments and Investors Relations. He held several positions in the financial sector in Mexico at institutions as Casa de Bolsa Cremi, Sociedad Bursátil Mexicana and Bursamex, amongst others. He is active member of Colegio de

Contadores Públicos de México, which he presided from 1982 to 1984. Currently he is member of the Board of Corporación Inmobiliaria Vesta, Grupo Financiero Aserta, Crédito Real, Grupo Hotelero Santa Fe and AGS NASOFT, besides being member of the Audit Committee of the last three entities. He obtained a Bachelor's Degree of Public Accounting by Universidad Nacional Autónoma de México.

Héctor Olavarría Tapia has been independent member of our Board of Directors since April of 2015 and is Chairman of our Audit Committee since April of 2016. He has more that seventeen years of experience in the telecommunications sector. He has held several positions in the Public Federal Administration, all of them linked to the opening and penetration of information and communication technologies: he started as Analyst at Comisión Federal de Telecomunicaciones and became Deputy Secretary for Communications of the Ministry of Communications and Transportation. In January of 2013 he was recognized as Senior Telecommunications Expert by the International Telecommunications Union, the highest international body in the field of telecommunications and information and communication technologies, where he was invited to work as an expert in two programs of wireless terrestrial and satellite technology to be applied worldwide. Currently he is a founding partner of the firm Olavarria & Alfaro, SC, specialists in telecommunications, administrative and constitutional law and the financial sector. He has a Master's Degree in International Economic Law from the University of Warwick, UK.

Carlos Muriel Gaxiola has been independent member of our Board of Directors since October of 2013 and is Chairman of our Corporate Practices Committee since April of 2016. He held various executive positions in Banco del Sureste, Inverlat International, Inc. and Casa de Bolsa Inverlat. He then served as CEO of Afore Santander-Serfin and Bursamex, Casa de Bolsa, and held several positions in Grupo ING until being CEO and Chairman of the Board of Directors of ING Latin America and ING Mexico. He is currently independent board member and advisor of several entities. Additionally he serves as Chairman of the Board of Virtual Market Ventures; member of the Board and of the Executive Committee of Kubo-Financiero; member of the Board and of the Audit Committee of Grupo Financiero Actinver, Member of the Board of Christel House Mexico and Advisor of Happy Hearts Fund USA. He is Industrial Engineer from the Universidad Iberoamericana and holds a Master's Degree in Economics and Business Administration from the University of Texas in Austin.

Fabián Dario Alcides Bifaretti was appointed independent member of our Board of Directors in April of 2016. He acted as Senior Auditor in Arthur Andersen (Argentina); he held various positions in Telefónica Internacional in Argentina, Mexico and Spain until becoming Chief Executive Officer of Telefónica Móviles México. He is currently Chief Executive Officer of Grupo Sports World. He obtained a Bachelor´s Degree in Public Accounting by Universidad de La Plata in Buenos Aires, Argentina.

Ángel Francisco Romanos Berrondo has been independent member of our Board of Directors since October of 2013. He collaborated in Desarrollo Proyecto Real, was Treasurer in Crédito Real and Manager of Investment Banking in CB Capitales (Santiago, Chile); he was also member of the of the Board of Directors and of the Executive, Audit and Investment committees of Banco Internacional. Currently he serves as CEO and is member of the Board of Directors of Crédito Real, S.A. B. de C.V.; he is also member of the Board of Directors of Organización Mabe and Altamira Terminal Portuaria. He is Industrial Engineer by Instituto Tecnológico de Estudios Superiores de Monterrey and has a Master's Degree in Business Administration with specialization in finance and statistics by Wharton School of Business (Philadelphia, Pennsylvania).

Juan Carlos Braniff Hierro has been independent member of our Board of Directors since October of 2013. He currently serves as President and CEO of Corporación Geo, S.A.B. de C.V. and as Independent Board Member of Grupo Financiero Banorte. He was President and CEO of the Board of Capital I, Fondo de Inversión Inmobiliario. In Grupo Financiero Bancomer he held several positions being the last one Vice-President of the Board of Directors. He has been also part of the Boards of Directors of other companies such as: FEMSA, Coca Cola FEMSA, El Paso Corp., Aeroméxico and Ixe Grupo Financiero, amongst others. He holds a Bachelor's Degree in Industrial Design by Universidad Autónoma Metropolitana.

Federico Chávez Peón has been independent member of our Board of Directors since October of 2013. Mr. Chavez acted as Chief Risk Officer at Banco Santander Mexicano and held several positions in the corporate banking division at Grupo Financiero Invermexico, reaching the position of Divisional Director of Corporate

Banking and Credit. He currently serves as Managing Partner of Promecap. He participates, and has participated in the Board of Directors of several companies including Grupo Aeroportuario del Sureste, Grupo Cultiba, Grupo Famsa, Unifin Arrendadora, Industrias Innopack, amongst others. He holds a Bachelor's Degree in Industrial Engineering from the Universidad Nacional Autónoma de México.

The domiciliation of the directors is the same as Maxcom's.

Senior Management

Our executive officers are appointed by the board of directors for an indefinite term and may be removed by the board of directors at will, provided the corresponding severance payments are made in accordance with Mexican labor law and the applicable labor contract.

Set forth below are the name, age, position and a description of the business experience of each of our executive officers. The business address of our executive officers is that of our principal office.

Name	Age	Position
José A. Gómez Obregón Fernández	62	Chief Executive Officer
Armando Jorge Rivero Laing	52	VP of Administration & Legal
Emilio Flores Madero	49	VP of Commercial Sales
Miguel Eduardo Cabredo Benites	51	Chief Financial Officer

Below you can find the biographical information of our Officers:

José A. Gómez Obregón Fernández. Mr. Gómez is our CEO since April, 2015. He has more than 20 years of experience in top management positions in different multinational companies such as: IBM de México, where he held different executive positions until becoming Corporate Account Divisional Director, Sun Microsystems de México as CEO, Sun Microsystems Latinoamérica as Vice-President, Microsoft México as Public and Academic Sector Director; and in Avaya Communications de México as CEO. He is Industrial Engineer by Universidad Iberoamericana and has a Diploma in Finance from Instituto Tecnológico Autónomo de México.

Armando Jorge Rivero Laing. He joined us in October 2013 and serves as Vice-President of Administration and Legal since April of 2015. Mr. Rivero has more than 25 years of experience in legal areas within the financial sector: he worked 7 years at Casa de Bolsa Arka and 19 years at Ixe Grupo Financiero. He holds a Bachelor's degree in Law from Universidad Nacional Autónoma de México.

Emilio Flores Madero. Mr. Flores joined us in November of 2014 to hold the position of Vice-President of Marketing and Products, since October, 2015 he serves as Vice-President of Commercial Sales. He has over 20 years of experience in top management positions in different multinational companies. His large and diverse professional trajectory includes experience in different areas, such as technology and telecommunications, payment solutions, sales, business development, corporate finance, consultancy, strategic and financial planning, operations, project management, marketing and market intelligence in both national and international companies such as Sports World, Telefónica, Procter & Gamble, Whirlpool Corp. and Visa Internacional, amongst others. He is a Chemical Engineer from Universidad Iberoamericana and has a Master's Degree in International Business and Processes from the University of Notre Dame.

Miguel Eduardo Cabredo Benites. He has over 10 years of experience in the company, having previously worked as Director of Finance and Head of Treasury and Financial Planning. While working as treasurer (2007) he played a key role in the IPO process. Mr. Cabredo is a well-rounded professional in finance with a nurtured prior experience having worked as Treasurer and Senior Manager of Financial Planning for SIDEK SITUR as well as Financial Planning and Corporate Finance Director at Bufete Industrial. He is Industrial Engineer by Piura University in Peru and has an MBA from IPADE.

The domiciliation of senior management is the same as Maxcom's.

There is no planned or accumulated amount from Maxcom or any of its subsidiaries for pension, retirement or similar plans for the people that integrate the Board of Directors, relevant executive officers or individuals having the character of related persons.

Proprietary and alternate directors of our Board of Directors appointed by the ordinary general meeting of shareholders held on April 22, 2016, will receive as emolument the amount of Ps.30,000 for each attendance to the sessions of the board and committees to which they belong in their case, as well as an annual remuneration to be determined by the Corporate Practices Committee up to the amount of Ps.100,000.

Relevant officers receive the following compensations and benefits: basic salary, 30 days of Christmas bonus, 20 vacation days, 50% of holiday premium, food vouchers, food coupons, savings fund, executive bonus, life insurance, major medical insurance, funeral expenses and disability allowance.

The directors who have the status of related persons do not receive any compensation or benefit from us or from our subsidiaries.

We have a code of conduct applicable to the Board of Directors and relevant officers. The main guidelines of that document are:

- Behavior with employees, officers, directors and suppliers
- Management of information of the company
- Commercial practices
- Acquisition practices and relationship with suppliers
- Conflicts of interest and use of privileged information
- Industrial property and use of computer equipment
- Environmental policy

Authority of the Board of Directors

The management of our company is entrusted to the board of directors and the chief executive officer. The board of directors sets forth the guidelines and general strategy for the conduct of our business and supervises the execution thereof.

Pursuant to the LMV, the board of directors must approve, among other matters:

- our general strategy;
- guidelines for the use of corporate assets;
- on an individual basis, any transactions with related parties, subject to certain limited exceptions;
- unusual or non-recurrent transactions and any transactions that imply the acquisition or sale of assets with a value equal to or exceeding 5% of our consolidated assets or the assumption of liabilities or granting of collateral or guarantees with a value equal to or exceeding 5% of our consolidated assets;
- the appointment or removal of the chief executive officer;
- accounting and internal control policies; and
- policies for disclosure of information.

The LMV also imposes duties of care and of loyalty on our directors. *See* “Mexican stock market regulation – *Due diligence and loyalty of the Board members*”.

Board of directors’ practices

The members of our board of directors are elected annually at our general ordinary shareholders meeting. All board members hold the positions for one year and may be reelected. The current members of the board of directors were reelected or appointed at the general annual ordinary shareholders’ meeting held on April 24, 2015.

Our executive officers are appointed by the board of directors for an indefinite term and may be removed by the Board at will, provided the corresponding severance payments in accordance with Mexican labor law and the applicable labor contract.

Members of the board of directors are not entitled to any benefits upon termination.

Committees of the Board

Our board of directors has established an Audit Committee and a Corporate Practices Committee to assist in the management of our business.

Audit and Corporate Practices Committees

While carrying out its surveillance activities, the Board of directors is assisted by the Audit and Corporate Practices Committees. The chairmen of these committees were appointed by the Shareholders' Annual Ordinary General Meeting held on April 22, 2016.

The Audit and Corporate Practices Committees must be composed of at least three members. Each member of the audit and Corporate Practices Committees (including its president) must be independent under the mandates of the LMV. It is important to mention that both Committees have at least one member that is a financial expert.

The Audit Committee is comprised by Héctor Olavarría Tapia (who acts as President of the Audit Committee), Juan Carlos Braniff and Carlos Muriel Gaxiola. The Corporate Practices Committee is comprised by Carlos Muriel Gaxiola (who acts as President of the Corporate Practices Committee), Patricia Ferro Bertolo and Juan Carlos Braniff, all of whom are independent under the mandates of the LMV. If requested, our external independent auditor and certain of our executives, including our chief financial officer and our VP of Administration and Legal, will be required to participate in each meeting, although they are not formal members of the committee.

The Audit Committee will have as general function to monitor and supervise the integrity of financial information, processes and accounting systems, control and records of the Company and the entities it controls; monitor technical ability, independence and function of the firm performing the external audit function, the efficiency of the internal control of the Company and the valuation of financial risks. Our Audit Committee performs the following functions, among other:

a) Advise the board of directors with respect to matters assigned to it under the LMV.

b) Evaluate the performance of our external auditors, as well as analyze the dictum, opinions, reports or information prepared and subscribed by the. For this purpose, the committee may require the presence of said auditor when deemed appropriate, notwithstanding that the Committee should meet with the external auditor at least once a year.

c) Discuss our financial statements with the persons responsible for their preparation and review, and recommend the approval of the financial statements to the board, if it is the case.

d) Inform the board of directors of the status of the internal control and internal audit system of the Company or of the entities it controls, including any detected irregularities.

e) Prepare the opinion referred to in Article 28, section IV, paragraph c) of the LMV and submit it for consideration by the Board of Directors for its presentation to the shareholders' meeting; based, among others, in the opinion of the external auditor, which shall indicate at least:

    1. If the policies and accounting information criteria followed by the Company are adequate and sufficient, considering its particular circumstances.

2. If such policies and criteria have been applied consistently to the information presented by the CEO.

3. If as a result of paragraphs 1 and 2 above mentioned, the information presented by the CEO reasonably reflects the condition of the financial position and results of the Company

f) Support the Board of Directors in preparing the reports referred to in Article 28, section IV, paragraphs d) and e) of the LMV.

g) Supervise that the operations referred to in Articles 28, section III and 47 of the LMV, are conducted in compliance with the provisions in effect on such precepts as well as the policies derived thereof

h) Seek the opinion of independent experts and other advisors when required or deemed necessary, for the proper performance of their duties or in accordance with the LMV or general provisions required.

i) Require relevant officers and other employees of the company, or of the entities the latter controls, for reports regarding the preparation of financial information and any other deemed necessary for the exercise of their functions.

j) Investigate possible violations of operational guidelines and operation policies or of the internal control, internal audit and accounting records system, it is aware of, either of the company itself or of the entities it controls, for which it must conduct a review of the documents, records and other evidence, in the degree and extent necessary for the realization of such supervision.

k) Receive observations formulated by shareholders, directors, executive officers, employees and, in general, any third party, regarding the matters referred to in the previous paragraph, as well as perform the actions which they consider admissible with respect to such observations.

l) Request periodic meetings with relevant officers, as well as delivery of any information related to internal control and internal audit of the company or the entities it controls.

m) Report to the board of directors on any significant irregularities detected in the performance of its duties and, if applicable, of the amendments adopted or propose actions to correct the irregularities that should be applied

n) Call a shareholders’ meeting and request the inclusion of matters it considers appropriate on the agenda

o) Supervise that the CEO fulfills the agreements of shareholders’ meetings and those from the board of directors under the instructions, if any, issued by the Shareholders’ meeting or the Board.

p) Supervise that there are mechanisms and internal controls established to verify that the operations of the company, and of the entities it controls, adhere to the applicable regulations, as well as implement methodologies that allows the review such compliance.

The Corporate Practices Committee will have as general function, to monitor and mitigate risks in the celebration of businesses or in benefits of a particular group of shareholders, subject to the authorizations or policies issued by the Board; supervise compliance with the laws and stock exchange regulations, which are of mandatory observance by the Company. The Corporate Practices Committee executes, among others, the following activities:

a) Give feedback to the Board of Directors on matters of its concerns, in accordance to the LMV.

b) Request the opinion of independent experts in the cases it deems convenient, for the proper performance of their duties or in accordance with the LMV or as required in general dispositions.

c) To call to the Shareholders' Meetings and register in the agenda of such meetings the issues deemed as relevant.

d) Assist the Board of Directors in preparing the reports referred to in Article 28, section IV, paragraphs d) and e) of the LMV.

Shareholding

On April 22 of 2016, Rodrigo Lebois Mateos, member of our Board of Directors, held 10.13% of Maxcom's outstanding capital stock; while Enrique Castillo Sánchez Mejorada held 6.89%; Javier Molinar Horcasitas 5.22%; Wilfrido Javier Castillo Sánchez Mejorada 3.82% and Henry Davis Carstens 2.96%.

Series "A" shares in possession of Mr. Enrique Castillo Sanchez Mejorada, Mr. Javier Molinar Horcasitas and Mr. Henry Davis Carstens, are deposited in the management trust F/744949 of Banco Mercantil del Norte, S.A. ("Banorte"), acting as trustee.

Indemnification to Directors and Officers and Limitation on Liability

Maxcom's bylaws state that none of the Directors, member of board committees or officers of the Company shall be liable to Maxcom or Maxcom's shareholders by (a) any act or omission arising from their acts of good faith with respect to the Company, other than a material violation to the provisions of the bylaws and is not negligent or intentionally illegal, (b) if applicable, any act or omission that is based on opinion or legal advice from a lawyer or regarding accounting issues from accountants selected by any of them with due diligence, whose competence is not the subject of reasonable doubt, or (c) the act or omission that has been, to the best knowledge of the Director, member of board committees or officer concerned, the most appropriate alternative or the one where the negative economic effects of such act or omission were not foreseeable, in each case based on information available at the time of the decision. To the extent that it is found that a Director, member of board committees or officer acted in bad faith, with gross negligence or with willful misconduct in connection with any action or failure to act in good faith with respect to the Company, other than a material violation to the provisions of the bylaws, such Director, member of board committees or officer of the Company shall be liable for damages and losses arising under Mexican law.

Our bylaws also provide that each Director, member of board committees or officer of the Company who is or would have been part or is threatened to be part or is involved in an action, lawsuit or proceeding as a result of the provision of their services to the Company shall be indemnified and held harmless by the Company to the fullest extent permitted by current Mexican legislation at the time the event respect to which indemnity may proceed occurs, with respect to any expenditure, liability or loss incurred in connection with the service provided for or on behalf of the Company. Under applicable law, there is doubt about the possibility of demanding such compensation in respect with the violation of the duty of loyalty. However, in the event that a Director, member of board committees or officer of the Company has initiated a procedure, he will only be indemnified in connection with that procedure when it has been authorized by the board of directors of Maxcom.

Maxcom may purchase and maintain insurance policies to provide coverage for Board members and certain officers, within the limits and subject to the limitations of such policies against certain expenses related to the defense of, and certain liabilities imposed as a result of, actions, lawsuits or proceedings to which they are parties by reason of being or having been directors or officers.

Unless otherwise determined by our Board of Directors, expenses incurred by any of our directors, members of board committees or officers in defending a proceeding shall be paid by the Company in advance of such procedure's final resolution, provided that Maxcom receives and agrees, in form and content satisfactory to our Board of Directors, the commitment of the person concerned to repay such expenses if it's ultimately determined that such person is not entitled to be indemnified by Maxcom.

People who are not covered by the indemnification rights described in this section and who are or have been employees or agents of Maxcom, or who are or have been serving at the request of Maxcom as employees or agents of another corporation, partnership, joint venture, trust or other entity, may also be indemnified to the extent and form the Board of Directors authorizes from time to time. Such expenses related to a procedure incurred by such other employees or agents may also be paid in advance of a procedure's final resolution, subject to the terms and conditions on such payment as the Board deems appropriate.

Any provision, obligation or right describing in the preceding paragraphs has as limit and shall not contravene the provisions stated in the LMV, particularly the provisions of Title II, Chapter II, Section II of the LMV and the applicable provisions under Mexican law that regulates or interprets them, regarding the liabilities, obligations and indemnifications of Directors and officers.

Main Shareholders

As of April 22, 2016, the subscribed and paid capital stock of Maxcom is comprised as follows:

Shareholder	Number of Series "A" Shares	%
Rodrigo Lebois Mateos	489,442,311	10.13%
Trust 744869 of Banco Mercantil del Norte, S.A.	429,029,181	8.88%
Enrique Castillo Sánchez Mejorada	332,584,836	6.89%
Javier Molinar Horcasitas	251,960,435	5.22%
Wilfrido Castillo Sánchez Mejorada	184,301,235	3.82%
Henry Davis Carstens	143,042,886	2.96%
Investing Public	2,998,887,655	62.10%
Total shares	**4,829,248,539**	**100.00%**

There is no group of shareholders that holds control or commanding power in the Company.

Significant changes in ownership of shares

On September 27, 2013 Maxcom completed a comprehensive plan of recapitalization and an equity tender offer initiated by Ventura, acting through the Trust 1387 held by Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, a banking institution organized and existing under the laws of the United Mexican States and other investors. For more information see "Recapitalization and Debt Restructure".

Differences in voting rights

In relation to any particular class of our securities, the voting rights of majority shareholders, directors and officers do not differ from the voting rights of other holders of the same class of securities.

Limitations on the participation in the capital stock by foreign shareholders

The participation of foreign investors in Mexican companies, in certain sectors including telecommunications, is regulated by the Foreign Investment Law (Ley de Inversión Extranjera) since 1993 and by the Regulation of Foreign Investment Law (Reglamento de Ley de Inversión Extranjera) and the National Registry of Foreign Investment (Registro Nacional de Inversión Extranjera) since 1998. The Ministry of Economy (Secretaría de Economía), through the Mexican Foreign Investment Bureau (Dirección General de Inversión Extranjera), applies the mandates of the Foreign Investment Law and the Regulation of Foreign Investment Law. Mexican companies involved in certain sectors of the economy must comply with the existing restrictions on the percentage of participation of foreign investment in their capital stock. Up before the reforms mentioned in the following paragraph, this regulation included companies in the telecommunications sector. Mexican companies usually set limits to the holdings on some type of shares of its capital stock, so that certain types of shares are held only by Mexican shareholders. It is an administrative practice of the National

Commission of Foreign Investments to consider as Mexican a Trust created in benefit of foreign investors which meets certain requirements to neutralize the vote of those foreign investors and that is approved by such authority, as is the case of the CPOs Trust.

By virtue of the constitutional and legal reforms published in: (I) the Decree whereby amendments and additions are made to various provisions of Articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Constitution of the United Mexican States, on telecommunications matters dated June 11, 2013, and (ii) the Decree whereby the Federal Telecommunications and Broadcasting Act and the Public Broadcasting System of the Mexican State are issued; and certain provisions in telecommunications and broadcasting are modified, added or derogated, with date 14 of July 2014, the restriction so that companies in the telecommunications sector allow foreign participation in their capital was lifted.

Notwithstanding the above, and under various terms contained in the CPOs Trust, foreigners cannot hold, directly or indirectly, more than 49% of the capital stock with voting rights. Any shareholder who acquires shares in violation of this restrictions shall have no rights with respect to these shares.

In addition to the restrictions relating to the holding of shares, the terms and conditions of concessions for telecommunications networks that were granted to the Company, establish that Mexican shareholders must have control of the management and appoint the executive body.

The Foreign Investment Law requires the Company to enroll foreign shareholders in the National Registry of Foreign Investment. In case of breach of this law, the Company could be claimed to a penalty to be determined by the Ministry of Economy, through the Mexican Foreign Investment Bureau.

According to the bylaws of the Company, the Federal Telecommunications Law (Ley Federal de Telecomunicaciones), the Foreign Investment Law and the terms and conditions ruling on public telecommunications network concessions, foreign countries may not be directly or indirectly holders of the Series "A " shares or CPOs of the Company. Notwithstanding the foregoing, the Federal Telecommunications Law and the terms and conditions ruling on public telecommunications network concessions require that companies owned by foreign countries incorporated as independent companies holders of their own assets, may hold a minority interest or any number of limited voting shares of the Company. The holdings of shares of Series “A” common stock or CPOs by companies owned by foreign countries, or by retirement funds incorporated for the benefit of employees of states, municipalities or other government entities will not be considered either directly, or indirectly owned by foreign countries in accordance with the provisions of the bylaws of the Company, Federal Telecommunications Law and the Foreign Investment Law.

According to the provisions of the Mexican law, the terms and conditions of the telecommunications networks concessions, the bylaws of the Company and the CPOs Trust, foreign investors that hold CPOs and ADSs are forced to give up the protection of their government. This obligation also stipulates that foreign investors that hold CPOs and ADSs may not ask their government to file a complaint against the Mexican government regarding their shareholders’ rights on CPOs or ADSs. If foreign investors contravene this provision of the bylaws of the Company, they will lose their Series “A” shares ownership, underlying their CPOs or ADSs, in favor of the Mexican Nation. Mexican law states that all Mexican companies must include in their bylaws this prohibition, except for companies that establish the foreigners or foreign investment exclusion clause.

d) BYLAWS AND OTHER AGREEMENTS

Directors and officers compensation

The board of directors has delegated to the Corporate Practices Committee the power to establish compensation plans for executives and directors, and to make decisions regarding any other matter where they may have any personal interest.

We paid an aggregate of Ps.4.1 million as cash compensation to the members of our board of directors during 2015.

Our directors and senior management are not entitled to any benefits upon termination, except for what is due to them according to the Federal Labor Law (Ley Federal del Trabajo).

Stock Option Plan

On April 20, 2012, by means of resolutions adopted at our General Extraordinary and Ordinary Shareholders Meetings, our shareholders ratified an executive incentive plan and the compensation or emoluments awarded to directors and members of our different committees and approved a capital increase through the issuance of 25,800,000 Series "A" shares to be held in treasury. The plan is composed of a cash payment and a payment in stock options. During 2014, executives and employees exercised 19,921,098 Series "A" Shares, this plan is no longer in effect.

The General Ordinary Shareholders' Meeting held on October 2, 2013, authorized the issuance of 210,000,000 (two hundred ten million) Series "A" Class II common shares to be used in connection with an employee stock option plan, whose participants, characteristics, terms and conditions will be defined by the Company's Corporate Practices Committee.

The mechanics for the distribution of shares within the Stock Plan consists in that in the mentioned Stock Plan will participate, the executives that because of their responsibility, performance and results, are regarded as key to Maxcom by the Corporate Practices Committee ("Key Executive"). It is not considered as a requirement for participation in the Stock Plan a certain seniority in Maxcom.

The Key Executive, will be entitled to pay for the shares that were assigned to him in the terms and the price determined by the Corporate Practices Committee. On the understanding that the Key Executive will lose that right if: (i) stops working for us for any reason within the first two years from the date of assignment, (ii) stops working for us voluntarily (iii) stops working for us, for justified dismissal.

Bylaws and articles of incorporation

General information

Maxcom was incorporated on February 28, 1996, under the name "Amaritel, S.A. de C.V." as a variable capital corporation (sociedad anónima de capital variable) established under the laws of Mexico. Maxcom was registered in the Public Registry of Commerce of the then Federal District of Mexico under folio no. 210585 on June 11, 1996. Amaritel changed its name to "Maxcom Telecomunicaciones, S.A. de C.V." on February 9, 1999.

Maxcom was incorporated for the purpose of, among others, installing, operating and exploiting a public telecommunications network granted by the Mexican federal government for the provision of local and long-distance telephone services.

Maxcom's corporate purpose is described in the Article Two of its bylaws. The duration of Maxcom, under its bylaws, is indefinite.

Capital stock

Outstanding capital stock

Maxcom's capital stock is divided into a fixed and a variable portion, which are represented entirely by Series "A" shares. As of April 22, 2016, the outstanding capital stock of the Company amounted to 1,528,827 Series "A" shares, representing the fixed portion of the capital stock, classified as Class I, and 4,827,719,712 Series "A" shares, representing the variable portion of the capital stock, classified as Class II. The Series "A" Class I and Class II Shares have same corporate rights, including voting rights. However, according to the Article 50 of the LMV, the shareholders of the variable portion of the capital stock of Maxcom will not have a withdrawal right, referred to in the Article 220 of the General Law of Business Corporations.

Changes to Capital Stock

The fixed portion of our capital stock may be increased or decreased by a resolution adopted at a general extraordinary shareholders' meeting and upon amendment of our bylaws. The variable portion of our capital stock may be increased or decreased by a resolution adopted at a general ordinary shareholders' meeting without requiring an amendment to our bylaws. Increases or decreases in the fixed or variable portion of the capital stock must be recorded in our registry of capital variations. New shares (other than then existing treasury shares) cannot be issued unless the then-issued and outstanding shares have been paid in full.

Registration and Transfer

Our Series "A" shares are represented by registered securities certificates. The shareholders of the company that are direct holders of Series "A" shares (and not through CPOs) may hold their shares in the form of physical certificates. We maintain a stock registry, and, in accordance with Mexican law, only those holders listed in the stock registry and those holding certificates issued by S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or Indeval, which acts as depositary and custodian of the CPOs, indicating who has ownership of the corresponding shares together with the certificates issued by Indeval participants, will be recognized as our shareholders. Pursuant to Mexican law, any transfer of our shares made by endorsement of a physical certificate must be registered in our stock registry to be valid.

Shareholders' Meetings

General shareholders' meetings may be general ordinary shareholders' meetings or general extraordinary shareholders' meetings. Shareholders may also hold special meetings for matters affecting a single class of capital stock.

Under Mexican law and our bylaws, shareholders' meetings may be called by:

- our board of directors and the president or secretary of the board;
- shareholders representing at least 10% of our outstanding capital stock who request the president of the board of directors or the presidents of the Audit and Corporate Practices Committees to call a shareholders' meeting;
- a Mexican court of competent jurisdiction, in the event the board of directors does not comply with a valid request of the shareholders described immediately above;
- the presidents of the Audit and Corporate Practices Committees; and
- any shareholder, provided that no annual ordinary meeting has been held for two consecutive years or the annual shareholders meeting did not address the matters required to be addressed in an annual shareholders' meeting.

Calls for shareholders' meetings will be required to be published in any two of the following publications: Reforma newspaper (business section), El Financiero newspaper, the Official Gazette of the Mexico City, the Official Gazette of the Federation or in a newspaper of general circulation of our corporate domicile, at least 15 days before the scheduled date of the shareholders' meeting in the case of first calls, and at least 5 days in advance in the case of second and subsequent calls. Calls for shareholders' meetings must set forth the place, date and time of the meeting and the matters to be addressed at the meeting. From the date on which a call is published until the date of the corresponding meeting, we must make available to our shareholders all relevant information at our corporate headquarters. To attend a shareholders' meeting, potential attendees must hold shares of our stock that are registered in their name in the stock registry, or present evidence of deposit certificates representing the shares of Maxcom owned by them with a financial institution or deposit such certificates with our secretary, or present a proxy issued by the CPO trust, coupled with certificates issued by the custodian of the CPOs holder, together with an Indeval certification. See "- Voting Rights," "Description of the CPO Trust"

General Ordinary Shareholders' Meeting. General ordinary shareholders' meetings are those called to discuss any issues not reserved for extraordinary meetings. We are required to hold a general ordinary shareholders' meeting at least once a year, during the first four months following the end of our fiscal year, to:

- approve the financial statements for the preceding fiscal year;
- elect directors;
- discuss and approve the annual reports submitted by the board of directors in terms of article 28, section IV of the LMV;
- determine how to allocate net profits for the preceding year (including, if applicable, the payment of dividends); and
- determine the maximum amount of resources allocated to share repurchases.

In addition, any transaction representing 5% or more of our consolidated assets during any fiscal year must be approved by our shareholders.

Holders of at least 50% of our issued and outstanding voting stock must be present, in person or by proxy, to satisfy the attendance quorum requirements for a general ordinary shareholders' meeting. Assuming a quorum is present, resolutions must be approved by a majority of the voting capital stock represented at a general ordinary shareholders' meeting. If the attendance quorum is not met upon the first call of a general ordinary shareholders' meeting, a subsequent general ordinary shareholders' meeting may be called during which resolutions may be approved by the majority of the voting capital stock present, regardless of the percentage of outstanding voting stock represented at such meeting.

General Extraordinary Shareholders' Meetings. General extraordinary shareholders' meetings will be those called to consider:

- an extension of our duration or voluntary dissolution;
- an increase or decrease in the fixed portion of our capital stock;
- any change to the corporate purpose or nationality of the company;
- any merger or transformation into another type of company;
- any issuance of preferred stock;
- the redemption of shares with retained earnings;
- any amendments to our bylaws;
- any other matters provided for by law or our bylaws; or
- the cancellation of the registration of our class A common stock or CPOs representing such shares at the Mexican National Securities Registry or any stock exchange (except for automated quotation systems).

Holders of at least 75% of our issued and outstanding voting stock must be present, in person or by proxy, to satisfy the attendance quorum requirements for a general extraordinary shareholders' meeting. If an attendance quorum is not met upon the first call of a general extraordinary shareholders' meeting, a subsequent meeting may be called, at which the attendance quorum requirements will be satisfied if at least 50% of our issued and outstanding voting capital stock is present, whether in person or by proxy. In either case, at a general extraordinary shareholders' meeting, resolutions must be approved by the vote of at least 50% of our issued and outstanding voting capital stock.

Special Shareholders Meetings. A special shareholders meeting of holders of a single class of our shares may be called if an action is proposed to be taken that may only affect such class. Since it is the intention of the company to have a single class of shares outstanding after the Global Offering, we do not expect to hold special shareholders meetings. The quorum for a special shareholders meeting and the vote required to pass a resolution at a special shareholders meeting are identical to those required for extraordinary shareholders meetings, except that the calculations are based upon the number of outstanding shares of the class that is the subject of the special shareholders meeting.

Cumulative Voting. Holders of our shares, or of CPOs representing our shares, will not have cumulative voting rights. However, under the LMV, at each shareholders meeting at which nominees for director stand for election, holders of at least 10% of our issued and outstanding voting capital stock are entitled to appoint one member to the board of directors for each 10% of our issued and outstanding voting capital stock held and, if applicable, one alternate member of the board of directors in addition to the directors elected by the majority.

Voting Rights

Each outstanding share of our Series "A" common stock is entitled to one vote on all matters submitted to the vote of shareholders. Because of the limitations imposed by Mexico's Foreign Investment Law and the Federal Telecommunications Law, the voting rights of non-Mexicans who hold shares of our Series "A" common stock directly cannot exceed 49% of the total voting rights and non-Mexican holders of CPOs and ADSs are only entitled to cause the vote of the underlying shares of Series "A" common stock through the CPO trustee (or in the case of a holder of ADSs, instruct the ADS depositary to instruct the CPO trustee) to exercise the voting rights in respect of the shares of Series "A" common stock underlying such CPOs only on the following matters: (i) a change in our jurisdiction of incorporation, (ii) a transformation of our corporate form, (iii) our dissolution or liquidation, (iv) a merger to which we are a party, if we will not be the surviving company, (v) a delisting of our shares or any security that represent shares of the Company (including the CPOs) from any stock exchange; (vi) an amendment to our bylaws that may adversely affect the rights of the minority shareholders and (vii) for each 10% block of our Series "A" common stock underlying CPOs held, a non-Mexican holder can instruct the CPO trustee to exercise a right to appoint one director, provided that the election of a majority of our directors was approved by Mexican investors. As a result, the ability of non- Mexican holders of CPOs and ADSs to direct the vote of underlying shares of Series "A" common stock is limited.

Ownership Restrictions

Our bylaws provide that, while Mexican law does not allow unrestricted foreign ownership of our capital stock, no transfer of shares of Series "A" common stock to or acquisition or subscription of shares of Series "A" common stock by a non-Mexican shall be permitted if such transfer, acquisition or subscription would result in non-Mexicans holding directly in excess of 49% of the total number of shares of Series "A" common stock not represented by CPOs and held by the CPO trustee. See "- Other Provisions - Foreign Investment Regulations."

Preemptive Rights

Under Mexican law, holders of our Series "A" common stock have preemptive rights for all share issuances or increases except in the cases noted below. Generally, if we issue additional shares of capital stock, our shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time period set forth by our shareholders at the meeting approving the relevant issuance of additional shares. This period must continue for at least 15 days following the publication of notice of the issuance in the Official Gazette of the Federation and in a newspaper of general circulation in our corporate domicile. Under Mexican law, shareholders cannot waive their preemptive rights in advance and preemptive rights may not be represented by an instrument that is negotiable separately from the corresponding share. These preemptive rights do not apply in the case of shares issued in connection with mergers, sales of shares held in our treasury as a result of repurchases of shares conducted on the Mexican Stock Exchange, the issuance of shares held in treasury previously approved by our shareholders for issuance in a public offering in accordance with Article 53 of the LMV and the issuance of shares upon the conversion of debentures or other similar debt instruments.

Dividends

Our board of directors must submit our financial statements for the previous fiscal year at our annual general ordinary shareholders' meeting for approval. Once our shareholders approve our financial statements, they must allocate net profits for the previous fiscal year. Under Mexican law and our bylaws, prior to any distribution of dividends, 5% of our net earnings must be allocated to a legal reserve fund, until such legal reserve fund is equal to at least 20% of our paid-in capital stock. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including the amount allocated for the repurchase of shares. The remaining balance, if any, constitutes distributable profits that may be distributed as dividends. Cash dividends on shares not held through Indeval will be paid against delivery of the respective dividend coupon, if any.

Redemption

In accordance with our bylaws, shares representing our capital stock are subject to redemption in connection with either a reduction of capital stock or redemption with distributable profits, which in either case must be approved by our shareholders. In connection with a capital reduction, the redemption of shares shall be made *pro rata* among all shareholders, or, if affecting the variable portion of the capital stock, as otherwise determined in the relevant shareholders' meeting, but in no case the redemption price shall be less than the book value of such shares as determined pursuant to our latest balance sheet approved at a general ordinary shareholders' meeting. In the case of redemption with retained earnings, such redemption shall be conducted by means of a tender offer conducted on the Mexican Stock Exchange at prevailing market prices, in accordance with the General Law of Business Corporations, the Mexican Securities Market Law and our bylaws, or *pro rata* among the shareholders.

Dissolution or Liquidation

Upon our dissolution or liquidation, our shareholders will appoint one or more liquidators at an extraordinary general shareholders' meeting to wind up our affairs. Subject to the preemptive rights of other classes or series of stock that may be outstanding at the time, all fully paid, issued and outstanding shares of our Series "A" common stock (whether represented or not by underlying CPOs) will be entitled to participate equally in any liquidating distributions.

Certain Minority Protections

In accordance with the Mexican Securities Market Law and the General Law of Business Corporations, our bylaws include a number of minority shareholder protections. These minority protections include provisions that permit:

- Holders of at least 5% of our outstanding shares, whether directly or through CPOs or ADSs, to initiate responsibility action against some or all of our directors for violations of their duty of care and duty of loyalty, for our benefit, in an amount equal to the damages or losses caused to us. Actions initiated on these grounds have a five year statute of limitations.

- Holders of at least 10% of our outstanding share capital, whether directly or through CPOs or ADSs, are able to:
  - vote to request a call for a shareholders' meeting;
  - request that resolutions with respect to any matter on which they were not sufficiently informed be postponed; and
  - appoint one member of our board of directors and one alternate member of our board of directors except that for non-Mexican holders of CPOs or ADSs this right will only be exercisable if a majority of our directors are appointed by Mexican investors.

- Holders, whether directly or through CPOs or ADSs, of at least 20% of our outstanding share capital to oppose any resolution adopted at a shareholders' meeting and file a petition for a court order to suspend the resolution within 15 days following the adjournment of the meeting at which the action was taken, provided that the challenged resolution violates Mexican law or our bylaws, the opposing shareholders either did not attend the meeting or voted against the challenged resolution, and the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder.

Other Provisions

Foreign Investment Regulations

Mexico’s Foreign Investment Law and the Federal Telecommunications Law used to restrict ownership by non- Mexicans of our capital stock. On June 12, 2013, the aforementioned restrictions were repealed based on the amendment bill to the Mexican Law in matters of Telecommunications.

Purchase of Shares by Us

We will be able to purchase our shares (or CPOs evidencing such shares) through the Mexican Stock Exchange at the prevailing market prices for the shares at the time of purchase. The economic and voting rights corresponding to repurchased shares will not be exercised during the period the shares are owned by us and the shares will not be deemed outstanding for purposes of calculation any quorum or vote at any shareholders meeting. We are not required to create a special reserve for the repurchase of shares and we are not required to obtain the approval of our board of directors to effect share repurchases. However, the maximum amount that may be applied for share repurchases must be approved by our shareholders and our board of directors must appoint an individual or group of individuals for effecting share repurchases. Any share repurchases must be made subject to the provisions of applicable law, including the Mexican Securities Market Law, and carried out, reported and disclosed in the manner specified by the CNBV. If we intend to repurchase shares representing more than 1% of our outstanding share capital at a single trading session, we will be required to inform the public of such intention at least ten minutes before submitting our bid. If we intend to repurchase shares representing 3% or more of our outstanding share capital during a period of twenty trading days, we will be required to conduct a public tender offer for such shares.

Purchases of Shares by our Subsidiaries

Our subsidiaries or other entities controlled by us may not purchase, directly or indirectly, shares representing our capital stock or shares of companies or entities that are our shareholders.

Conflicts of Interest

Under Mexican law, any shareholder that votes on a transaction in which its interests conflict with our interests may be liable for damages, but only if the transaction would not have been approved without such shareholder’s vote.

In accordance with the duty of loyalty imposed on directors, a member of the board of directors with a conflict of interest must disclose such conflict and abstain from any deliberation or vote in connection therewith. A breach by any member of the board of directors of any such obligations may result in the director being liable for damages and lost profits.

Exclusive Jurisdiction

Our amended bylaws will provide that, in connection with any controversy between our shareholders and us, or between our shareholders in connection with any matter related to us, both we and our shareholders must submit to the jurisdiction of the courts of Mexico City, Mexico.

Withdrawal Rights

In accordance with applicable Mexican law, only when our shareholders approve a change in our corporate purpose, jurisdiction of organization or transformation from one corporate form to another, will any shareholder entitled to vote that voted against these matters have the right to withdraw and receive the book value for its shares as set forth in the last financial statements approved by our shareholders, provided that the shareholder exercises this right within 15 days after the meeting at which the relevant matter was approved.

Cancellation of Registration in the Mexican National Securities Registry

Pursuant to our bylaws, and as prescribed by the Mexican Securities Market Law, we are required to make a public tender offer for the purchase of stock held by the minority shareholders in the event that the listing of our shares of Series “A” common stock or CPOs on the Mexican Stock Exchange is cancelled, either by our resolution or by an order of the CNBV. Our controlling shareholders will be secondarily liable for these obligations. A controlling shareholder will be deemed to be a shareholder that holds a majority of our voting stock, if it has the ability to control the outcome of decisions made at a shareholders or board of directors meeting or has the ability to appoint a majority of the members of our board of directors. The price at which the stock must be purchased is the higher of:

- the average quotation price on the Mexican Stock Exchange for the 30 days prior to the date of the offer; or
- the book value, as reflected in the report filed with the CNBV and the Mexican Stock Exchange.

If the tender for cancellation is requested by the CNBV, it must be initiated within 180 days from the date of the request. If requested by us, under the Mexican Securities Market Law, the cancellation must be approved by 95% of our shareholders.

Our board of directors must make a determination with respect to the fairness of the tender offer price, taking into consideration the minority shareholders' interest, and disclose its opinion. The resolution of the board of directors may be accompanied by a fairness opinion issued by an expert selected by our Audit and Corporate Practices Committees.

Forfeiture of Stock by Foreign Shareholders

Under our bylaws, the current or future foreign shareholders of Maxcom formally undertake with the Ministry of Foreign Relations *(Secretaría de Relaciones Exteriores)* to consider themselves as Mexican nationals with respect to the stock of Maxcom that they may acquire or own, as well as with respect to the assets, rights, concessions, securities or interests owned by Maxcom, or the rights and obligations derived from the agreements entered with the Mexican authorities to which Maxcom is a party. The current or future foreign shareholders of Maxcom formally undertake not to invoke the protection of their government, under penalty of forfeiting such shares to the benefit of the Mexican nation.

Duration and Dissolution

Our corporate duration under our bylaws is indefinite. Pursuant to the General Law of Business Corporation and our bylaws, we may be dissolved upon the occurrence, among other things, of any of the following events:

- the impossibility of continuing with our current line of business;
- the resolution of our shareholders at an extraordinary general shareholders' meeting;
- the reduction of the number of our shareholders to fewer than two; and
- the loss of two-thirds of our capital stock.

Anti-takeover Provisions

Our bylaws provide that no person or group of persons may acquire (or enter into arrangements to control, possess or exercise rights with respect to) 20% or more of our shares, directly or indirectly, without the prior approval of the board of directors and none of our competitors may acquire 2% or more of our shares, directly or indirectly, without the prior approval of the board of directors. In both cases, the approval of the board of directors must be granted or denied within 90 days after notice of the proposed transaction is given to the board of directors. If our board of directors approves the transaction, the potential purchaser must conduct a tender offer to purchase 100% of our shares on terms approved by our board of directors.

Our board of directors may revoke an approval or approve more than a single offer, in light of competing offers or for other circumstances. Our board of directors may relieve a purchaser from the tender offer obligation at its sole discretion. This restriction will not be applicable to share transfers resulting from inheritance or transfers between current controlling shareholders.

e) DESCRIPTION OF THE CPO TRUST.

General

CPOs are negotiable instruments issued by a financial institution acting as trustee under Mexican law. For each outstanding CPO, three shares of our Series "A" common stock will be held by the CPO trustee. The CPOs are listed on the Mexican Stock Exchange. The CPO trust has a maximum term of 50 years. After such period has expired, the CPO trust could either be extended or terminated in accordance with its terms, or substituted by a new CPO trust. If the CPO trust is terminated, the CPOs will cease to be listed on the Mexican Stock Exchange and holders of CPOs and ADSs who are non-Mexicans will not be entitled to hold the underlying shares of Series "A" common stock directly and will be required to have their interest in the underlying shares of Series "A" common stock be sold.

The CPO trustee will issue the CPOs pursuant to the following agreements:

- the CPO trust agreement between us and the CPO trustee (and the selling shareholders that adhere to the agreement, as well as the persons contributing shares of Series "A" common stock to the trust from time to time); and
- a CPO trust deed, pursuant to which the CPO trustee will issue CPOs in accordance with the CPO trust agreement.

Under our bylaws, ownership of our capital stock by non-Mexican investors is limited. However, Mexican law and our bylaws permit non-Mexicans to hold our shares indirectly through neutral shares or securities. Because the CPO trust qualifies as a neutral investment trust under the Mexican Foreign Investment Law, ownership of the CPOs by non-Mexican investors is not limited. However, except in certain circumstances, non- Mexican holders of CPOs and holders of ADSs, are limited in the right to cause the CPO trustee to vote the shares of Series "A" common stock underlying the CPOs or underlying the CPOs underlying their ADSs. See "Voting Rights with Respect to Underlying Shares" below.

Authorization

We filed an application with the Mexican Foreign Investment Bureau of the Ministry of Economy *(Secretaría de Economía)* for the authorization of the terms of the CPO trust for purposes of such CPOs being deemed neutral investment instruments, as contemplated by the Mexican Foreign investment Law and received such authorization on September 28, 2007. The CPO trustee registered the CPO trust deed with the Public Registry of Commerce of Mexico City, then Federal District. See "By-laws and other agreements - Other Provisions - Foreign Investment Regulations."

Voting Rights with Respect to Underlying Shares

Mexican holders of CPOs may instruct the CPO trustee to vote the shares of Series "A" common stock underlying the CPOs on all matters or obtain a proxy from the CPO trustee to vote the underlying shares. To the extent Mexican holders of CPOs do not obtain a proxy for shares of Series "A" common stock underlying their CPOs, fail to vote such stock or fail to instruct the CPO trustee how to vote such shares, the CPO trustee will vote such shares in the same manner as the majority of other shares are voted at the meeting.

Non-Mexican holders of CPOs are not entitled to exercise any voting rights directly related to the shares of Series "A" common stock held by the trustee. Voting rights attributable to shares of Series "A" common stock underlying the CPOs owned by foreign holders can only be exercised by the trustee. CPO holders of foreign nationality, only have the right to instruct the trustee on the vote of the shares of Series "A" common stock underlying the CPOs of which they are holders (or in the case of a holder of ADSs, instruct the ADS depositary to instruct the CPO trustee) when the following matters are to be resolved: (i) a change in our jurisdiction or nationality, (ii) a transformation of our corporate form, (iii) our dissolution or liquidation, (iv) a merger to which we are a party, if we will not be the surviving company, (v) a delisting of our shares or any security that represent shares of the Company (including the CPOs) from any stock exchange, and (vi) an amendment to our bylaws that may adversely affect the rights of the minority shareholders established in said by-laws. CPO holders of foreign nationality will not have the right, in any case, to instruct the Trustee on the vote of shares of Series “A” common stock underlying the CPOs of which they are holders, regarding those matters whose resolution is the responsibility of a general extraordinary shareholders meeting, except for the assumptions listed in sections (i) to (vi) or this paragraph. Regarding these assumptions, in cases where a foreign holder of CPOs has not instructed the Trustee to vote the shares of Series “A” common stock underlying the CPOs, the Trustee will vote the shares underlying the CPOs as the majority of the other Series “A” shareholders vote.

CPO holders of foreign nationality will have the right to instruct the Trustee to vote the shares of the series "A" underlying the CPOs, in the case of election of directors, so they have the right to choose one director for each block of 10% of Series "A" shares underlying the CPOs of which they are holders, with the understanding that this right may only be exerted if the majority of directors of Maxcom were designated by Mexican investors, directly as shareholders or holders of CPOs. In the case of the event that a foreign holder of CPOs has not issued instructions to the Trustee to vote, the shares underlying the CPOs, the Trustee will vote the shares underlying the CPOs as the majority of the other Series "A" shareholders vote.

CPO holders of foreign nationality do not have the right, in any case, to instruct the Trustee to vote the shares of Series "A" underlying the CPOs of which are holders, regarding those issues whose resolution is competition of an ordinary general meeting of the Company (except as regards of the appointment of directors by minority, mentioned in the previous paragraph). In these cases, the Trustee will vote the shares underlying the CPOs as the majority of the other Series "A" shareholders vote.

The nationality of a CPO holder will be determined under applicable Mexican law and established by reference to the information provided to the CPO trustee, Indeval and Indeval custodians.

Deposit and Withdrawal of Shares

The Indeval and the Trustee shall maintain records of ownership and transfer of ownership of the CPOs. The Trust will own Series "A" shares underlying the CPOs.

Holders of CPOs do not receive physical certificates evidencing their CPOs. However, CPO holders may request certification from their custodian, coupled with a certification from Indeval as to their ownership of CPOs. Regarding the issuance of CPOs underlying ADSs, these will be credited by book-entry to an account maintained by BBVA Bancomer, S.A. de C.V., as custodian in Mexico of The Bank of New York (which acts as depositary of the ADSs), with Indeval.

Except as described below, holders of CPOs may not withdraw the shares of Series “A” common stock underlying the CPOs until the CPO Trust is terminated. However, upon termination of the CPO trust, non-Mexican holders of CPOs must sell the shares of Series “A” common stock underlying the CPOs, create a new trust similar to the current CPO trust to deposit the shares of Series “A” common stock underlying the CPOs or extend the CPO trust. The holders of CPOs may withdraw the underlying shares of Series “A” common stock at any time if our bylaws do not prohibit such withdrawal, we consent to such withdrawal and the provisions regarding foreign investment ownership and voting, as stipulated by the Mexican Foreign Investment Law, are not breached by such withdrawal.

Registration and Transfer

CPOs may be held directly through physical certificates in registered form or held in book-entry form. The CPOs may be maintained in book entry form by institutions that have accounts with the S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or Indeval, a privately owned securities depositary that acts as clearinghouse, depositary, and custodian, as well as settlement, transfer, and registration agent for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities. Indeval will be the registered holder of CPOs that are recorded by book-entry system. Brokerage houses, banks and other institutions and authorized financial entities may hold accounts with Indeval.

Dividends and Other Distributions

If we declare and pay a dividend or a distribution on our Series "A" common stock, holders of CPOs will be entitled to receive the dividend or the distribution in proportion to the number of shares of Series "A" common stock underlying their CPOs. Holders of CPOs would also be entitled to a proportional share of the proceeds from the sale of the shares of Series "A" common stock held by the CPO trustee upon the termination of the CPO trust agreement, if applicable. According to Mexican law, dividends paid and received in Pesos by the CPO trust that CPO holders do not receive or claim within a period of three (3) years, will become the property of the Mexican Ministry of Health *(Secretaría de Salud)*

Cash Dividends and Distributions. The CPO trustee will distribute cash dividends and other cash distributions received in respect of our Series "A" common stock to holders of CPOs, including those represented by ADSs, in proportion to their holdings, in the same currency in which they were received. The CPO trustee will distribute cash dividends and other cash distributions to the relevant custodian acting for the holder of CPOs.

Stock Dividends. If we distribute our dividends in shares of Series "A" common stock, dividend shares in respect of shares of Series "A" common stock will be held in the CPO trust, and the CPO trustee will distribute additional CPOs to holders of CPOs, including those represented by ADSs, in proportion to their holdings. If the CPOs deed does not permit additional CPOs to be delivered in an amount sufficient to represent the shares of Series "A" common stock paid as a dividend, the CPO deed will need to be modified, or a new CPO deed will need to be entered into that will, permit the delivery of the number of CPOs necessary to represent the shares of Series "A" common stock issued in favor of the CPO trust as a dividend.

Other Distributions. If the CPO trustee receives a distribution in a form other than cash or additional shares of Series "A" common stock, the CPO trustee will make the distribution pursuant to the instructions of the technical committee.

Preemptive Rights

Under Mexican law, our shareholders generally have preemptive rights. If we offer our shareholders the right to subscribe for additional shares of Series "A" common stock, the CPO trustee will only make these rights available to holders of CPOs if the offer is legal and valid in the CPO holders' country of residence. Under Mexican law, preemptive rights may not be sold separately from shares. As a result, if the CPO trustee cannot offer preemptive rights or is effectively prohibited from disposing of preemptive rights, CPO holders would not receive the value of these rights, and their equity interest may be diluted.

If we issue new shares of Series "A" common stock for cash, in accordance with our bylaws and the CPO trust, non-Mexican holders of CPOs and ADSs may not be able to exercise their preemptive rights associated with shares of Series "A" common stock underlying such CPOs, unless a sufficient number of CPOs may be available for release under our CPO deed or unless we cause the CPO trustee to issue additional CPOs (to the extent possible), by amending the existing CPO deed or entering into a new CPO deed, to permit the non-Mexican holders of CPOs or ADSs to exercise preemptive rights by purchasing and holding newly issued shares of Series "A" common stock through CPOs or ADSs. Although we expect to take all measures necessary to maintain sufficient CPOs available to permit non-Mexican holders of CPOs or ADSs to exercise preemptive rights, no assurances can be made that we will be able to do so, particularly because regulatory approvals in Mexico are necessary for the issuances of CPOs. Mexican holders of CPOs may exercise their preemptive rights if we issue new shares of Series "A" common stock for cash regardless of whether additional CPOs are available for release because they may acquire direct ownership of our Series "A" common stock, although we would also expect to make CPOs available to such Mexican holders because the CPOs would be the only listed security. To the extent preemptive rights are extended to holders of the CPOs and any of such holder exercise such rights, we will transfer the additional shares of Series "A" common stock in the CPO trust, and the CPO trustee will deliver additional CPOs to each CPO holder who has exercised the preemptive rights. See "Description of the CPO trust –Preemptive rights" and "Risk Factors".

Withdrawal Rights

In accordance with applicable Mexican law, only when our shareholders approve a change in our corporate purpose, jurisdiction of organization or transformation from one corporate form to another, will any

CPO holder that did not instruct the CPO trustee to vote the shares of Series "A" common stock underlying such holder's CPOs in favor of these matters have the right to instruct the CPO trustee to cause the withdrawal of the shares and receive the book value, as set forth in the last financial statements approved by our shareholders, for them. If the CPO trustee exercises this right on behalf of the CPO holder within 15 days after the meeting at which the relevant matter was approved, the shares will be withdrawn and the CPO holder will receive the applicable proceeds.

Changes Affecting the CPOs

As set forth in the CPO trust, the CPO trustee will, pursuant to the instructions of the technical committee, issue additional CPOs or call for the surrender of outstanding CPOs to be exchanged for new CPOs should the following circumstances occur:

- a split or a consolidation of our Series "A" common stock;
- a capitalization affecting or redemption of our Series "A" common stock;
- any other reclassification or restructuring of our Series "A" common stock; or
- any merger, consolidation, or spin-off.

The CPO trustee, as instructed by the technical committee, will also decide if any changes or required amendments must be made to the CPO trust agreement and the CPO trust deed. If the CPO deed does not permit additional CPOs to be delivered in an amount sufficient to represent the shares of Series "A" common stock necessary to reflect the corporate events specified above, the CPO deed will need to be modified to, or a new CPO deed will need to be entered into that will, permit the delivery of the number of CPOs necessary to represent the shares of Series "A" common stock that reflect any such event. If we consolidate our capital stock in a way that it is no longer consistent with the structure of the CPO trust, the CPO trustee, as instructed by the CPO trust's technical committee, will determine how the corpus of the CPO trust should be modified to reflect such consolidation. If we call for a redemption of the shares of Series "A" common stock held in the CPO trust, the CPO trustee will follow the instructions of the CPO trust's technical committee, and will act pursuant to applicable law, to determine which CPOs will be redeemed, in a number equal to the number of shares of Series "A" common stock held in the CPO trust called for redemption. The CPO trustee will then pay the holders of the redeemed CPOs their proportional share of the consideration.

Administration of the CPO Trust

CPO trustee will administer the CPO trust under the direction of a CPO technical committee. Actions taken by the CPO technical committee must be approved by a majority vote of committee members present at any meeting of the committee at which at least a majority of the members are present. The CPO technical committee can also act without a meeting, if it has unanimous consent of its members. Among other matters, the CPO technical committee has the authority to instruct the CPO trustee to increase the maximum number of CPOs that may be issued, appoint a representative to vote the shares of Series "A" common stock held by the CPO trustee and resolve questions not addressed in the CPO trust.

The Common Representative

We appointed Monex Casa de Bolsa, S.A. de C.V. as the common representative of the holders of CPOs. The duties of the common representative include, among others:

- verification of the due execution and terms of the CPO trust;
- verification of the existence of the shares Series "A" common stock being held in the CPO trust;
- authentication, by its signature, of the certificates evidencing the CPOs;
- exercise the rights of CPO holders in connection with the payment of any dividend to which they are entitled;
- undertaking of any other action required to protect the rights, actions or remedies to which they are entitled;

- calling and presiding over general meetings of CPO holders; and
- execution of decisions adopted at general meetings of CPO holders.

The common representative may ask the CPO trustee for all information and data necessary to satisfy its duties. The CPO holders may, by resolution at a general CPO holders' meeting, revoke the appointment of the common representative, appoint a substitute common representative or instruct the common representative to take certain actions regarding the CPO trust.

General Meetings of CPO Holders

Under Mexican law, any individual holder or group of holders holding at least 10% of the outstanding CPOs may ask the common representative to call a general meeting of all CPO holders. The request must include the proposed agenda for the meeting. At least ten days before the relevant meeting, the common representative must publish announcements of the CPO general meetings in the Official Gazette of the Federation and in one of the newspapers of its domicile. The announcement must include the meeting's agenda.

In order for CPO holders to attend CPO general meetings, they must request a receipt of deposit from Indeval for their certificates and, if applicable, a certificate from the relevant custodian (coupled with the necessary Indeval certificates) at least two days before the meeting.

At CPO general meetings, CPO holders will have one vote per CPO held. Resolutions must be approved by a holders of a majority of the CPOs present, whether in person or by proxy, at the applicable CPO meeting. A quorum is required at these meetings. For a meeting held upon first notice of the meeting, a quorum is met by holders representing at least a majority of the outstanding CPOs. If no quorum is present on first call, any CPO holders present at a subsequently called CPO general meeting will constitute a quorum. Duly adopted resolutions will bind all CPO holders, including absent and dissenting holders.

Some special matters must be approved by holders at a special CPO general meeting. These matters include the appointment and removal of the common representative and the granting of consents, waivers or grace periods and the amendment of the CPO deed. At these special meetings, holders of at least 75% of the outstanding CPOs must be present to constitute a quorum at the first call. Resolutions with respect to these special matters must be approved by holders of a majority of the CPOs entitled to vote at this meeting. If a quorum is not present, a reconvened special meeting may be called. At this reconvened meeting, holders of a majority of the CPOs present (whether in person or by proxy), regardless of the percentage of outstanding CPOs represented at such meeting, may take action, by majority of holders of CPOs present.

Enforcement of Rights of CPO Holders

CPO holders may individually and directly exercise certain rights by instituting a proceeding in a Mexican court of law. These rights include:

- the right to cause the CPO trustee to distribute dividends or other distributions it has received;
- the right to cause the common representative to enforce and protect rights of CPO holders; and
- the right to bring action against the common representative, for civil liabilities in the event of willful misconduct.

Termination of the CPO Trust

CPO trust agreement and the CPOs issued by the CPO trustee there under will expire 50 years after the date of execution of the CPO trust agreement, which is the maximum term permitted by Mexican law. At that time, the CPO trustee, pursuant to the instruction of the CPO trust's Technical Committee, will:

- distribute the shares of Series "A" common stock underlying CPOs held by Mexican holders of on a pro rata basis; and
- with respect to shares of Series "A" common stock underlying CPOs held by non-Mexicans, the CPO trustee will:

    - sell or distribute the applicable shares Series "A" common stock in the CPO trust, and then distribute the proceeds to CPO holders on a pro rata basis;
    - extend the period for the CPO trust agreement; or
    - create a new trust similar to the CPO trust to which it will transfer all of the applicable shares of Series "A" common stock, so that the non-Mexican holders may be the beneficiaries of economic rights in respect of such shares on a pro rata basis.

Fees of the CPO Trustee and the Common Representative

We will pay the fees of the CPO trustee for the administration of the CPO trust and the fees of the common representative.

f) THE COMMON REPRESENTATIVE DUTIES

The common representative of the holders of CPOs is Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero (the "common representative include"). The duties of the common representative include, among others:

- verification of the due execution and terms of the CPO trust;
- verification of the existence of the shares Series "A" common stock being held in the CPO trust;
- authentication, by its signature, of the certificates evidencing the CPOs;
- exercise the rights of CPO holders in connection with the payment of any dividend to which they are entitled;
- undertaking of any other action required to protect the rights, actions or remedies to which they are entitled;
- calling and presiding over general meetings of CPO holders; and
- execution of decisions adopted at general meetings of CPO holders.

The common representative may ask the CPO trustee for all information and data necessary to satisfy its duties. The CPO holders may, by resolution at a general CPO holders' meeting, revoke the appointment of the common representative, appoint a substitute common representative or instruct the common representative to take certain actions regarding the CPO trust.

5. STOCK MARKET

a) SHAREHOLDING STRUCTURE

Listed securities on the Bolsa Mexicana de Valores ("BMV") are non-amortizable Certificados de Participación Ordinaria ("CPOs") each representing 3, nominative, Series "A", Class II common shares, representing the capital stock of Maxcom Telecomunicaciones S.A.B de C.V. The securities listed on the Over-the-Counter Market ("OTC") are ADSs, each representing 7 CPOs. See "Voting Rights in relation to underlying shares".

Outstanding capital stock

Maxcom's capital stock is divided into a fixed and a variable portion, which are represented entirely by Series "A" shares

As of April 22, 2016, the outstanding capital stock of the Company is represented by 1,528,827 Series "A" shares represent the fixed portion of the capital stock, classified as Class I, and 4,827,719,712 Series "A" shares represent the variable portion of the capital stock, classified as Class II. Likewise there are 1,578,752,954

CPOs outstanding. The Series "A" Class I and Class II Shares have same corporate rights, including voting rights. However, according to the Article 50 of the LMV, the shareholders of the variable portion of the capital stock of Maxcom will not have a withdrawal right, referred to in the Article 220 of the General Law of Business Corporations.

b) SHARES PERFORMANCE IN THE SECURITIES MARKET

In addition to our initial public offering on October 24, 2007, our ADSs, each representing seven (7) Ordinary Participation Certificates (CPOs) in Mexico, were listed and commenced trading on October 19, 2007 on New York Stock Exchange under the symbol “MXT” and on the Mexican Stock Exchange under the symbol “MAXCOM CPO”. On November 14, 2014, ADSs were delisted from the NYSE and started to trade at the OTC market under the ticker symbol “MXMTY”

Since June 30 of 2011 and until July 15 of 2015 Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa (“ACCIVAL”) performed as Maxcom’s market maker, operating the Company’s CPOs under ticker symbol MAXCOM CPO. The participation of the Accival was not very active by the end of the contracted period due to the low volume traded and price of the CPOs. In February of 2015 an amendment to the contract was signed to stipulate that Accival commits to keep an average spread in a maximum of 200 basis points.

The following table shows the reported highest and lowest market prices for our CPOs and ADSs on the Mexican Stock Exchange and the NYSE / OTC for the periods indicated below:

	BMV						
	(Mexican Pesos per CPO)						
	High		**Low**		**Close**		**Volume**
Annual:							
2015	Ps.	2.32	Ps.	0.91	Ps.	0.97	289,134,649
2014		3.88		2.13		2.31	446,534,043
2013		5.71		3.02		3.19	340,589,979
2012		4.29		2.00		3.88	214,145,227
2011		6.77		2.38		3.63	177,371,300
Quarterly:							
2016:							
First quarter	Ps.	1.00	Ps.	0.64	Ps.	0.86	58,162,414
2015:							
Fourth quarter	Ps.	1.67	Ps.	0.91	Ps.	0.97	69,905,415
Third quarter		1.80		1.00		1.18	55,077,819
Second quarter		2.02		1.60		1.74	62,572,565
First quarter		2.32		1.63	s.	1.97	101,578,850
2014:							
Fourth quarter	Ps.	2.70	Ps.	2.13	Ps.	2.31	93,256,922
Third quarter		3.50		2.41		2.62	101,208,032
Second quarter		3.62		3.15		3.42	106,492,181
First quarter		3.88		2.96		3.30	145,576,908
Monthly:							
2016:							
March	Ps.	0.99	Ps.	0.66	Ps.	0.86	35,901,051
February		0.83		0.64		0.69	11,281,153
January		1.00		0.75		0.81	10,980,210
2015:							
December	Ps.	1.11	Ps.	0.95	Ps.	0.97	11,840,029
November		1.04		0.91		0.98	15,820,668
October		1.67		1.00		1.01	42,244,718
September		1.27		1.02		1.18	15,835,282
August		1.64		1.00		1.15	17,499,532
July		1.80		1.55		1.62	21,743,005

	NYSE / OTCQX			
	(US dollars per ADS)			
	Maximum	Minimum	Close	Volume
Annual:				
2015	$ 0.94	$ 0.14	$ 0.14	119,534
2014	2.34	0.80	0.80	2,509,043
2013	3.38	1.40	1.63	1,778,702
2012	2.61	0.88	2.05	651,506
2011	4.00	1.05	1.75	882,844
Quarterly:				
2016:				
First quarter	$ 0.62	$ 0.03	$ 0.30	6,096
2015:				
Fourth quarter	$ 0.32	$ 0.14	$ 0.14	1,635
Third quarter	0.59	0.20	0.20	13,177
Second quarter	0.86	0.56	0.56	60,350
First quarter	0.94	0.63	0.80	44,372
2014:				
Fourth quarter	$ 1.44	$ 0.80	$ 0.80	25,627
Third quarter	1.88	1.26	1.39	65,545
Second quarter	2.34	1.64	1.84	464,994
First quarter	2.06	1.42	1.72	1,952,877
Monthly:				
2016:				
March	$ 0.34	$ 0.03	$ 0.30	2,163
February	-	-	-	-
January	0.62	0.07	0.07	3,933
2015:				
December	$ 0.15	$ 0.14	$ 0.14	477
November	0.16	0.15	0.16	508
October	0.32	0.32	0.32	650
September	0.20	0.20	0.20	1
August	0.46	0.40	0.40	12,971
July	0.59	0.46	0.46	205

6. RESPONSIBLE PERSONS

Los suscritos manifestamos bajo protesta de decir verdad que, en el ámbito de nuestras respectivas funciones, preparamos la información relativa a la emisora contenida en el presente reporte anual, la cual, a nuestro leal saber y entender, refleja razonablemente su situación. Asimismo, manifestamos que no tenemos conocimiento de información relevante que haya sido omitida o falseada en este reporte anual o que el mismo contenga información que pudiera inducir a error a los inversionistas.

José Alejandro Gómez Obregón Fernández
Director General

Miguel Eduardo Cabredo Benites
Vicepresidente de Finanzas

Armando Jorge Rivero Laing
Vicepresidente de Administración y Jurídico

The undersigned declare under oath that the consolidated financial statements of Maxcom Telecomunicaciones, S. A. B. de C. V., which comprise the consolidated statements of financial position at December 31, 2015 and the consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, which are included in their annual report, were audited on March 17, 2016 in accordance with the International Standards on Auditing.

Likewise, we declare that we have read this annual report and based on our reading and within the scope of the audit work performed, we know of no relevant errors or inconsistencies in the financial information taken from the audited financial statements specified in the previous paragraph, or of financial information that has been omitted or falsified in this annual report or that contains financial information that could mislead investors.

However, the undersigned were not engaged, and performed no additional procedures, in order to express our opinion regarding the other information contained in this annual report, which does not come from the financial statements audited by us.

Mexico City, April 29, 2016

Fernando Gutiérrez Bañuelos
Audit Partner

José Antonio Quesada
Legal Representative

Los suscritos manifestamos bajo protesta de decir verdad, que los estados financieros consolidados adjuntos de Maxcom Telecomunicaciones, S. A. B. de C. V., que comprenden el estado de situación financiera consolidado al 31 de diciembre de 2014 y los estados consolidados de resultados integrales, de cambios en el capital contable y de flujos de efectivo que le son relativos por el año que terminó en esa fecha, que contiene el presente Reporte Anual, fueron dictaminados con fecha 30 de marzo de 2015; de conformidad con las Normas Internacionales de Auditoría.

Asimismo, manifestamos que hemos leído el presente reporte anual y basados en nuestra lectura y dentro del alcance del trabajo de auditoría realizado, no tenemos conocimiento de errores relevantes o inconsistencias en la información financiera que se incluye y cuya fuente proviene de los estados financieros dictaminados señalados en el párrafo anterior, ni de información financiera que haya sido omitida o falseada en este reporte anual, o que el mismo contenga información financiera que pudiera inducir a error a los inversionistas.

No obstante, los suscritos no fuimos contratados, y no realizamos procedimientos adicionales con el objeto de expresar nuestra opinión respecto de la otra información, contenida en el presente reporte anual, que no provenga de los estados financieros por nosotros dictaminados.

México, D. F., a 29 de abril de 2015.

Fernando Gutiérrez Bañuelos
Socio de auditoría

José Antonio Quesada
Representante Legal

Los suscritos manifiestan bajo protesta de decir verdad, que los estados financieros de Maxcom Telecomunicaciones, S. A. B. de C. V., y subsidiarias que contiene el presente Reporte Anual por el ejercicio concluido al 31 de diciembre de 2013 fueron dictaminados con fecha 14 de mayo de 2014, de conformidad con las Normas Internacionales de Auditoría.

Asimismo, manifiestan que han leído el presente reporte anual y basados en su lectura y dentro del alcance del trabajo de auditoría realizado, no tienen conocimiento de errores relevantes o inconsistencias en la información financiera que se incluye y cuya fuente provenga de los estados financieros dictaminados señalados en el párrafo anterior, ni de información financiera que haya sido omitida o falseada en este reporte anual, o que el mismo contenga información que pudiera inducir a error a los inversionistas.

No obstante, los suscritos no fueron contratados, y no realizaron procedimientos adicionales con el objeto de expresar su opinión respecto de la demás información contenida en el reporte anual que no provenga de los estados financieros de Maxcom Telecominucaciones, S. A.B. de C. V., y subsidiarias por ellos dictaminados.

México, D. F., a 15 de mayo de 2014.

PricewaterhouseCoopers, S. C.

C.P.C. José Antonio Quesada Palacios
Socio de auditoría

7. ANNEXES.

a) AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015 AND 2014.

b) AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2014 AND 2013.

c) AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND 2012.

d) ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE FISCAL YEARDS ENDED DECEMBER 31, 2015, 2014 AND 2013, IN COMPLIANCE TO ARTICLE 43 OF THE LMV

All annexes to this Annual Report hereto contained are an integral part of it.

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Financial Statements
December 31 2015 and 2014

Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries

Index

December 31, 2015 and 2014

Report of Independent Auditors

To the General Shareholders' Meeting of
Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries

We have audited the accompanying consolidated financial statements of Maxcom Telecomunicaciones, S.A.B. de C.V. and subsidiaries (Company), which comprise the consolidated statement of financial position at December 31, 2015 and the consolidated statements of comprehensive income, changes in stockholders' equity and of cash flows for the year then ended as well as a summary of significant accounting policies and other explanatory notes.

Management's responsibility over the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessment, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements, in order to design auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating to the overall presentation of the consolidated financial statements as a whole. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Maxcom Telecomunicaciones, S.A.B. de C.V. and subsidiaries at December 31, 2015 and its financial performance and its cash flows for the year ended, in accordance with the IFRS.

PricewaterhouseCoopers, S. C.

C.P.C. Fernando Gutiérrez Bañuelos
Audit Partner

Mexico City, March 17, 2016

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2015 and 2014

In thousands of Mexican Pesos

	As of December 31,	
Assets	2015	2014
Current assets:		
Cash and cash equivalents (Note 8)	$ 795,298	$ 1,443,123
Accounts receivable— net (Note 9)	388,864	540,595
Value added tax recoverable	295,659	175,092
Other sundry debtors	43,427	55,233
Inventory	29,177	34,664
Prepaid expenses	18,744	11,041
Total current assets	1,571,169	2,259,748
Non-current assets:		
Telephone network systems and equipment — net (Note 11)	3,727,856	3,427,826
Investment property — net	38,112	40,332
Intangible assets — net (Note 12)	222,853	127,580
Non-current Restricted Cash	15,383	18,103
Deferred income taxes — net (Note 10)	6,591	9,057
Derivative financial instruments (Note 19)		50,626
Other assets	10,774	11,013
Total non-current assets	4,021,569	3,684,537
Total assets	$ 5,592,738	$ 5,944,285
Liabilities and Stockholders' Equity		
Current liabilities:		
Current step-up senior notes (Note 15)	$ 6,315	$ 7,250
Bank Loans (Note 16)	30,000	
Accounts payable	365,328	596,651
Accruals	6,678	20,499
Customer deposits	3,011	2,252
Other taxes payable	69,240	37,601
Provisions (Note 13)	14,987	19,343
Total current liabilities	495,559	683,596
Non-current liabilities:		
Non-current step-up senior notes (Note 15)	2,100,311	2,218,905
Bank Loans (Note 16)	112,500	
Derivative financial instruments (Note 19)	330	
Non-current other accounts payable	69,354	75,324
Labor obligations upon retirement (Note 20)	3,597	5,017
Other long term liabilities (Note 17)		4,633
Non-current provisions (Note 13)	11,429	15,389
Total non-current liabilities	2,297,521	2,319,268
Total liabilities	2,793,080	3,002,864
Stockholders' equity (Notes 21 and 22):		
Capital stock	7,528,698	7,082,904
Additional paid-in capital	38,570	38,570
Other capital items	2,543	2,543
Accumulated losses	(4,802,595)	(4,218,326)
Other comprehensive income	32,442	35,730
Total stockholders' equity	2,799,658	2,941,421
Total liabilities and stockholders' equity	$ 5,592,738	$ 5,944,285

The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized for release on March 17, 2016, by Maxcom´s Officers signing below.

Mr. José A. Gómez Obregón Fernández
CEO

Mr. Miguel E. Cabredo Benites
VP of Finance

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Comprehensive Income
December 31, 2015 and 2014

In thousands of Mexican Pesos, except share data

	For the year ended December 31, 2015	2014
Revenue - net (Note 7)	$ 2,368,933	$ 2,689,938
Operating costs and expenses:		
Network operating costs (Note 23)	1,620,277	1,671,478
Selling, general and administrative expenses (Note 23)	740,380	784,382
Other expenses (Note 23)	176,552	141,688
Total operating costs and expenses	2,537,209	2,597,548
Operating (loss) income	(168,276)	92,390
Interest expense (Note 24)	(626,048)	(456,635)
Interest income (Note 24)	245,719	46,619
Finance cost-net (Note 24)	(380,329)	(410,016)
Loss before income taxes	(548,605)	(317,626)
Income taxes (expense) benefit (Note 10):	(35,664)	12,367
Net loss for the year	(584,269)	(305,259)
Other comprehensive income		
Items subject to subsequent reclassification into profit or loss:		
Current derivative financial instruments	(3,288)	50,917
Deferred income tax		(15,187)
	(3,288)	35,730
Comprehensive loss of the year	($ 587,557)	($ 269,529)
Comprehensive loss per share (Note 25):		
Loss per common basic share (Pesos)	(0.18)	(0. 09)
Loss per diluted common share (Pesos)	(0.18)	(0. 09)
Weighted average of basic shares (thousands)	3,250,546	3,133,390
Weighted average of diluted shares (thousands)	3,250,546	3,133,390

The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized for release on March 17, 2016, by Maxcom´s Officers signing below.

Mr. José A. Gómez Obregón Fernández
CEO

Mr. Miguel E. Cabredo Benites
VP of Finance

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2015 and 2014

In thousands of Mexican Pesos

	Capital stock	Additional paid-in capital	Accumulated losses	Hedge*	Total stockholders' equity
Balances as of January 1, 2014	$7,028,634	$40,033	($3,913,067)		$3,155,600
Increase in capital stock (Note 21)	54,270	(1,463)			52,807
Comprehensive net loss			(305,259)	$35,730	(269,529)
Stock option plan (Note 22)		2,543			2,543
Balances as of December 31, 2014	7,082,904	41,113	(4,218,326)	35,730	2,941,421
Increase in capital stock (Note 21)	445,794				445,794
Comprehensive net loss			(584,269)	(3,288)	(587,557)
Balances as of December 31, 2015	$7,528,698	$41,113	($4,802,595)	$32,442	$2,799,658

The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized for release on March 17, 2016, by Maxcom´s Officers signing below.

*Net from deferred tax.

Mr. José A. Gómez Obregón Fernández
CEO

Mr. Miguel E. Cabredo Benites
VP of Finance

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows
December 31, 2015 and 2014

In thousands of Mexican Pesos

		For the year ended December 31,	
Operating activities:	Note	2015	2014
Loss before income taxes		($ 548,605)	($ 317,626)
Adjustments for:			
Depreciation and amortization	23	355,620	367,868
Loss on sale of telephone network systems and equipment		43,004	45,784
Foreign exchange loss not realized		171,472	211,667
Gain on repurchase of Step-up Notes	24	(191,295)	
Interest expense	24	310,856	227,536
Interest income	24	(54,424)	(46,619)
Derivative financial instruments	19	(18,475)	291
Cost of stock option plan	22		2,543
Labor obligations upon retirement	20	(1,420)	639
Provisions		(8,316)	(72,176)
Impairment	11		(69,567)
Impairment of accounts receivable	23	58,320	81,556
Subtotal		116,737	431,896
Changes in working capital:			
Accounts receivable		93,411	4,103
Value added tax recoverable		(108,987)	(124,181)
Other assets and other sundry debtors		12,044	74,754
Inventory		5,487	(17,967)
Prepaid expenses		(7,703)	(3,646)
Accounts payable		(231,323)	298,309
Customer deposits		759	(148)
Other taxes payable		31,639	(15,683)
Other accounts payable		(24,424)	(166,853)
Non-current step-up senior notes		79,998	
Other liabilities			(304)
		(32,362)	480,280
Income tax paid		(29,589)	(10,910)
Net cash (used) generated from operating activities		(61,951)	469,370
Investing Activities			
Interest income		54,424	46,619
Capital expenditures in telephone network systems and equipment	11	(800,104)	(935,547)
Proceeds from sale of telephone network systems and equipment		8,396	1,017
Net cash used in investing activities		(737,284)	(887,911)
Financing Activities			
Increase in capital stock	21	445,794	52,807
Banking loans	16	142,500	
Interest paid	24	(157,231)	(143,502)
Restricted cash		2,720	(18,103)
Derivative financial instruments		50,956	
Repurchase of step-up senior notes	2	(421,665)	
Proceeds from finance lease			(8,348)
Net cash generated (used) in financing activities		63,074	(117,146)
Net decrease in cash and cash equivalents		(736,161)	(535,687)
Cash and cash equivalents:			
At beginning of year		1,443,123	1,953,692
Exchange rate loss in cash and cash equivalents		88,336	25,118
At the end of the year		$ 795,298	$ 1,443,123

The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized for release on March 17, 2016, by Maxcom´s Officers signing below.

Mr. José A. Gómez Obregón Fernández CEO	Mr. Miguel E. Cabredo Benites VP of Finance

Figures in thousands of Mexican Pesos, except exchange rates and loss per share

Note 1 - Company incorporation:

Maxcom Telecomunicaciones, S. A. B. de C. V. (Maxcom, Company or Group), is a Mexican Limited Liability Public Stock Corporation with variable capital incorporated on February 28, 1996. Its main corporate purpose is the construction and operation of a telephone network, voice over IP, local, national and international long-distance telephone services, public telephone, data transfer services, internet, pay TV, virtual private network services and other value-added services, within Mexico. The Company also provides mobile telephone services as a virtual mobile network operator. The Company began its commercial operations in May 1999.

Pursuant to the resolutions adopted by the shareholders at the General Extraordinary and Ordinary Shareholders Meetings held on September 13, 2007, and by virtue of the public offering of shares carried out by the Company in Mexico and abroad, Maxcom was denominated as a publicly listed stock company with variable capital ("sociedad anónima bursátil de capital variable" or "S.A.B. de C.V."). The shares of the Company are listed and traded in the form of "Certificados de Participación Ordinarios" (CPO) on the Mexican Stock Exchange (BMV) and until November 2014 in the form of American Depositary Shares (ADS), on the New York Stock Exchange (NYSE). The Company is subject to the applicable provisions of the Business Corporations Law and to the stock exchange regulations under the Stock Exchange Laws in Mexico, as well as the supervision of the National Banking and Securities Commission in Mexico ("Comisión Nacional Bancaria y de Valores" or "CNBV"). Likewise, until November 2014 was subject to the regulations of the United States ruled by the U. S. Securities and Exchange Commission in the United States of America (SEC). Upon the terms of such resolutions, the by-laws of the Company were amended in their entirety to conform them to the Stock Exchange Act ("Ley del Mercado de Valores", "LMV") and ancillary regulations.

The direct and ultimate controller of the Group is Maxcom Telecomunicaciones, S.AB. de C.V. The Company is domiciled in Guillermo González Camarena # 2000, C.P. 1376, Mexico City, Mexico.

Note 2 - Recent Developments:

Bonds repurchases

During the period of November 5 to December 2 of 2015, the Company made purchases through the open market for a face value of U.S.$0.8 million dollars (repurchased Notes) of step-up notes denominated Step-Up Senior Notes maturing on June 15, 2020 (Step-up Senior Notes 2020) issued by Maxcom on October 11, 2013. These purchases were made at an average price of U.S. $54.94 (fifty four dollars 94/100) per each U.S.$100.00 (one hundred dollars 00/100) of face value.

Maxcom also carried out the necessary procedures to make the cancellation of repurchased notes with an effective date of December 31, 2015. Once the cancellation was made, the outstanding amount of the Step-up Senior Notes 2020 was U.S.$137.5 million. During 2015, the Company made purchases and canceled a total of U.S.$38.1 million face value of the Step-up Senior Notes 2020, using a cash amount of U.S.$26.3 million which represents a gain for debt reduction of U.S.$11.8 million. Additionally, in terms of cash flow for debt service, the company achieved savings of U.S.$14.1 million for the coupons ranging from June 2015 until the expiration of the Step-up Senior Notes in June 2020. Therefore, Maxcom will have a total profit of principal and interests of U.S.$25.9 million until the maturity of the Step-up Senior Notes 2020. See Notes 15 and 24.

Bank Loan

On October 14, 2015 Maxcomentered into a five-year loan agreement (the “loan”) with Banco Nacional de Comercio Exterior, S.N.C., Development Bank (Bancomext), of up to $150 million, with monthly principal amortizations. Simultaneously to the signing of the loan, the Company entered into a "Management and source of payment trust", where it undertakes the obligation to transfer from time to time cash flows arising from the collection of specific bank accounts, designating Bancomext as primary beneficiary. The trust is a liquidity mechanism, exclusively, that will serve as an alternative source of loan repayment. See Note 16.

Public telephony assets sale

On October 26, 2015, Maxcom signed a "Sale agreement of assets comprising the division of public telephony" in which the company sells, cedes, transfers to the buyer party all the rights of ownership over the assets of the unit, with all that in law and in practice is entitled. The sale price of the assets, with Value Added Tax (VAT) was $7.5 million ($6.5 million) being paid in three stages: 1) Advance of $4 million on September 30, 2015, same date that the “Purchase offer” was signed; 2) Payment of $3 million upon the signature of the sales agreement and 3) Within 30 days after the acquisition date (November 4, 2015) the amount of $560 thousand was paid.

On the other hand, Maxcom recorded a decrease in fixed assets of $14.5 million and in cash deposited in “public phones boxes” of $ 2.5 million, thus the net effect of the transaction for the Company was a loss of $10.6 million. In addition to the assets sold, the labor liabilities of the employees of the business, amounting to $10.7 million, was transferred to the buyer

NYSE Delist

On November 14, 2014, Maxcom submitted to the SEC the Form 15-F in order to terminate the registration of its ADS before the SEC, under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”), the delisting was effective ninety days after the filing. As result of submitting this Form 15-F, Maxcom’s reporting obligations to the SEC were concluded, including obligations to file annual reports under a Form 20-F and periodic reports under the Form 6-K.

Also, on November 14, 2014 the Company’s ADS were delisted from the NYSE to be traded in the United States in the over-the-counter (OTC) market, in the level OTCQX under the ticker symbol “MXMTY”.

Recapitalization and Debt Restructuring

On September 27, 2013 Maxcom completed a comprehensive plan of recapitalization and an equity tender offer initiated by Ventura, acting through the Trust 1387 held by Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, a banking institution organized and existing under the laws of the United Mexican States and other investors. As part of this transaction, Ventura investors became the major shareholder in the Company.

On October 2, 2013, Maxcom held a general ordinary shareholders’ meeting that approved, among other things, a capital increase of approximately USD$119.7 million.

According to the terms of the Restructuring Plan, on October 11, 2014, Maxcom issued new Step-Up Senior Notes due 2020 (the “Step-Up Senior Notes”) in an aggregate principal amount of U.S.$180.3

million, which reflects the amount of the Senior Notes 2014 less the amount of Senior Notes 2014 held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest: i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum: ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Senior Notes 2014, and iv) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

The Step-Up Senior Notes are governed by the indenture that Maxcom and its subsidiaries entered into with The Deutsche Bank Trust Company Americas, acting as trustee, on October 11, 2013. The indenture governing our Step-Up Senior Notes contains certain covenants that among other things, delimit the ability of the Company and subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of the Company's subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates.

Pursuant to the terms of the indenture governing Maxcom's Step-Up Senior Notes, the Company used 50% of the capital contribution made by the Ventura investors to make an offer to repurchase Step-Up Senior Notes, but only to the extent such capital contribution that exceeded USD$5 million, at a price equal to 85% for the principal amount of Step-Up Senior Notes, in cash. This tender offer was initiated on November 8, 2013 and consummated on December 12, 2013, in which Step-Up Senior Notes 2020 were purchased for an amount of USD$2.5 million.

During December 2013, a few of the Step-Up Senior Bond Holders exercised their equity purchase rights, thereby the company exchanged bonds worth $23.3 million Pesos (equivalent to USD$1.8 million) at carrying value, for 22,655,679 Series "A" common stock shares (see Note 21). The rest of the equity purchase rights held by the remaining Step-Up Senior Bond Holders were extinguished, as the right to convert them had expired in December 2013. As a result of the above events, Maxcom decreased the liability valued at fair value by $33.4 million Pesos (equivalent to US$2.6 million). The shares issued were recognized as an increase of capital stock and additional paid-in-capital by $22.1 million Pesos (equivalent to USD$1.7 million) and $34.6 million Pesos (equivalent to USD$2.7 million), respectively. See Note 15.

Telecom Reform

On March 6, 2014, the Instituto Federal de Telecomunicaciones (IFT), complying with its constitutional mandate, declared Teléfonos de México, S.A.B. de C.V.; Teléfonos del Noroeste, S.A. de C.V.; Radiomóvil Dipsa, S.A.B. de C.V.; Grupo Carso, S.A.B. de C.V., and Grupo Financiero Inbursa, S.A.B. de C.V. as preponderant economic agents in the telecommunications sector, thus establishing asymmetric regulation for fees and network infrastructure usage in mobile and fixed telecommunications services, as well as the effective disaggregation of the local network. On the same date, IFT declared Grupo Televisa, S.A.B., jointly with other entities, as preponderant economic agent in the Mexican broadcasting sector and imposing upon such entities certain restrictive measures, terms, conditions and obligations of importance. Among other, infrastructure sharing usage.

On July 14, 2014 the new *Ley Federal de Telecomunicaciones y Radiodifusión* was enacted, being enforced and effective on August 13, 2014, stating new mandates, such as the elimination of fees for national long distance calls (effective January 1, 2015), mobile number portability within 24 hours; strengthening users' rights and increasing the administrative burden for concessionaries. Additionally, the interconnection rate with the preponderant agent was stipulated in zero Pesos.

Effective June 11, 2013 the Mexican Congress enacted an amendment to the Mexican Constitution in connection with the telecommunications and broadcasting (radio and television) industries. This amendment to the Mexican Constitution (articles 6, 7, 27, 28, 73, 78, 94 and 105) is aiming to strengthen competition and providing the telecommunications authorities, the new IFT, with broader capacities to regulate the telecommunication and broadcasting industries.

The enacted bill provides for a number of measures that include eliminating the cap on foreign investment in the telecommunications industry (including satellite operations), raising the limit on foreign investment in the broadcasting industry to 49%.

Additionally, the enacted bill provides for the issuing of two new broadcasting licenses to be awarded by public auction.

"Must carry" and "must offer" obligations for television companies were also included in the new bill.

Note 3 - Concessions, frequency rights and interconnection agreements:

Concessions:

On December 20, 1996, the Mexican Ministry of Communications and Transportation ("Secretaría de Comunicaciones y Transportes" or "SCT") awarded Maxcom a concession to install and operate a public telecommunications network in Mexico (the "concession"), which is not exclusive, to offer local and long-distance telephony services. The initial term of the concession is 30 years and includes certain renewal rights. Subsequently, on September 24, 1999, September 27, 2001 and December 2, 2004, the Company received amendments to the initial terms and conditions of the concession.

The abovementioned changes to concessions are described below:

<u>September 24, 1999 amendment</u>

Changes to capital stock

Afforded Maxcom with the flexibility required in the international financial markets for a debt issuance, acquiring the obligation to inform the IFT (formerly Comisión Federal de Telecomunicaciones – [Cofetel]) on the final aspects of the issuing within 3 days after completing the transaction.

<u>September 27, 2001 amendment</u>

Changes to national coverage commitments and amendment to the restatement of guarantees

Enable Maxcom to provide commercial, residential and public local wireline telephone services at a national level through owned or leased infrastructure, surging the requirement for seeking IFT's (formerly Cofetel) approval when leasing infrastructure.

December 2, 2004 amendment

New commitments

A new commitment was set in place for Maxcom in order to increase its capacity and geographical footprint, projected for 2006 and 2014, commitment in which Maxcom has remained.

The concession grants the Company the right to provide local, national and international long-distance telephone services, data transfer services and other value-added services in any part of the Republic of Mexico and, under the last amendment dated December 2, 2004, certain obligations were set forth for the Company, as described in Note 26c and 26d.

On August 4, 2006, the SCT granted Maxcom a concession to provide cable television services and audio in the city of Puebla. Shortly thereafter, the SCT issued the Convergence Regulations, under which different types of telecommunications service providers are authorized to provide certain services in addition to those included under the original concessions.

On January 17, 2007, Cofetel authorized Maxcom to provide mobile virtual network operator (MVNO) services, based on its 1996 concession. This authorization allows Maxcom to provide mobile telephone services throughout Mexico using its own brand, acquiring capacity from other concessionaires of this service in Mexico. As a result of this authorization, Maxcom is the first, and thus far, the only telecommunications concessionaire to offer quadruple-play services (voice, video, data and cellular) on an extensive basis under its own brand name. The terms of the cable television and restricted radio concession and the MVNO authorization match the thirty-year term (expiring in 2026) of the concession granted in 1996 and impose no further obligations, including minimum coverage or investment additional commitments.

Frequency rights

On October 3, 1997, the Mexican Federal Government through the SCT granted the Company ten frequency right concessions (the "frequency rights") to use and exploit different bands of the radio-electric spectrum and to establish point-to-point and point-to-multi-point microwave links; seven are nationwide point-to-point and three are regional point-to multipoint microwave concessions. The frequency rights became effective on February of 1998, and shall remain in effect until 2018, see Note 12.

In accordance with the terms of these frequency rights concessions, the Company must provide to the IFT a guarantee on its operations in the form of a surety bond and renew it every year, see Note 26d

Convergence agreement

On October 2, 2006, the Mexican Federal Government, through the SCT, issued a non-binding agreement for the rendering of services in convergence, which is known as "Agreement of Convergence of Fixed Services of Local Telephone and Restricted Audio and/or Television that are provided through Wired and Wireless Public Networks" (Convergence Agreement).

The Convergence Agreement allows certain concessionaires of services of telecommunications to provide other services not included in the original concessions that were granted to them. The suppliers of cable television will now be able to provide the service of internet and telephone. Also the telephone operators, like Maxcom, will now be able to provide restricted services of audio and/or video. On October 13, 2006, Maxcom notified the SCT its compliance and voluntary adhesion to the Convergence Agreement and, therefore, the SCT authorized to provide the restricted services of audio and video besides to the previously authorized as a part of the original concessions of the public telecommunications network.

Interconnection agreements

On January 22, 1999, the Company entered into a contract to provide local interconnection services (local interconnection agreement) with Teléfonos de México, S. A. B. de C. V. (Telmex), whereby the parties agree to render interconnection services to finish local traffic in the other party's network.

Likewise, the Company subscribed an interconnection agreement to handle Maxcom's long distance traffic towards Telmex's local network and Telmex's long distance traffic towards Maxcom's local network.

The Company has negotiated the signing of various amending agreements to the local interconnection agreement with Telmex, to extend the original term of the local interconnection contract, irrespective of the fact that the contract provides that the interconnection between the two companies is carried out based on the clause of "continuous application". This clause sets forth that upon termination of the first period, the original terms and conditions of the contract will continue in full force and effect until the parties sign a new contract to continue interconnecting their networks. This contract is indefinite.

The Company has entered into various interconnection agreements with other local and long distance carriers and mobile phone companies, as well as agreements which allow the Company to render public telephone services through the capacity acquired from mobile networks. During the last year, the Company has celebrated various amending agreements, in order to ensure the continuity of said agreements, as well as to negotiate better rates that are in accordance with the telecommunications market.

Note 4 - Basis of preparation

Compliance Statement

These consolidated financial statements as of December 31, 2015 and 2014, have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). IFRS comprises: i) IFRS; ii) International Accounting Standards (IAS); iii) IFRS Interpretations Committee (IFRS IC) Interpretations, and iv) Standards Interpretations Committee (SIC).

The issuance of the accompanying consolidated financial statements was authorized on March 17, 2016, by Mr. José A. Gómez Obregón Fernández, Maxcom's Chief Executive Officer, and Mr. Miguel E. Cabredo Benites, VP of Finance, and consequently do not reflect any subsequent event after this date.

(a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, modified by the revaluation of derivative financial instruments that are designated and that qualify as cash flow hedges, which are recognized as part of comprehensive income.

(b) Functional and presentation currency:

These consolidated financial statements are presented in Mexican Pesos, which is the Company's functional currency. All financial information presented in Mexican Pesos has been rounded to the nearest thousands, except when otherwise indicated.

(c) Use of estimates and judgments

The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements according to IFRS, the significant judgments made by Management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be revealed.

(d) Judgments

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Concession and frequency rights renewal

Under Mexican Law, Maxcom is subject to renewal of their concession and frequency rights, according to the requirements established by the *Ley Federal de Telecomunicaciones y Radiodifusión* in force. See Note 26c and 26d. The continuity of the business is subject to the renewal of the concession and frequency rights, renewals are not fast track. The expiration dates are as follows:

Term of Concession / Frequency	Expiration date
Public telecommunications network in México	2026
Cable television and restricted radio	2026
Frequency rights	2018

Installation cost:

The Company amortizes installation costs over the period in which the service is provided. Once the customer terminates the service, the Company does not consider any additional value related to the installation cost. The Company performed impairment reviews, without having determined any effect. See Note 11.

(e) Use of estimates

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the future are:

Derivative financial instruments

The fair value of derivative financial instruments is defined as such price that would be received if the asset were to be sold or the price to be paid for transferring the liability, in an orderly transaction between market participants, at the valuation date, notwithstanding that price is observable or estimated using directly another valuation technique. When estimating the fair value of an asset or liability, the Company considers the characteristics of the asset or liability, "mark-to-market" when valuating the price of such asset or liability at the date of valuation.

Sensitivity analysis

The contracts managed by the Company with derivative financial instruments are exclusively for hedging purposes. All contracts managed by the Company have the very clear purpose of reducing the risk for which they were contracted, it is important to note that the derivate hedging financial instruments held by the Company, do not lose hedge effectiveness at any variation level; in that sense, any change in fair value of the contracted instruments does not cause changes to its nature, use or effectiveness.

To estimate the fair value of derivative financial instruments, the Company uses models developed in the specialized literature that meet the hypotheses and standard assumptions in the industry. The valuation models are widely used and do not include any special adjustment. Additionally, the risk factors used to stress valuations are those widely known in the industry for valuation purposes.

Useful lives:

As described in Notes 5g and 5i below, the Company reviews its depreciation and amortization methods and estimates of useful lives and residual values of long-lived assets (including telephone network systems and equipment and intangibles and frequency rights) each annual reporting date and adjusts them if appropriate.

Valuation of long-lived assets:

For impairment testing, assets are grouped into Cash Generating Units (CGU), i.e., the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets.

Since the Company provides bundled services and that the network and certain intangibles are common across many services, Management has determined that such assets should be tested for impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less selling costs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Key assumptions used in the calculation of recoverable amounts are the discount rate and the asset's residual values.

As of December 31, 2015 and 2014 no impairment exists, likewise in 2014, the Company reversed an impairment loss. See Note 11.

Impairment sensitivity analysis:

The Company test telecommunication network and equipment for impairment whenever events or changes in circumstances indicate that their book value may not be recoverable. When any indicator of impairment is identified, a test is performed based on each CGU. The CGUs identified by the Company are other telecommunication services, pay TV (impaired) and public telephony [PT] (impaired). The book values of other telecommunication services are compared to their recoverable amount, which is the higher between the value in use and the fair value less selling costs.

The impairment analysis as of December 31, 2015 and 2014 was performed with a rate of 11.34% and 12.00%, respectively. For measuring sensitivity in both years, an increase or decrease of 100 basis points in the discount rate does not have a significant impact on the impairment analysis.

Utilization of tax losses

The Company does not recognize a deferred tax asset arising from unused tax losses or tax credits, due to the uncertainty of the Company and its subsidiaries having sufficient taxable temporary differences or convincing other evidence that sufficient taxable profit against which the unused tax losses can be utilized will be generated by the Company.

Allowance for doubtful accounts receivable

The Company recognizes an account receivable as impaired when there is clear evidence of impairment, as result of one or more events that occurred after the initial recognition of the asset.

The allowance for doubtful accounts represents the estimate of losses resulting from the failure or inability of our customers to make the required payments. Determining the allowance for doubtful accounts receivable requires significant estimates.

To estimate the reserve of accounts receivable collectively, historical loss ratios are determined according to the status of those accounts receivable. The Company adjusts historical loss ratios to Management's judgment as to whether current economic and credit conditions are consistent and based upon their effects in the estimates of the provision. The Company records an estimate of reserves by a ratio of the amount of overdue accounts receivable according to days past due and related percentages. Establishing the relationship that the more days past due, the larger the provision percentage determined by the Management.

When there is a collection agreement with an impaired customer, the percentage estimate will be determined based on historical data of similar cases.

The estimate of the reserve of accounts given to the legal collection services is a function of the estimated success rate based on the experience of the in-house lawyer responsible for managing the account receivable, and its characteristics.

Management considers the estimate to be sufficient to cover the potential risk of impairment; however, actual results may differ from the estimates resulting in a material adjustment to the book values of the accounts receivable within the next financial year.

Estimates related to revenues from installation services

No installation expenses are charged to commercial clients and such costs are capitalized and amortized on a straight line basis for a period of 5 years. Installation costs capitalized are expensed once the relationship with the customer is terminated. In 2015 and 2014, the useful life of the installation costs was five years.

Note 5 - Significant accounting policies:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise stated.

a. Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

ii. Transactions eliminated in consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Maxcom and its subsidiaries of which it controls and has almost 100% of the voting shares:

Subsidiary company	% 2015 and 2014	Activity	Country
Asesores Telcoop, S. A. de C. V. (i) and (ii)	99.9	Business advisory services	Mexico
Celmax Móvil, S. A. de C. V. (i)	99.0	Telecommunications services	Mexico
Corporativo en Telecomunicaciones, S. A. de C. V.	99.9	Technical personnel services	Mexico
Fundación Maxcom, A. C. (i)	99.9	Non-for-profit foundation	Mexico
Maxcom Servicios Administrativos, S. A. de C. V.	99.9	Administrative personnel services	Mexico
Maxcom SF, S. A. de C. V. (ii)	99.9	Financial services	Mexico
Maxcom TV, S. A. de C. V. (i)	99.9	Cable television services	Mexico
Maxcom USA, Inc. (i)	100.0	International telecommunications services	U.S.
Servicios MSF, S. A. de C. V.	99.9	Administrative personnel services	Mexico
Outsourcing Operadora de Personal, S. A. de C. V. (ii)	99.9	Technical personnel services	Mexico
Sierra Comunicaciones Globales, S. A. de C. V.	99.9	Infrastructure leasing	Mexico
Sierra USA Communications, Inc.	100.0	International telecommunications services	U.S.
TECBTC Estrategias de Promoción, S. A. de C. V. (ii)	99.9	Technical personnel services	Mexico
Telereunión, S. A. de C. V.	99.9	Long distance and infrastructure leasing	Mexico
Telscape de México, S. A. de C. V.	99.9	Real estate services	Mexico

(i) These companies are not currently operating.
(ii) Maxcom Servicios Administrativos, S. A. de C. V. subsidiaries

b. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses are presented in the statement of comprehensive income within finance cost, net.

c. Financial instruments

i. Financial assets

The Company initially recognizes loans and accounts receivable on the date that they are originated. All other financial assets (including assets denominated at fair value through profit or loss) are initially recognized on the date of the hedge or trading, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company writes off a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and accounts receivable. The classification depends upon the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Cash and cash equivalents:

Cash and cash equivalents comprise cash balances, call deposits and overnight government instruments with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company to manage its short-term commitments.

Loans and accounts receivable:

Loans and accounts receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and accounts receivable are measured at amortized cost using the effective interest method, less any impairment losses. Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets at fair value with changes through profit or loss:

Financial assets at fair value with changes through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of being sold in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

ii. Financial liabilities

Accounts payables

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accounts payable are initially recognized at fair value.

Loans

Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently valued at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the loans using the effective interest method.

Loan costs

Specific loan costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other interest costs are recognized in profit or loss in the period in which they are incurred.

Compound financial instruments

The Company does not hold this type of instruments at the time.

d. Capital stock

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of income tax.

When shares recognized as equity are repurchased, the amount paid, which includes directly attributable costs, net of taxes, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for share repurchase. When treasury shares are subsequently sold or reissued, the amount received is recognized as an equity increase, and the resulting surplus or deficit on the transaction is presented as a share premium.

e. Derivative financial instruments and hedging activities

The Company uses interest rate and currency swaps (cross-currency swaps) to manage its exposure to interest rate and exchange rate volatility risks. A detailed explanation on derivative financial instruments is included in Note 19.

Derivatives are recognized initially at fair value at the date of the subscription of the derivative agreement and are subsequently revaluated at fair value at the end of the reporting period. The resulting gain or loss is recognized in the results immediately unless the derivative is designed and effective as a hedge instrument, in whose case the appropriate recognition in results will depend on the nature of the coverage relation.

Implied Derivatives

The derivatives implied in other financial instruments or in other contracts (host contracts) are treated as separate derivatives when their risks and characteristics are not tightly related with those of the host contracts and when such contracts are not recorded at their fair value with changes through results.

Hedges accountancy

The Company designates certain instruments as hedging instruments, which include implied derivatives, derivatives and non-derivative with respect to foreign currency risk, either as fair value hedges, cash flow hedges, or hedges for a net investment in an operation abroad. The hedge of foreign currency risk of a firm commitment is recorded as cash flows hedge.

At the start of the hedge, the Company documents the relationship between the hedging instrument and the hedged item as well as the targets of risk management and its management strategy for undertaking various hedge transactions. Additionally, at the beginning of the hedge and on an ongoing basis, the Company documents whether the hedge instrument is highly effective in offsetting the exposure to changes in fair value or changes in cash flows of the hedged item.

Note 19 includes the details on the fair value of the derivative instruments used for hedge purposes.

Fair value hedges

The changes in the fair value of the derivatives that are designated and qualify as fair value hedges are registered immediately in the results, along with any change in the fair value of the hedged asset or liability that is attributed to the covered risk. The change in the fair value of the hedge instrument and the change in the item hedged attributable to the covered risk is recognized in the "Income Statement" in the row related to the hedged item.

Hedge accounting is discontinued when the Company revokes the relation of coverage, when the hedge instrument matures or is sold, ends, or is exercisedd, or when it no longer meets the criteria of hedge accounting. The adjustment to the fair value of book value of the item covered that surges from the hedged risk, is amortized against results starting on that date.

Cash flow hedges

The effective portion of the changes in the fair value of the derivatives that are designated and qualify as cash flow coverage is recorded under Other Integral Results (OIR). The gains and losses relative to the non-effective portion of the hedge instrument, is immediately recorded in the results, and it is included in "other expenses".

The amounts that have been previously recorded in the OIR row and accumulated in the capital stock, are reclassified to the results of the periods in which the hedged item is recognized in the results, in the same accounting line item where the hedged item is recognized. However, when a forecasted transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains or losses previously accumulated in the stock equity are transferred and included in the initial valuation of the non-financial asset cost or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or no longer meets the criteria for hedge accounting. Any cumulative gain or loss on the hedging instrument that has been recognized in equity remains in equity until the forecasted transaction is finally recognized in the results. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss in equity is immediately recognized in the results.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation are accounted similarly to cash flow hedges. Any gain or loss on the hedging instrument relative to the effective portion of the hedge is recognized in OIR and accumulated in the reserve for foreign operations conversion. The gain or loss related to the ineffective portion is recognized in the results and is included under the accounting line item "Other expenses".

Gains and losses on the hedge instrument relative to the effective portion of the hedge accumulated in the reserve for foreign currencies conversion are reclassified to results at the disposal of the foreign operation

The fair value of financial derivatives represents a gain amounting to $321 thousand. As of December 2015 there are no ineffective portions that must be recognized in the results for the period.

The effect recognized as of December 2015 and 2014 regarding net accrued interest by currency swaps amounted to $89 thousand and $72 thousand classified as a financial expense item, respectively.

f. Inventories

Inventories consist of material used to install telephone lines and network build-out, and are measured at the lower of cost and net realizable value. Cost is determined using the average cost formula, and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

g. Telecommunications networks systems and equipment - Net

i. Recognition and measurement

Items of telecommunication network systems and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The Company constructs certain of its own network systems and related facilities. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, as well as borrowing costs for qualifying assets.

When parts of an item of telecommunications network systems and equipment have different useful lives, they are accounted for as separate items (major components) of telecommunications network systems and equipment.

The gain or loss on disposal of an item of telecommunications network systems and equipment is determined by comparing the proceeds from disposal with the corresponding book value, and is recognized net within "Other expenses" in the statement of comprehensive income.

Maintenance and minor repair costs are charged to results as incurred; replacement and improvement costs are capitalized. The cost and related allowances of assets sold or retired are removed from the accounts, and any resulting profit or loss is reflected in the statement of results of operations, in "Other expenses".

All the installation costs are capitalized. The useful life of installation costs of residential lines is five years, as this is the average tenure of our customers. Capitalized installation costs are recorded as expenses once the relationship with the customer is terminated. No installation expenses are charged to our commercial customers, they are capitalized and amortized on a straight line basis for a period of 5 years.

ii. Subsequent costs

Subsequent costs are included in the asset's book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The book value of the replaced part is written off. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred, including the costs of the day-to-day servicing of systems and equipment.

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is calculated using the straight-line method to allocate the cost over the estimated useful lives of each component of an item of telecommunications network systems and equipment. Leased assets and leasehold improvements are depreciated at the lesser of its useful life or contract term. If it is reasonably certain that the Company will obtain ownership, the leased assets are depreciated over contract term. Land is not depreciated.

The useful lives for the current and comparative periods are as follows:

	Years

Telecommunications network and equipment	Between 23 and 24
Public telephone equipment	8
Leasehold improvements and external plant	Between 2 and 20
Radio equipment	30
Line installation cost	5
Electronic equipment	25
Computer equipment	5
Transportation equipment	4
Office furniture	10
Other	10
Engineering equipment	10

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

An asset´s book value is written down immediately to its recoverable value if the asset´s book value is greater than its estimated recoverable amount.

h. Investment property

Investment property is land and a building which are owned and held to earn rental income under operating leases, and which are not occupied by the companies of the Group. Investment properties are stated in the balance sheet at their acquisition cost.

i. Intangible assets

Intangible assets that are acquired by the Company have finite useful lives, are measured at cost less accumulated amortization and impairment losses.

As previously mentioned in Note 3, the SCT awarded the Company, at no cost, a concession to install and operate a public telecommunications network for a 30-year period. The concession and the related grant were initially recognized at their nominal amount, therefore, no value is recorded value for financial reporting purposes and they are only disclosed in a note about these consolidated financial statements.

Frequency rights are recorded at their acquisition cost.

i. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in the statement of comprehensive income.

ii. Amortization

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Years

Infrastructure rights	30 and 15
Software licenses	3.3
Frequency rights	20*

* Frequency rights are amortized over their term.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

j. Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

k. Impairment of financial assets

i. Financial assets at amortized cost

A financial asset not recorded at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and accounts receivable

The Company considers evidence of impairment of accounts receivable at both a specific asset and collective level. All individually significant accounts receivable are assessed for specific impairment. All individually significant loans and accounts receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and accounts receivable that are not individually significant are collectively assessed for impairment by grouping together accounts receivable with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its book value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an estimate account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non-financial assets

Telecommunications network systems and equipment and intangible assets subject to depreciation and amortization, respectively, are reviewed for impairment whenever events or changes in circumstances indicate that their book value may not be recoverable.

An impairment loss is recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGU). Prior impairments of non- financial assets are reviewed for possible reversal at each reporting date.

When an impairment loss is reversed, the corresponding value of the asset or CGU is increased, without exceeding the book value that would have been determined had no impairment been recognized in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

l. Employee benefits

i. Seniority premiums

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or implicit obligations to pay further contributions if the separate entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unitary credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity that approximate to the terms of the related obligation.

The new assessments arise from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss in the period in which they arise.

Past-service costs are recognized immediately in income.

ii. Termination benefits

Termination benefits are recognized as an expense when the Company is committed in a way susceptible of being demonstrated, without a real possibility of withdrawal, to a formal detailed plan, either to terminate the employment relationship before the normal retirement date, or to grant benefits on employment relationship termination as a result of an offer made to foster voluntary termination. The Group recognizes termination benefits previous to the following dates: a) when the Company can no longer withdraw the offer of those benefits; and b) when the Company recognizes costs for a restructuring that is within the scope of IAS 37 and includes the payment of termination benefits. In the case of an offer made to encourage voluntary employment termination, the termination benefits are measured based on the number of employees expected to accept the offer. If benefits are due more than 12 months after the end of the reporting period, then they are discounted to their present value.

iii. Profit sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's stockholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created an implicit obligation.

m. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or implicit obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the statement of comprehensive income.

n. Revenue

Maxcom's revenues derive from the offering of services in the normal course of operations, and they are recognized at fair value of the compensation receivable. Revenue is shown net of VAT and further discounts.

Maxcom recognizes revenue when it can be reliably measured, when it is possible that the economic benefits will flow to the Company in the future and the specific criteria for each type of activity are met. Revenues are recognized in the accounting period in which the services are rendered, so that at the end of each year, and because the Company has several billing cycles, the Company determines the portion of revenues from services rendered in December not yet billed, based on the traffic for that period, taking into account the particular terms of each contract.

The Company provides telecommunications services based on the type of market, divided into: wholesale, residential and commercial customers, public telephony and others.

The services provided include data and fixed telephony, and to a lesser extent pay TV and mobile telephony. The Company has several commercial offerings, mainly based on the combination of bandwidth and traffic carried. The contract periods range from 1 to 3 years, with a renewal call.

Revenues from public telephone services are recognized based on the cash collected which is about the same time when services are rendered.

Revenues from lease of transmission capacity through the fiber optic ring are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized on the same basis as the lease revenues. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as deferred revenues in non-current other accounts payable and current other accounts payable, respectively, in the statement of financial position.

o. Financing revenues and financing costs

Financing revenues comprise interest income on funds invested and fair value gains on financial assets at fair value through profit or loss. Interest income is recognized in profit or loss as it accrues, using the effective interest method.

Financing costs comprise interest expense on loans, unwinding of the discount on provisions and fair value losses on financial assets at fair value through profit or loss.

Loan costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

p. Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their book values in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

q. Earnings per share

The Company presents data of earnings per basic and diluted share for its ordinary shares. Earnings per basic share are calculated by dividing the profit or loss attributable to ordinary stockholders of the Company by the weighted average number of ordinary shares outstanding during the period, less treasury shares. Earnings per diluted share are determined by adjusting the profit or loss attributable to ordinary stockholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, to account for the effects of all dilutive potential ordinary shares, which comprises share purchase options granted to employees.

r. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and which is reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The Company has determined that it has one operating segment: Telecommunications. The segment offers different service products to its customers based on the type of market, divided as follows: residential, commercial, public telephony, wholesale and others. The financial information reviewed by the chief operating decision maker includes revenues by market, but operating expenses and assets are reported on a combined basis for the entire operating unit. The Company also divided its operating segment in the following geographical destinations: Metropolitan Area, Central-South, and North (all within Mexico).

s. Share-based payment

The fair value of share-based payment awards is calculated considering that the date of the Grant Date such shares are purchased to fulfill the obligation with employees. In accordance with IFRS 2 "Share-based Payment", the resulting cost is charged as employee costs to the income statement over the vesting period of the relevant award. This charge is amended to take into account changes in the number of equity instruments expected to vest as a consequence of the changes in expectation as to the attainment of any performance-related conditions.

t. Bonds repurchase

When there are changes in the debt an analysis is carried to assess whether the changes were substantial that result in the extinction of the old debt and recognition of a new debt, or if the changes were not substantial and are recorded as a renegotiation of the original debt, if it is about an extinction or renegotiation the transaction costs are treated differently. Costs incurred in the extinguishment of debt are recorded in the income statement, in the case of a renegotiation costs are accounted in a prospective manner. Any gain or loss determined in the bonds repurchase stemming from the spread between the nominal value and the paid amount is recognized in financial costs.

Note 6 – Financial risk management:

Overview

The Company´s activities expose it to a variety of financial risks: credit risk; liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the management and the Audit Committee as responsible for developing and monitoring the Company's risk management practices. The Audit Committee and the Management reports regularly to the Board of Directors on its activities.

The Company's risk management practices are established to identify and analyze the risks faced by the Company, to monitor risks. The Company, through its training and management standards and procedures, aims to develop a disciplined and implicit control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how Management monitors compliance with the Company's risk management practices and procedures, and reviews the adequacy in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable from customers and investment in securities.

Accounts receivable:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company provides its services to a vast array of customers, thus avoiding dependency on any single customer; therefore, there is no concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company research on the credit behavior of its customers. This information is supplied by independent rating agencies ("Buró de Crédito" or "Círculo de Crédito") where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. Where appropriate, guarantees are required in the form of deposits (customer deposits). The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management and the Audit Committee.

As described in Note 4, the Company recognizes impairment of accounts receivable through an allowance for the impaired of the receivable accounts, which is further detailed in Note 9.

Impairment losses

Aging of trade receivables at the reporting date

	December 31, 2015		December 31, 2014	
	Gross	Impairment	Gross	Impairment
Not pass due	$341,779	$ -	$450,383	$ -
Past due 0-90 days	66,600	-	77,013	-

Past due 90-121 days				
More than 121 days	282,884	(302,399)	257,278	(244,079)
	$691,263	($302,399)	$784,674	($244,079)

For movements in the allowance for impairement of accounts receivable, see Note 9.

Investments

The Company limits its exposure to credit risk by investing only in overnight government instruments and only with trustworthy banks. Management does not expect any counterparty to fail to meet its obligations.

Derivative financial instruments

The Company manages its credit risk associated to its derivatives portfolio entering transactions only with financial institutions of recognized prestige and solvency in the market and mainly those with which a reciprocal business relationship is maintained, allowing to balance the risk position with the counterparties.

As of December 31 2015 and 2014, the counterparty risk (CVA) of the Company is immaterial. As of December 31, 2015 and 2014, the Company has deposited as collateral for financial derivative instruments the amounts of U.S.$536 thousand and U.S.$1.230 billion, respectively.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements and optimizes its cash return on investments. The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In the following table, the Company's non-derivative financial liabilities are analyzed, organized by maturity from December 31, 2015 and 2014. The amounts disclosed in the table are the contractual undiscounted cash flows. The Company does not present a liquidity risk from its derivative financial instruments as of December 31, 2015, because their fair value represents a capital loss of $330 thousand Pesos.

The following are the maturities as of December 31, 2015 and 2014 including estimated interest payments:

December 31, 2015	Less than 1 year	From 1 to 2 years	More than 3 years	Total
Step-up senior notes payable				

and interests payable, semiannually	$ 143,774	$ 318,160	$ 2,657,419	$ 3,119,353
Accounts payable	365,328			365,328
Other accounts payable	6,678			6,678
Customer deposits	3,011			3,011
Other non-current accounts payable (*)	-	69,354		69,354

December 31, 2014	More than 1 year	From 1 to to 2 years	More than 3 years	Total
Step-up senior notes payable and interests payable, semiannually	$ 163,704	$ 383,752	$ 3,712,188	$ 4,259,644
Accounts payable	596,651			596,651
Other accounts payable	20,499			20,499
Customer deposits	2,252	-	-	2,252
Other non-current accounts payable (*)	-	75,324	-	75,324
Other non-current liabilities	-	4,633	-	4,633

(*) Include deferred income

Market Risk

The Company's activities expose it mainly to financial risks of foreign exchange rates and interest rates changes. The Company subscribes interest rate and currencies swaps to manage exchange rate risk exposure. The objective of market risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. All such transactions are carried out within the guidelines set by Board of Directores and the Audit Committee.

There are no changes in the Company's exposure to market risks or the way how these risks are managed and valued.

Exchange rate risk

The Company has "Only Coupon Swaps" to cover its exposure to Mexican Peso/U.S. dollar exchange rate risk, associated to the coupons of its foreign currency debt, through which it makes payments, based upon fixed interest rates, in Pesos, and receives payments, upon fixed interest rates, in U.S. dollars.

The current amount of contracts with derivative financial instruments to hedge exchange rate risk amounts to US$80 million to exercise at several dates during the term of the Step-Up Senior Note maturing in June 2020. The objective of the hedge is to fix the exchange rate to allowsmitigation of the Peso/U.S. dollar exchange rate variability for up to 58% related to the coupon payments of the notes issued in U.S. dollars until December 2017.

With respect to other monetary assets and liabilities denominated in foreign currency, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. Note 18 provides the details on the foreign currency position of the Company as of the date of the statements of financial position.

Sensitivity Analysis

Since acquired derivatives have the same features as the primary underlying instrument, the effectiveness ratio will always result at 100%, regardless of the stress scenario or sensitivity test used, due to the fact that any change in the fair value of the derivatives will be offset with the change in the cash flow presented by the primary underlying instrument being hedged.

Regarding the sensitivity analysis of exchange rate risks, to which the Company is exposed, considering a depreciation of Mexican Peso against U.S. dollar (from $17.20 Pesos per dollar to $18.20 Pesos per dollar), would result in a favorable impact in the valuation of the derivative financial instruments in $10.6 million, which would be offset by the currency fluctuation of the coupons of the Step-up Senior Notes in dollars, so that their would be no effect in results.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Step-up Senior Notes due 2020 constitute substantially all of the Company's indebtedness and bear interests at a fixed rate, see Note 15.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital is comprised of capital stock, additional paid-in capital, accumulated losses and repurchase of shares reserve.

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Company's share option program. Buy and sell decisions are made on a specific transaction basis by the General Management Director; the Company does not have a defined share buy-back plan.

During the year ended December 31, 2015 the Company's strategy is to keep the leverage ratio between 45% and 55%, in 2014 it was between 25% and 35% the change derives from the investments made by the Company in telecommunications equipment.

The leverage ratios at December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014
Step-up senior notes payable	$ 2,100,311	$ 2,218,905
Bank loans	142,500	0
Interest	6,315	7,250
Less: cash and cash equivalents (note 8)	(795,298)	(1,443,123)
Net debt	1,453,828	783,032
Total stockholders' equity (note 21)	2,814,846	2,941,421
Leverage ratio	52%	26%

Fair value of financial instruments recorded at amortized cost

Except as detailed in the following table, the management considers that the book values of current financial assets and liabilities recognized in the consolidated financial statements for the years ended December 31, 2015 and 2014, are close to their fair values.

	December 31, 2015			December 31, 2014		
	Level	Book Value	Fair Value	Level	Book Value	Fair Value
Step-up senior notes papyable and accrued interest	2	$ 2,106,626	$ 2,462,841		$ 2,226,155	$ 2,282,827

The fair values of financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

There were no transfers between levels during 2015 and 2014.

Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to any asset or liability.

Financial instruments recorded at amortized cost

The fair value of financial instruments recorded at amortized cost is estimated as the present value of future cash flows, discounted at the market interest rate at the reporting date. This fair value is determined for disclosure purposes.

Derivatives

The fair value of the exchange rate Only Coupon Swaps is estimated by discounting the future cash flows estimated based on the terms and maturity of each contract using market interest rates for a similar isntruments as of the date of the valuation. Fair values reflect the credit risk of the instrument and include adjustments to take account credit risk of the Group and the counterparty, when appropriate.

Shared based payment transactions

The fair value of share-based payments is calculated considering that to the date of the Grant Date such shares were purchased to fulfill the obligation with employees. According to IFRS 2 "Share-based Payments", the resulting cost is recorded as personnel expenses in the income statement during the period of the corresponding concession. This record is modified to take into account changes in the number of equity instruments that are expected to provide as a result of changes in expectations regarding the achievement of performance-related conditions.

Fair value hierarchy

The different levels have been defined as follows:

- Level 1: quoted prices (not adjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments in level 2

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 data in the market where it is available and relies the least as possible on entity specific estimates. If all significant inputs required to obtain the fair value of an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;

- The fair value of term foreign exchange contracts is determined by using exchange rates at the balance sheet date, with the resulting value discounted to present value;

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

	December 31, 2015		
	Loans and receivables	Assets at fair value with changes through profit or loss	Total
Assets			
Cash and cash equivalents	$ 795,298	$ -	$ 795,298
Accounts receivable	388,864	-	388,864
Other sundry debtors	43,427	-	43,427
Prepaid expenses	18,744	-	18,744
Total	$ 1,246,333	$ -	$ 1,246,333

	December 31, 2015		
	Other financial liabilities at amortized cost	Liabilities at fair value with changes through profit or loss	Total
Liabilities as per balance sheet			
Accounts payable	$ 365,328	$ -	$ 365,328
Other current accounts payable	6,678	-	6,678

Customer deposits	3,011	-	3,011
Derivative financial instruments		330	330
Other non-current liabilities	69,354	-	69,354
Bank loans	142,500	-	142,500
Step-up senior notes	2,100,311	-	2,100,311
Total	$ 2,687,182	$ 330	$ 2,687,512

	December 31, 2014		
	Loans and receivables	Assets at fair value with changes through profit or loss	Total
Assets			
Cash and cash equivalents	$ 1,443,123	$ -	$ 1,443,123
Derivative financial instruments	-	50,626	50,626
Accounts receivable	540,595	-	540,595
Other sundry debtors	55,233		55,233
Prepaid expenses	11,041		11,041
Total	$ 2,049,992	$ 50,626	$ 2,100,618

	December 31, 2014		
	Other financial liabilities at amortized cost	Liabilities at fair value with changes through profit or loss	Total
Liabilities as per balance sheet			
Accounts payable	$ 596,651	$ -	$ 596,651
Other current accounts payable	20,499	-	20,499
Customer deposits	2,252	-	2,252
Other non-current accounts payable	75,324	-	75,324
Other non-current liabilities	4,634	-	4,634
Step-up senior notes	2,218,905	-	2,218,905
4Total	$ 2,918,264	$ -	$ 2,918,264

Note 7 – Operating segments:

The Company operates in the telecommunication business sector and has only one reportable segment. The segment offers different service products to its customers based on the type of market, divided as follows: residential, commercial, public telephony, wholesale and others. However, most of the infrastructure is commonly used by the different services products in all markets and equally specific telecommunications services, such as local service, long distance and “calling party pays” (CPP) that can be provided in one or more markets. Therefore, different financial information is not available because there is no measure of segment profit or loss by each of these markets. The financial information reviewed by our chief operating decision maker includes revenues by market, but operating expenses and assets are reported on a combined basis for the entire operating unit.

Information about products and services

As of December 31, 2015, and 2014 revenues are comprised as shown below:

Markets	2015	2014
Residential	$ 773,152	$ 889,495
Commercial	572,996	669,274
Wholesale	942,738	989,317
Public telephony	60,642	127,584
Others	19,405	14,268
Total revenues	$ 2,368,933	$ 2,689,938

Each of the above markets is comprised of homogeneous customers.

Information about geographical areas

The information by geographical location (all within Mexico) including revenues, total assets, and additions of the telephone network, systems and equipment is as follows:

December 31, 2015	Metropolitan area[1]	Central-South[2]	North[3]	Total
For the yeat ended December 31, 2015:				
Local	$ 1,253,282	$1,028,825	($ 432)	$ 2,281,675
Long distance	40,398	13,466	6,100	59,964
Rent of dedicated links	180			180
Sale of equipment to customers	482	1,446	2	1,930
Capacity leasing	25,184			25,184
Total revenues	$ 1,319,526	$1,043,737	$ 5,670	$ 2,368,933
Total assets as of December 31, 2015	$ 3,115,227	$2,464,125	$ 13,386	$ 5,592,738
Acquisition of telecommunications network systems and equipment for the year ended December 31, 2015	$ 565,591	$ 29,654	$ 34	$ 595,279

December 31, 2014	Metropolitan area[1]	Central-South[2]	North[3]	Total
For the yeat ended December 31, 2014:				
Local	$ 1,052,593	$ 645,040	$ 12,344	$ 1,709,977
Long Distance	836,554	102,930	13,887	953,371
Rent of dedicated links	224			224
Sale of equipment to customers	677	743		1,420
Capacity leasing	24,946			24,946
Total revenues	$ 1,914,994	$ 748,713	$ 26,231	$ 2,689,938
Total assets as of December 31, 2014	$ 4,845,851	$ 706,253	$ 392,181	$ 5,944,285
Acquisition of telecommunications network systems and equipment and intangible assets for the year ended December 31, 2014	$ 439,968	$ 39,063	$ 50,537	$ 529,568

[1]Includes Mexico City and Metropolitan Area
[2]Includes some cities in the States of Puebla, Querétaro and San Luis Potosí

(3)Cities in the State of Nuevo León

Information about main customers

There is no customer whose revenues are above 10% of the Company's total revenues.

Note 8 - Cash and cash equivalents:

The balance of cash and cash equivalents as of December 31, is comprised as folllows:

	December 31,	
	2015	2014
Cash	$ 61,540	$ 346,928
Cash equivalents	733,758	1,096,195
Total	$ 795,298	$ 1,443,123

Note 9 - Accounts receivable - Net:

The balance is comprised as follows:

	December 31,	
	2015	2014
Accounts receivable	$ 691,263	$ 784,674
Allowance for doubtful accounts	(302,399)	(244,079)
Total current assets	$ 388,864	$ 540,595

The credit period is generally 25 days from the date of the invoice. Certain customers are granted extended credit periods of up to 3 months.

Accounts receivables disclosed above include amounts (see below aging analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in the credit quality and the amounts are still considered recoverable.

Aging of receivables that are past due but not impaired

	December 31,	
	2015	2014
60-90 days	$ 13,198	$ 26,126
Average age (days)	75	75

Movement in the allowance for doubtful accounts

	December 31,	
	2015	2014

Balance at beginning of the year	$ 244,079	$ 153,778
Increases in the allowance	60,115	107,130
Applications of the allowance	(1,795)	(16,829)
Balance at end of year	$ 302,399	$ 244,079

According with the collection of account procedure, the accounts with more than 210 days outstanding are applied against the allowance for doubtful accounts. As of December 31, 2015 and 2014, $1,795 and $16,829, were applied respectively.

Credit quality of financial assets

	December 31,		December 31,	
	2015	%	2016	%
(a) Current	$ 348,369	90	$ 403,983	75
(b) From 0 to 30 days pending payment	16,931	4	50,887	9
(c) From 31 to 60 days pending payment	21,853	6	15,406	3
(d) From 61 to 90 days pending payment	1,711	0	70,319	13
Total	$ 388,864	100	$ 540,595	100

(a) Minimum credit risk

(b) Low credit risk with successful recovery of 43.8%

(c) Medium credit risk with successful recovery of 21.2%

(d) High credit risk with successful recovery of 16.2%

Cash and cash equivalents	2015	2014
AAA	$ 795,298	$ -
BBB		1,222,695
BBB+		220,428
Total	$ 795,298	$ 1,443,123

Note 10 - Income taxes:

a. New Income Tax Law

In October of 2013 the chambers of Senators and Deputies approved the issuance of a new Income Tax Law (LISR), which came into force on January 1, 2014, abrogating the Income Tax Law published on January 1, 2002 (previous Income Tax Law). The new Income Tax Law collected the essence of the previous one, however, it has important modifications, among which the following ones are the most relevant.

i. It limits deductions of contributions to pension funds and exempt wages, car leasing, consumption in restaurants and social security contributions; also it eliminates the immediate deduction of fixed assets.

ii. It modifies the mechanics to accumulate income from term disposals and generalizes the procedure for determining the gain on disposal of shares.

iii. Modifies the procedure to determine the tax base for Employee Profit Sharing (PTU), establishes the mechanism for determining the initial balance of the Capital Contribution Account (CUCA) and the Fiscal Net Income Account (CUFIN).

iv. Establishes a rate of income tax (ISR) applicable for 2014 and subsequent years of 30%; unlike the previous Income Tax Law which established a rate of 29 to 28% for 2014 and 2015 respectively.

v. The direct cost system and the valuation method of last-in first-out are eliminated.

vi. It establishes an additional tax of 10% on dividends declared on profits generated starting on 2014 to residents abroad and Mexican individuals, the deductions will be made by the company that declared the dividend and will be considered final payment.

The Company reviewed and adjusted the deferred tax balance as of December 31, 2013, considering the application of these new provisions in the determination of the temporary differences, whose impacts are detailed in the reconciliation of the effective tax rate presented below. However, the effects of limiting deductions and other previously stated effects apply starting on 2014, and affect mainly the tax incurred from that year onwards.

b. Consolidated income taxes are comprised as follow:

	2015	2014
Current income tax	($33,198)	($ 3,084)
Deferred income tax	(2,466)	15,451
	($35,664)	$ 12,367

c. The analysis of deferred tax assets and liabilities is as follows:

	2015	2014
Deferred tax assets		
Deferred tax assets to be recovered after more tan 12 months	$ 571	$ 2,254
Deferred tax assets to be recovered within 12 months	6,020	6,803
Deferred tax asset - net	$ 6,591	$ 9,057

The movement on the deferred income tax account are as follows:

	2015	2014
At January 1	$ 9,057	$ 8,794
Other comprehensive income components charge	15,188	(15,188)
Income tax charge	(17,654)	15,451
At December 31	$ 6,591	$ 9,057

The net movement of deferred tax during the year is explained below:

	Employee Benefits	Provisions	Tax loss carry-forwards	Derivatives	Total
At January 1, 2015	$ 897	6,703	16,645	(15,188)	$9,057
Deferred taxes from other comprehensive income				15,188	15,188
Income tax charge	441	(1,450)	(16,645)		(17,654)
At December 31, 2015	$1,338	5,253			$6,591

	Employee Benefits	Provisions	Tax loss carry-forwards	Derivatives	Total
At January 1, 2014	$2,007	6,787			$ 8,794
Deferred taxes from other comprehensive income				(15,188)	(15,188)
Income tax charge	(1,110)	(84)	16,645		15,451
At December 31, 2014	$ 897	6,703	16,645	(15,188)	$ 9,057

d. The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilites, at December 31, 2015 and 2014 are presented below:

	2015	2014
Employee benefits	$ 1,338	$ 897
Provisions	5,253	6,703
Derivatives	-	(15,188)
Tax loss carry-forwards	-	16,645
Net deferred tax asset	$ 6,591	$ 9,057

Deferred tax assets are recognized only to the extent that it is probable that taxable profit against which the deductible temporary differences can be utilized will be available. In assessing the recoverability of deferred tax assets, Management considers whether it is more likely that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The deferred tax not recognized is integrated below:

	2015	2014
Tax loss carry-forwards	$ 437,428	$ 318,629
Telecommunications networks systems and equipment	451,212	674,187
Allowance for doubtful accounts	100,144	57,123
Provisions and others	34,259	43,891

Deferred tax assets	$1,023,043	$1,093,830

As of December 31, 2015 the Company had accumulated tax loss carry-forwards of $1,458,091 which expire as follows:

Years of loss	Amount	Year of expiration
2006	$ 95,167	2016
2007	174,526	2017
2008	569,942	2018
2010	4,135	2020
2011	219,335	2021
2014	10,815	2024
2015	384,171	2025
	$1,458,091	

e. Reconciliation of effective tax rate:

	2015		2014	
	%	$	%	$
Loss before income tax		($ 548,605)		($ 317,626)
Income tax expense using the Company's statutory tax rate	27%	$ 145,758	(31%)	$ 99,941
Inflationary effect	(1%)	4,627	(30%)	96,119
Non-deductible employee benefits	0%	1,463	(1%)	1,783
Unrealized foreign exchange loss & Non-deductible uncollectible accounts	(42%)	(233,087)	51%	(161,639)
Unrecognized deferred tax assets	(1%)	6,999	2%	(6,387)
Other	(7%)	38,576	5%	(17,450)
	7%	($ 35,664)	(4%)	$ 12,367

Note 11 - Telecommunications network systems and equipment - Net:

Telephone network systems and equipment consist of:

Cost	Line installation cost	Telecommuni-cations network and equipment	Public telephony equipment	Computer equipment	Engineering equipment	Radio equipment	Transportation equipment	Leasehold improvements	Office furniture	Investment property	Other	Construction in Progress	Total
Balance at January 1, 2014	$ 859,498	$ 4,888,196	$ 0	$ 77,626	$ 22,912	$ 535,218	$ 58,181	$ 1,593,450	$ 26,347	$ 53,550	$ 36,118	$ 145,958	$ 8,297,054
Transfers	(9,593)	17,437				1,160	103	(9,484)					(377)
Additions	118,042	332,159		12,456	329	7,349	16,575	40,588	1,904		473	385,049	914,924
Disposals	(4,727)	(120,978)		(10,090)		(124)	(9,568)	(3,848)				(3,605)	(152,940)
Balance at December 31, 2014	$ 963,220	$ 5,116,814	$ 0	$ 79,992	$ 23,241	$ 543,603	$ 65,291	$ 1,620,706	$ 28,251	$ 53,550	$ 36,591	$ 527,402	$ 9,058,661
Balance at December 31, 2014	$ 963,220	$ 5,116,814	$ 0	$ 79,992	$ 23,241	$ 543,603	$ 65,291	$ 1,620,706	$ 28,251	$ 53,550	$ 36,591	$ 527,402	$ 9,058,661
Additions	74,443	373,617		10,706	3,337	21,050	7,812	53,025	6,718		7,965	109,788	668,461
Disposals	(1,567)	(625,448)	0	(4)			(25,451)						(652,470)
Balance at December 31, 2015	$ 1,036,096	$ 4,864,983	$ 0	$ 90,694	$ 26,578	$ 564,653	$ 47,652	$ 1,673,731	$ 34,969	$ 53,550	$ 44,556	$ 637,190	$ 9,074,652

Accumulated depreciation and impairment losses	Line installation cost	Telecommuni-cations network and equipment	Public telephony equipment	Computer equipment	Engineering equipment	Radio equipment	Transportation equipment	Leasehold improvements	Office furniture	Investment property	Other	Construcion in Progress	Total
Balance at January 1, 2014	($ 381,371)	($ 3,871,730)	$ 0	($ 53,880)	($ 17,575)	($ 268,873)	($ 50,683)	($ 732,459)	($ 12,932)	($ 10,969)	($ 24,521)		($ 5,424,993)
Additions	(84,086)	(158,306)		(10,400)	(1,050)	(15,252)	(4,132)	(40,000)	(2,631)	(2,249)	(2,056)		(320,162)
Disposals	2,422	75,433		161		20	4,522	2,527					85,085
Impairment		69,567											69,567
Balance at December 31, 2014	($ 463,035)	($ 3,885,036)	$ 0	($ 64,119)	($ 18,625)	($ 284,105)	($ 50,293)	($ 769,932)	($ 15,563)	($ 13,218)	($ 26,577)		($ 5,590,503)
Balance at December 31, 2014	($ 463,035)	($ 3,885,036)	$ 0	($ 64,119)	($ 18,625)	($ 284,105)	($ 50,293)	($ 769,932)	($ 15,563)	($ 13,218)	($ 26,577)	$	($ 5,590,503)
Additions	(80,831)	(163,022)		(7,165)	(1,191)	(8,891)	(5,048)	(34,387)	(2,804)	(2,220)	(1,814)		(307,373)
Disposals	545	565,948					22,699						589,192
Balance at December 31, 2015	($ 543,321)	($ 3,482,110)	$ 0	($ 71,284)	($ 19,816)	($ 292,996)	($ 32,642)	($ 804,319)	($ 18,367)	($ 15,438)	($ 28,391)		($ 5,308,684)
Book value													
At January 1, 2014	$ 478,127	$ 1,016,466	$ 0	$ 23,746	$ 5,337	$ 266,345	$ 7,498	$ 860,991	$ 13,415	$ 42,581	$ 11,597	$ 145,958	$ 2,872,061
At December 31, 2014	$ 500,186	$ 1,231,778	$ 0	$ 15,873	$ 4,616	$ 259,497	$ 14,998	$ 850,774	$ 12,688	$ 40,332	$ 10,014	$ 527,402	$ 3,468,158
At December 31, 2015	$ 492,775	$ 1,382,873	$ 0	$ 19,410	$ 6,762	$ 271,657	$ 15,010	$ 869,412	$ 16,602	$ 38,112	$ 16,165	$ 637,190	$ 3,765,968

As of December 31, 2015 the Company maintains investment property of $38,112. The amortization amount was $2,220 and $2,249 for 2015 and 2014, respectively. The accumulated amortization was $15,438 and $13,218 for 2015 y 2014 respectively.

Investment properties are valued at cost model, these investment properties generated the following income and expenses as of December 31, 2015:

Income	$ 4,415
Expenses	2,219
Profit	$ 2,196

Investments properties have no restrictions.

Construction in progress are mainly comprised of telecommunications and equipment. As of December 31, 2015 the estimated cost remainin to conclude the construction in progress is $481,530, and Management expects to conclude them before December 31, 2016.

As of December 31, 2015 and 2014 the amounts for contractual commitments for the acquisition of Telecommunications network systems and equipment were $107,292 and $146,683, respectively.

As part of the agreements entered into with the holders of step-up senior notes and senior notes, as mentioned in Note 15, the Company committed all of Maxcom's telephone network systems and equipment as colateral in favor of said bond holders, without amount specifications.

Although the assets mentioned above have been encumbered in favor of the bondholders, the Company can make use of those assets as long as the requirements and conditions established in the indenture are met.

Until January 2014 the Company had entered into financial leasing agreements with Autoarrendadora Integral, S.A. de C.V. in Mexican Pesos for transportation equipment.

Impairment test

The Company tests telecommunication network and equipment for impairment whenever events or changes in circumstances indicate that their book value not be recoverable.

When any indicator of impairment is identified, an impairment test is performed based on each CGU, other telecommunication services. The book value of other telecommunication services is compared to its value in use.

As of December 31, 2015 based on the impairment tests of the Company, no additional impairment loss was recognized.

During 2014, the Company recognized a reversal of impairment loss by an amount of $69,567, reflected in the income statement for the year.

Fiber optic (main asset of the Company) in combination with investments on equipment and telecommunications networks carried out by Maxcom, reflect an increase in the potential estimated services from the Company.

Management determined the compounded annual sales volume growth rate which covers the key five-year forecast period assumed. The volume of sales in each period is the main driver for revenues and costs. The compounded annual volume growth rate is based on past performance and Management's expectations of market development. The discount rates used are pre-tax and reflect the correspondent specific risks.

Note 12 - Intangible assets - Net:

Intangible assets are comprised by:

			Infraestructure rights				
	Frequency rights	Software licenses	Use rights	Pipes rights	Fiber rights	Brand rights	Total
Cost							
Balance at January 1, 2014	$ 94,674	$ 455,325	$ 292,570	$ 27,742	$ 73,279	$ 372	$ 943,962
Additions		66,653 *	-	-	-	-	66,653
Disposals		(135)					(135)
Balance at December 31, 2014	94,674	521,843	292,570	27,742	73,279	372	1,010,480
Additions		143,520*					143,520
Disposals							
Balance at December 31, 2015	$ 94,674	$ 665,363	$ 292,570	$ 27,742	$ 73,279	$ 372	$ 1,154,000

			Infrastructure rights				
	Frequency rights	Software licenses	Use rights	Pipes rights	Fiber rights	Brand rights	Total
Accumulated amortization and impairment losses							
Balance at January 1, 2014	($ 76,606)	($ 407,222)	($ 292,570)	($ 21,537)	($ 34,341)	$ -	($ 832,276)
Amortization	(7,777)	(37,956)	(173)	(1,481)	(3,372)	-	(50,759)
Impairment							
Disposals		135					135
Balance at December 31, 2014	(84,383)	(445,043)	(292,743)	(23,018)	(37,713)	-	(882,900)
Amortization	(4,822)	(38,914)	(1,126)	(920)	(2,465)		(48,247)
Disposals							
Balance at December 31, 2015	($ 89,205)	($ 483,957)	($ 293,869)	($ 23,938)	($ 40,178)	$ 0	($ 931,147)
At January 1, 2014	$ 18,068	$ 48,103	$ -	$ 6,205	$ 38,938	$ 372	$ 111,686
At December 31, 2014	$ 10,291	$ 76,800	($ 173)	$ 4,724	$ 35,566	$ 372	$ 127,580
At December 31, 2015	$ 5,469	$ 181,405	($ 1,299)	$ 3,804	$ 33,101	$ 372	$ 222,853

(*) Mainly SAP license.

Note 13 - Provisions:

As of December 31, 2015 and 2014 the provisiones are comprised as follows:

Short Term Provisions:

	Legal claims[2]	Bonuses[3]	Total
At January 1, 2015	$ 15,843	$ 3,500	$ 19,343
Charged to the income statement:			
- Applications	(27,970)	(6,135)	(34,105)
- Additional provision	21,396	8,353	29,749

At December 31, 2015	$ 9,269	$ 5,718	$ 14,987

Long Term Provisions:	Retirement obligation[1]	Labor contingencies[4]	Total
At January 1, 2015	$ -	$ 15,389	$ 15,389
Charged to the income statement:			
- Applications	$ -	(7,475)	(7,475)
- Additional provision	-	3,515	3,515
At December 31, 2015	$ -	$ 11,429	$ 11,429

Short Term Provisions:

	Legal claims[2]	Bonuses[3]	Total
At January 1, 2014	$ 44,715	$ 15,721	$ 60,436
Charged to the income statement:			
- Applications	($ 44,715)	($ 23,721)	($ 68,436)
- Additional provision	15,843	11,500	27,343
At December 31, 2014	$ 15,843	$ 3,500	$ 19,343

Long Term Provisions:	Retirement obligation[1]	Labor contingencies[4]	Total
At January 1, 2014	$ 3,801	$ 12,363	$ 16,164
Charged to the income statement:			
- Applications	($ 3,801)	($ 4,184)	($ 7,985)
- Additional provision	-	7,210	7,210
At December 31, 2014	$ -	$ 15,389	$ 15,389

[1] Retirement obligation from leasehold and external plant.
[2] Legal claims including commercial contingencies.
[3] Profit sharing and bonuses according with employee compensations program.
[4] Applies to labor cases in which there is a high profitability of losing the sue.

Note 14 – Balances and transactions with related parties:

The Group is controlled by the stockholders advised by Ventura, which owns 72.8% of the Company's shares. The remaining 27.2% of shares is diversified.

For the years ended December 31, 2015 and 2014, related party transactions with former stockholders are as follows:

	2015	2014
Expenses paid to:		

Ventura * - Shareholder	$11,232	$ 6,960
Total	$11,232	$ 6,960

*Corresponds to payments regarding financial consulting services.

Key management compensation

	2015	2014
Short-term employee benefits	$ 17,202	$ 14,716

Note 15 – Step-up senior notes:

As of December 31, 2015 and 2014, bonds payable “Step-up senior notes” were comprised as follows:

	2015	2014
Long term:		
Step-up senior, maturing on June 15, 2020.	$ 2,100,311	$ 2,218,905
	$ 2,100,311	$ 2,218,905

Bonds payable from October 7, 2013, have a fixed anual interest of 6% until June 14, 2016; 7% from June 15, 2016 until June 14, 2018; and 8% from June 15, 2018 until June 15, 2020, payable semiannually. Effective interest rate was 11.18%.

As of December 31, 2015 and 2014, accrued interest payable on these bonds amounted to $6,315 y $7,250, respectively.

Note 16 – Bank loan analysis:

As mentioned in Note 2, as of December 31 of 2015 the bank loan was composed as follows:

	2015
Short term	$ 30,000
Long term	112,500
	$142,500

As of December 31, 2015 accrued and paid interests of the loan entered into in October of the same year were $2,809 at a 9.8% rate.

The contract provides for the granting of guarantees and certain restrictions, including the maintenance of various financial ratios and compliance of limitations on incurring additional debt that at the date of the financial position statement are met. The restricted cash related to this loan amounts to $6.1 million.

Note 17 - Other non-current liabilities:

During 2013, Maxcom had a disagreement with Radiomovil Dipsa, S.A. de C.V. (Telcel) regarding the interconnection tariffs charged. On September 3, 2013, Maxcom acknowledged and agreed with Telcel the payment in 30 months. At December 31, 2015 and 2014, the outstanding amount is recognized in the current portion of other accouns payable for an amount of $4,633 and the balance as of December 31, 2014 was recognized in other non-current liabilities for the same amount.

Note 18 – Foreign currency position:

Figures in this note represent thousands of U.S. dollars.

The Company's foreign-currency position (exclusive of the currency swaps) was as follows:

	December 31,	
	2015	2014
Assets		
Short-term	Dls. 7,078	Dls. 6,672
Long-term	536	1,230
	7,614	7,902
Liabilities		
Short-term		-
Long-term	137,566	157,299
	137,566	157,299
Net liability – in dollars	(129,952)	(149,397)
Exchange rate at the end of the year ($17.24 for 1.00 dollar)	Dls. 17.21	Dls. 14.72

Note 19 – Derivative financial instruments:

The Company has a policy of hiring Derivative Financial Instruments (DFI) only for purposes or objectives of coverage, with the intention to reduce risks related to its financial liabilities denominated in foreign currency.

Maxcom has chosen the DFI under the model of cash flow hedges, in accordance with international accounting standards, by setting an exchange rate that allows the company to mitigate the variations in the Peso/dollar exchange rate.

The effectiveness of these hedges is assessed quarterly. The results of these tests confirm that as of December 31, 2015 hedging relationships are highly effective, since the changes in fair value and cash flows of the hedged item are 100% offset. The method for measuring the effectiveness is the hypothetical derivative "dollar offset", this method compares the changes in the fair value of the hedge instrument with the changes in the fair value of the hypothetical derivative that would result in a perfect hedge of the hedged item.

In 2014 exchange rate swap were hired with Morgan Stanley (France), SAS in order to minimize currency risks related to coupon payments of the total principal amount of our payable bonds of U.S.$150 million. All transactions with exchange rate swaps were early canceled in February of 2013, for an amount of $9,341 that was recorded in the financial cost in the consolidated income statement.

During the month of January of 2015 the Company cancelled in advance the remaining coupons from 2016 to 2020 that had entered into with Morgan Stanley and Credit Suisse. The effect of the cancellation of this transaction generated capital gains of U.S.$2,755,000 and U.S.$677,000, respectively, which were recognized against OIR account as these operations were considered as cash flow hedges. This effect is recycled toward results from 2015 to 2020, which is the period when the hedged transactions affect the income statement. According to the applicable legislation, the tax effects for the whole of this operation are recognized in the year 2015. See Note 10. Also, because of the early cancellation, the Company recovered the amount of U.S.$1,180,928 and U.S.$140,000, corresponding to collaterals associated with these operations, which had been recorded as restricted cash.

During December of 2015 the Company entered into three new "over the counter" (OTC) operations of Only Coupon Swap. Two with Credit Suisse amounting to U.S.$45 million and one with Morgan Stanley for an amount of U.S.$35 million in order to continue hedging only the payment of the coupons associated to debt denominated in dollars for 2016 and 2017, the collateral associated with these new operations amounts $9.2 million Pesos and it is registered as restricted cash.

The following table shows the identification of the different risk factors that are used in determination of the fair value of derivative financial instruments.

Counterparty	Rate $	Rate U.S.$	Starting Date	Maturing Date	$/U.S.$
M. Stanley	6.2900%	6.0%	15 Dec. 2015	15 Dec. 2017	16.89
Credit Suisse	6.2975%	6.0%	15 Dec. 2015	15 Dec. 2017	16.73

The fair value of the derivatives represents a loss of $330 thousand. As of December of 2015 there are no ineffective portions to be recognized in the results of the period. The effect registered as financial expense as of December of 2015 for net accrued interest on currency swaps totaled $89 thousand.

Note 20 – Labor obligations upon retirement and personnel expenses:

The Company has obligations and costs of seniority premiums for employees entitled to receive them and are recognized based on actuarial studies prepared by an independent third party specialist.

	2015	2014
Net cost for the period:		
Labor cost	$ 1,330	$ 1,091
Financial cost	345	315
Remeasurements	(3,095)	(767)
Settlement effect		-
Net cost for the period	($ 1,420)	$ 639

The following table constitutes the determination of liabilities for the benefits of the plans:

	Retirement benefits seniority premium
Defined benefit obligation:	
Defined benefit obligation at December 31, 2013	$ 4,378

Current service cost	1,091
Financial cost	315
Remeasurements	(767)
Defined benefits obligation at December 31, 2014	5,017
Current service cost	1,330
Financial cost	345
Remeasurements	(3,095)
Defined benefit obligation at December 31, 2015	$ 3,597

The economic assumptions in nominal and real terms used were:

	Benefits December 31,	
	2015 (%)	2014 (%)
Economic:		
Discount rate	6.68	7.00
Compensation increase rate	5.00	5.00
Minimum salary growth rate	4.00	4.00
Demographic (active employees):		
Number	1,132	1,922
Average age	37	36
Average years of service	4.28	3.40
Average monthly salary	$ 15,780	$ 14,716

Sensitivity analysis

Present value of defined benefit obligations	+ 100 basis points	- 100 basis points
Discount rate:	2,803	4,390
Salary growth rate:	2,787	4,410
Minimum salary growth rate:	3,340	3,738

Note 21 - Stockholders' equity:

Capital stock structure -

On April 11, 2002, the Company obtained authorization from the Foreign Investment Bureau ("Dirección General de Inversión Extranjera") to increase its ability to issue limited voting shares up to 95% of its total capital stock. This authorization was endorsed on September 28, 2007, at the Company's public offering.

Restrictions imposed by the foreign investment and telecommunications laws in connection with foreign participation in the telecommunication sector were eliminated on June 12, 2013, by a reform to the Mexican Constitution.

On April 20, 2012, by means of resolutions adopted by the General Ordinary Shareholders Meetings, the shareholders approved the reclassification of the additional paid-in capital for the amount of $817.05 million to the accumulated losses of the Company and the corresponding decrease of the accumulative losses.

On October 2, 2013, Maxcom held a General Ordinary Shareholders' Meeting that approved among other things, a capital increase of up to 3,102,540,883 Series "A" Shares. Derived from this capital increase, as of December 31, 2013, 2,276,629,697 Series "A" Shares were subscribed and paid. The remaining Series "A" shares will be kept in the treasury of the Company. Additionally, the General Ordinary Shareholder´s Meeting held on October 2, 2013, also approved the issuance of 210,000,000 Series "A" Shares to be kept in the treasury of the Company, so that the Company may perform its obligations from futures stock options plans for directors, executives and employees of the Company.

Additionally, in the Meeting mentioned in the previous paragraph, it was agreed to increase the Company's capital stock by issuing 210,000,000 Series "A" Class II shares, ordinary, nominative, with no par value, representing the variable portion of the capital stock to be destined for the Company's stock options plan. Deriving form this capital increase on August 8, 2014 33,000,000 of these shares were subscribed by the trustee of the trust established in accordance with the stock options plan, in order to be later acquired by the elegible persons considered by the Corporate Practices Committee as key within the Company, and the entities and companies owned by the Company or in which the Company becomes the owner, directly or indirectly, of at least 51% of its capital stock, in compliance with the first fraction of article 366 of the LMV. The remaining shares will remain in the treasury of the Company.

The amount that was contributed by the new shareholders and the general public was around of $1,566 million (represented 1,619,700,751 Series "A" ordinary shares). In addition, the Chairman of the Board approved the assignment of other shares, this event contributed with $.613 million (represented by 634,273,267 Series "A" orinary shares. In connection with the terms of the Plan Maxcom offered to the holder of its Step-Up Senior Notes equity subscription rights, pursuant to which such holders exchanged US$2.1 million aggregate principal amount of the Step-Up Senior Notes for 22,655,679 newly issued Series "A" shares (in the form of CPOs and ADRs). The exchanged Step-Up Senior Notes were cancelled.

The capital increase of 2,276,629,697 Series "A" shares mentioned above was subscribed and paid as follows:

- 1,619,700,751 Series "A" Shares on October, 2013.
- 634,273,267 Series "A" Shares during November, 2013.
- 22,655,679 Series "A" Shares on December 9, 2013.

On November 9, 2015, Maxcom held a General Ordinary Meeting which approved, among other things, a capital increase in the variable portion of up to 2,100,000 Series "A" shares. Derived from this capital increase, as of December 31, 2015, 1,337,381,286 Series "A", Class II shares, were subscribed and paid. The remaining Series "A", Class II shares will remain in the treasury of the Company. Additionally, on November 9, 2015 the General Ordinary Meeting approved the issuance of 223,366,986 Series "A" shares to have them in the treasury of the Company, so that it can meet its future obligations in the stock plans for directors and employees of the Company.

As of December 31, 2015 and 2014 the shares fully paid and subscribed representative of the Company's capital stock are nominative, with no par value and are comprised as follow:

Series "A"nd class	January 1, 2014	Shares from capital increase of February, 2014	Other	December 31, 2014	Capital increase 2015	December 31, 2015

Series "A" Class I (fixed portion)	$ 1,528,827	$ -	$ -	$ 1,528,827		$ 1,528,827
Series "A" Class II (variable portion)	3,085,846,397	51,722,031		3,137,568,428	$ 1,337,381,286	4,474,949,714
Subtotal	3,087,375,224	51,722,031		3,139,097,255	1,337,381,286	4,476,478,541
Total authorized shares	1,035,911,186			984,189,155*	985,985,700	1,038,755,700
Total authorized shares Series "A"	4,123,286,410	51,722,031		4,175,008,441	2,323,366,986	5,515,234,241
Capital stock	$ 7,028,633	$ 50,860[1]	$ 3,411[2]	$ 7,082,904	$ 445,794	$ 7,528,698

[1] Shares subscribed in 2013 and paid in 2014.
[2] Payment from Banorte-Ixe in 2014.

* The presented shares is the result of subtracting to the 1,035,911,186 shares the shares paid in 2014. However, because of the capital increase approved on November 9, 2015, the Meeting authorizes to cancel 931,419,155 Series "A", Class II, shares that were in the treasury. The remaining 52,770,000 Series "A", Class II shares, correspond to the shares allocated to the stock plan for executives.

Regarding the capital increase approved by the General Ordinary Stockholders' Meeting held on October 2, 2013, and January 2014, the President of the Stockholders' Meeting authorized the issuance of 51,722,031 Series "A" shares at a subscription price of $0.983333 per share representing a total of $50,860, the settelement of this increase was made in 2014.

Stockholders restrictions -

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until this is equal to one fifth of the amount of the capital stock paid.

In October 2013 the chambers of Senators and Deputies approved the issuance of a new Law on Income Tax (Income Tax Law) which came into force on January 1, 2014. Among other aspects, this Act sets for that for years 2001 at 2013, the net taxable profit is determined in terms of the Income Tax Law in force in the fiscal year concerned, as well as, an additional tax of 10% of the profits generated starting in 2014 to dividends paid to foreign residents and Mexican individuals. In the Federal Income Law published last November 18, 2015 in Article Three of the Provisions of temporary duration of the Income Tax Law, a fiscal stimulus is granted to individuals residing in Mexico that are subject to the additional payment of 10% on distributed dividends or profits.

Dividends paid are not subject to income tax if paid from the net tax profit account (CUFIN by its Spanish acronym) and, will be taxed at a rate that fluctuates between 4.62 and 7.69% if they come from the reinvested net tax profit account (CUFINRE by its Spanish acronym). Any dividends paid in excess of CUNFIN and CUNFINRE will cause a tax equivalent to 42.86%if they are paid in 2015. The tax is payable by the Company and may be credited against its income tax in the same year or the following two years. Dividends paid coming from profits previously taxed by income tax are not subject to tax withholding or additional tax payment.

During 2015 and 2014, the Company did not distribute dividends.

In case of a capital reduction, the procedures established by the Income Tax Law provide that any excess of Stockholders' equity over the balances of capital contributions accounts, is given the same tax treatment as applicable to dividends.

As of December 31, 2015 and 2014, the balances of the capital stock contribution account (CUCA by its Spanish acronym) were $11,759,782 and $11,077,938, respectively.

Note 22 – Stock based compensation:

During 2015 and 2014 6,150,000 and 11,000,000 CPOs were granted respectively, under a new scheme of stock options plan for executives, for which the issuance of 210,000,000 Series "A" Class II shares (70,000,000 CPOs) had been approved since October 2, 2013.

The objective of the new stock options plan, which may be granted to those Company's executives whose responsibilities, performance and results are considered key by the Corporate Practices Committee, is to give key executives the possibility to participate en the capital stock and foster profitability.
As of December 31, 2015, the Company recognized an expense of $2,543, corresponding to share-based compensation payments against capital. The weighted average exercise price of the plans is $2.90 per share.

Note 23 – Operating Costs and expenses:

	2015	2014
Network operating cost:		
Interconnection	$ 1,029,692	$ 1,153,157
Circuit leases	45,352	40,787
Voice	22,328	21,847
	1,097,372	1,215,791
Depreciation and amortization	345,653	356,832
Maintenance	75,035	69,684
Site leases	50,149	47,308
Services – energy and water	38,692	35,262
Other	11,475	13,722
Disconnection cost	1,901	2,446
Impairment (Nota 5h (ii))		(69,567)
	$ 1,620,277	$ 1,671,478

	2015	2014
Selling, general and administrative expenses:		
Fees and salaries	$ 523,210	$ 539,521
Impairment of accounts receivable	51,068	81,556
Leases	52,628	44,299
Services – Energy and water	21,449	27,591
Other	34,495	46,196
Consulting services	47,562	34,183
Depreciation and amortization	9,968	11,036
	$ 740,380	$ 784,382
Other expenses:		
Loss on sale of telephone network systems and equipment	$ 43,004	$ 45,784
Labor contingencies		26,945

Other	44,295	35,302
Legal contingencies	4,533	23,719
Organizational restructuring expenses	84,720	637
Debt restructuring charges (Note 3)		9,301
	$ 176,552	$ 141,688

Note 24 – Finance costs:

	2015	2014
Interest expense:		
- Step-up senior notes payable (Note 15)	($153,710)	($140,860)
- Foreign exchange losses	(314,257)	(234,255)
- Other interest	(3,521)	(16,439)
- Finance charge	(154,560)	(65,081)
Total finance costs	($626,048)	($456,635)
Interest income:		
- Interest income on short-term bank deposits	$ 19,992	$ 46,619
- Other interest	34,432	
- Gain on partial extinguishment of debt (Note 2 and 15)	191,295	-
Total finance income	245,719	46,619
Net finance costs	($380,329)	($410,016)

Note 25 - Earnings per share:

a. Basic:

Earnings per basic share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

	2015	2014
Comprehensive loss for the year	($ 587,557)	($ 269,529)
Weighted average basic shares (thousands)	3,250,546	3,133,390
Comprehensive loss per share:		
Basic loss per common share (Pesos)	(0.18)	(0.09)

Note 26 - Commitments and contingencies:

As of December 31, 2015, the Company has the following commitments:

Commitments:

a. Operating lease agreements:

The Company maintains operating leases on buildings, sites, posts and office equipment. The Company recorded leasing expenses of $85,634 and $65,135 for the years ended December 2015 and 2014, respectively. In the case of leases of some sites the contracts are executed in dollars, the remainder are agreed in Pesos.

The schedule for estimated future minimum operating lease payments is as follows:

2016	$90,719
2017	$94,969
2018	$99,718

b. Lease agreement for the building currently housing the Company's corporate offices.

On January 1, 2013, the Company renewed its corporate lease contract (Contract 1) with maturity date on December 31, 2017. The leased area is 7,586 square meters.

On January 1, 2015, the Company signed a corporte lease contract (Contract 2) corresponding to floor 1, with maturity date on May 31, 2018. The leased area is 245.53 square meters.

On January 1, 2015, the Company renewed its corporate lease contract (Contract 3) corresponding to the ground floor cash area, with maturity day on December 31, 2017. The leased area is 21.19 square meters.

The Company recorded a lease expense of $49,433 and $40,243 for the years ended December 31, 2015 and 2014, respectively. These contracts were set in dollars.

The schedule for estimated future minimum lease agreement is as follows:

2016	$52,098
2017	$54,057
2018	$702

c. Geographic expansion commitment:

Existing concessions establish obligations to install and operate the network and achieve certain coverage levels.

As of December 31, 2015 and 2014 no default notices have been received. However, for 3 concessions to provide microwave link service from point to multipoint, in regions 3, 5 and 8 of the country, whose termination is originally scheduled for April 1, 2018, the Company is in the process of clarifying the corresponding extension, noting that the 3 mentioned concessions remain current until the date of termination. In addition, the Company has no assets related to such concessions.

d. Commitment related to frequency rights:

As of December 31, 2015 y 2014 the Company complied with its obligation to submit to the IFT the renewal of the surety bonds for the corresponding years, as per the commitments and obligations set forth in the concessions.

e. Commitment pertaining to the sale of capacity:

i. In October 2003, the Company signed a contract for the sale of fiber optic capacity with Axtel, SA de C.V., in the amount of $36 million, of which $13.5 million were recognized at the time of sale as a revenue from infrastructure deployment and $22.5 million as deferred income generated by the services to be provided. The amortization began in January 2004 when the carrier started to use the service; the term of this contract is 13 years. As of December 31, 2015 and 2014 deferred revenue amounted to $1.7 and $3.5 million respectively.

ii. In December 2008, the Company signed a contract for the sale of fiber optic capacity with Megacable in the amount of $36.2 million, of which $10.5 million were recognized at the time of sale as a revenue from infrastructure deployment and $25.6 million as deferred income generated by the services to be provided. The amortization began in April 2009 when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2015 and 2014 deferred revenue amounted to $8.3 and $10.9 million respectively.

iii. In September 2009, the Company signed a contract for the sale of fiber optic capacity with Cablevision in the amount of $8.6 million, of which $ 2.3 million were recognized at the time of sale as a revenue from infrastructure deployment and $ 6.3 million as deferred income generated by the services to be provided. The amortization began in November 2009 when the carrier started to use the service; the term of this contract is 10 years. As of September 30, 2014, the deferred revenue amounted to $3.02 million. In September 2014, the revenues to be deferred amounting to $3.02 were applied, given an early termination agreement.

iv. In September 2013, the Company signed a contract for the sale of fiber optic capacity with Grupo de Telecomunicaciones Mexicanas in the amount of $24.9 million, of which $7.9 million were recognized at the time of sale as revenue from infrastructure deployment and $17 million as deferred income generated by the services to be provided. The amortization began in November 2013, when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2015 and 2014 deferred revenue amounted to $13.3 and $15.05 million respectively.

v. In October 2013, the Company signed a contract for the sale of fiber optic capacity with Cablevision by $11.8 million, of which $7.3 million were recognized at the time of sale as revenue from infrastructure deployment and $4.5 million as deferred income generated by the services to be provided. The amortization began in November 2013 when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2015 and 2014, deferred revenue amounted to $3.5 and $3.96 million.

vi. In January 2007, the Company signed a contract for the sale of fiber optic capacity with Grupo de Telecomunicaciones Mexicanas in the amount of $1.8 million, of which $0.781 million were recognized at the time of sale as revenue from infrastructure deployment and $4.5 million as deferred income generated by the services to be provided. The amortization began in January 2013, when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2015 and 2014 deferred revenue amounted to $0.1 and $0.2 million respectively.

vii. In January 2014, the Company signed a contract for the use of a point-to-point link 23 GHz frequencies with Pegaso PCS in the amount of $119.4 million, of which $40 million were recognized at the time of sale as revenue from infrastructure deployment and $79.4 million as deferred income generated by the services to be provided. The amortization began in January 2014, when the carrier started to use the service; the term of this contract is 4.5 years. As of December 31, 2015 and 2014 deferred revenue amounted to $44.1 and $61.8 million respectively.

viii. In January 2007, the Company signed a contract for the sale of fiber optic capacity with Operadora Cable de Occidente in the amount of $2.1 million, of which $2.1 million were recognized as deferred income generated by the services to be provided. The amortization began in January 2007; the term of this contract is 10 years. As of December 31, 2015 and 2014 deferred revenue amounted to $0.2 and $0.4 million respectively.

	Carrier	Amount of sales agreement	Prepaid charge	Revenue to be deferred	Deferred revenue as of December 31, 2015	2014
i.	Axtel, S.A. de C.V.	36.0	13.5	22.5	1.7	3.5
ii.	Megacable	36.2	10.6	25.6	8.3	10.9
ii.	Cablevision	8.6	2.4	6.2	-	-
iv.	Grupo de Telecomunicaciones Mexicanas	25.0	7.9	17.0	13.3	15.0
v.	Cablevision	11.8	7.4	4.5	3.5	3.9
vi.	México Red de Telecomunicaciones	1.8	0.8	1.0	0.1	0.2
vii.	Pegaso PCS	119.5	40.0	79.5	44.1	61.8
viii.	Operadora Cable de Occidente	2.1	-	2.1	0.2	0.4
	Total	241.0	82.6	158.4	71.2	95.7

Contingencies:

As of December 31, 2015 and 2014 the Company has the following contingencies:

f. The Company is involved in some lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position and results of operations.

Among these is the administrative sanction procedure with the file number: E-IFT.UC-SAN.0221 / 2015, initiated by IFT, based on Article 298, paragraph b) Sections III and IV of the Federal Telecommunications and Broadcasting Law and whose resolution imposes Maxcom a fine in the amount of $31,613. Top Management of the Company and its legal counsel anticipate that they will appeal the fine to the appropriate legal authorities, and consider that they have solid defense arguments, thus they have not registered any provision.

g. In accordance with Mexican tax law, the tax authorities are entitled to examine transactions carried out during the five years prior to the most recent income tax return filed.

h. In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of transfer prices, which should be similar to those that would be used in arm's-length transactions.

i. Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and surcharges, in addition to penalties of up to 100% of the omitted taxes.

j. The tax authorities are conducting a direct examination of certain Company operations. As of December 31, 2015 and 2014 this examination is still in progress. Management of the Company and their legal counsel do not anticipate that this examination will result in significant additional assessments.

k. The company is involved in some legal claims out of the normal course of business. As of December 31, 2013 a provision was recognized in the amount $44,715 and includes: a) commercial claim with the vendor Telred, S.A., and b) professional fees with some law firms related to tax, labor and public telephony matters. As of December 31, 2014 this case was closed.

Note 27 - Subsequent events:

In the preparation of the financial statements, the Company has evaluated the events and transactions for its recognition or disclosure subsequent to December 31, 2015, and until March 17, 2016 (date of the financial statements), and concluded that there are no subsequent events that affect them.

Note 28 - New accounting principles:

a. New regulations, regulations amendments and interpretations adopted by the Company

The changes had no impact on the current period or any prior period and is not likely to affect future periods.

Other regulations, amendments and interpretations effective from the financial period beginning on January 1, 2015 are not material to the Company.

b. New regulations, regulations amendments and interpretations issued but whose adoption is not yet mandatory and were not adopted by the Company and were not adopted earlier.

<u>2018</u>

IFRS 9 – Financial Instruments

IFRS 9 replaces the classification and measurement models in IAS 39 "Financial Instruments: Measurement and Recognition" with a single model that has initially two classification categories: amortized cost and fair value.

The new impairment model is a model of expected losses, thus, its application in the Company would result in an early recognition of the mentioned losses, likewise, hedge rules need to be reviewed with the management, since as the regulation introduces a principle based approach, hedge accounting is expected to be easier to apply. The new regulation also introduces requirements of extensive disclosures and changes in presentation and the Company will perform a more detailed assessment of the impact in the coming months.

IFRS 15 "Revenue from contracts with customers and modifications associated with other regulations"

IASB issued a new regulation for revenue recognition. It replaces IAS 18 that covers goods and services agreements and IAS 11 that covers construction agreements. The new regulation is based on the principle that revenues are recognized when the control of the good or service is transferred to the customer, so the notion of control replaces the current notion of risks and benefits.

The Company will carry out a more detailed assessment of the impact in the coming months, however, has identified that detailed disclosures are required to provide a greater understanding of revenues that are recognized and revenues that are expected to be recognized in the future from the existing agreements. Quantitative and qualitative information on the significant judgments made by the Management shall be provided to determine the recorded revenues and changes therein.

IFRS 16 "Leases"

IASB issued in January 2016 a new regulation for leases accounting. This regulation will replace the current IAS 17 regulation, which classifies financial and operating leases. IAS 17 identifies leases as financial when the risks and benefits of an asset are transferred and the rest are classified as operating leases. IFRS 16 eliminates classification between financial and operating leases, and requires the recognition of a liability to reflect future payments and an asset for the "right to use" of most leases. IASB has included some exceptions for short-term leases and assets of low value. The above amendments apply to lessee accounting, while for the landlord they remain similar to current ones. The most significant effect of the new requirements would be reflected in an increase in assets and liabilities leasing, having also an effect on the income statement in depreciation and financing expenses related to recognized assets and liabilities, respectively, and reducing the expenditures relative to leases that were previously recognized as operating. At the date of issuance of these financial statements, the Company is evaluating the impact of new requirements. The regulation is effective for periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 is also adopted.

Mr. José A. Gómez Obregón Fernández
CEO

Mr. Miguel E. Cabredo Benites
VP of Finance

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Financial Statements

December 31 2014 and 2013

Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries

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December 31, 2014 and 2013

Report of Independent Auditors

To the General Shareholders' Meeting of
Maxcom Telecomunicaciones, S. A. B. de C. V.

We have audited the accompanying consolidated financial statements of Maxcom Telecomunicaciones, S.A.B. de C.V. (the "Company"), comprising the consolidated statement of financial position at December 31, 2014 and the consolidated statement of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility over the financial statements

Management is responsable for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such the internal control that management determines as necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsability is to express an opinion on these financial statements based on our audit procedures. We conducted our audit procedures in accordance with international standards on auditing. Those standards require strict compliance comply with ethical requirements, as well as plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures of the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due fraud or error. When performing the risk assesment, the auditor takes into account the internal control that is relevant for the reasonable preparation and presentation of the financial statements, in order to design auditing procedures adequate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes assessing the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made by the Management, as well as an assessment of the presentation of the consolidated financial statements as a whole. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinión, these consolidated financial statements present fairly, in all material aspects, the consolidated financial position of Maxcom Telecomunicaciones, S.A.B. de C.V. as of December 31, 2014 and its financial performance and cash flows for the year ended at that date, in accordance with the International Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

C.P.C. Fernando Gutiérrez Bañuelos
Audit Partner

Mexico City, March 30, 2015

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2014 and 2013

In thousands of Mexican pesos

	As of December 31,	
Assets	2014	2013 (*)
Current assets:		
Cash and cash equivalents (Note 8)	$ 1,443,123	$ 1,953,692
Accounts receivables— net (Note 9)	540,595	595,946
Value added tax recoverable	175,092	50,911
Other sundry debtors	55,233	119,077
Inventory — net	34,664	16,697
Prepaid expenses	11,041	7,395
Total current assets	2,259,748	2,743,718
Non-current assets:		
Telephone network systems and equipment — net (Note 11)	3,427,826	2,836,371
Investment property — net	40,332	35,690
Intangible assets — net (Note 12)	127,580	111,686
Non-current Restricted Cash	18,103	-
Deferred income taxes — net (Note 10)	9,057	8,794
Derivative financial instruments (Note 16)	50,626	
Other assets	11,013	10,709
Total non-current assets	3,684,537	3,003,250
Total assets	$ 5,944,285	$ 5,746,968
Liabilities and Stockholders' Equity		
Current liabilities:		
Current step-up senior notes (Note 15)	$ 7,250	$ 6,200
Accounts payable	596,651	266,793
Current installments of obligations under capital leases		4,171
Accruals	20,499	81,222
Customer deposits	2,252	2,400
Other taxes payable	37,601	50,200
Provisions (Note 13)	19,343	60,436
Total current liabilities	683,596	471,422
Non-current liabilities:		
Non-current step-up senior notes (Note 15)	2,218,905	1,909,139
Installments of obligations under capital leases		4,177
Non-current other accounts payable	75,324	37,034
Labor obligations upon retirement (Note 17)	5,017	4,378
Other long term liabilities (Note 16)	4,633	149,054
Non-current provisions (Note 13)	15,389	16,164
Total non-current liabilities	2,319,268	2,119,946
Total liabilities	3,002,864	2,591,368
Stockholders' equity (Notes 20 and 21):		
Capital stock	7,082,904	7,028,634
Additional paid-in capital	38,570	40,033
Other capital items	2,543	
Accumulated losses	(4,218,326)	(3,913,067)
Other comprehencive income	35,730	
Total stockholders' equity	2,941,421	3,155,600
Total liabilities and stockholders' equity	$ 5,944,285	$ 5,746,968

The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized to release on March 30, 2015, for the following Maxcom´s Officers, signing below.

(*)Restated figures, see Note 4

Mr. Enrique Ibarra
CEO

Mr. Armando Rivero
VP of Administration, Finance & Legal

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Comprehensive Income
December 31, 2014 and 2013

In thousands of Mexican pesos, except share data

	For the year ended December 31,	
	2014	2013 (*)
Revenue - net (Note 7)	$ 2,689,938	$ 2,467,735
Operating costs and expenses:		
Network operating costs	1,671,478	2,261,472
Selling, general and administrative expenses (Note 22)	784,382	907,904
Other expenses (Note 22)	141,688	540,035
Total operating costs and expenses	2,597,548	3,709,411
Operating (loss) income	92,390	(1,241,676)
Interest expense (note 23)	(456,635)	(270,248)
Interest income (note 23)	46,619	266,855
Finance cost-net (note 23)	(410,016)	(3,393)
Loss before income taxes	(317,626)	(1,245,069)
Income taxes expense (expense) (note 10):	12,367	(15,305)
Net loss for the year	(305,259)	(1,260,374)
Other comprehensive income		-
Items subject to subsequent reclassification into profit or loss:		
Current derivative financial instruments	50,917	
Deferred income tax	(15,187)	
	35,730	-
Comprehensive loss of the year	($ 269,529)	($ 1,260,374)
Loss and comprehensive loss per share (Note 24):		
Basic loss per common share (pesos)	(0. 09)	(1.11)
Diluted loss per common share (pesos)	(0. 09)	(1.11)
Weighted average basic shares (thousands)	3,133,390	1,127,528
Weighted average diluted shares (thousands)	3,133,390	1,127,528

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The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized to release on March 30, 2015, for the following Maxcom´s Officers, signing below.

(*)Restated figures, see Note 4.

Mr. Enrique Ibarra
CEO

Mr. Armando Rivero
VP of Administration, Finance & Legal

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2014 and 2013

In thousands of Mexican pesos

	Capital stock	Additional paid-in capital	Accumulated losses	Repurchase(1)	Total stockholders' equity
Balances as of December 31, 2012	$ 4,814,428	$ 3,592	($2,652,693)		$2,165,327
Increase in capital stock (Note 20)	2,214,206				2,214,206
Equity subscription rights		34,629			34,629
Stock option plan (Note 21)		1,812			1,812
Comprehensive net loss			(1,260,374) (*)		(1,260,374)
Balances as of December 31, 2013	7,028,634	40,033	(3,913,067)		3,155,600
Increase in capital stock (Note 20)	54,270	(1,463)			52,807
Comprehensive net loss			(305,259)	35,730	(269,529)
Stock option plan (Note 21)		2,543		-	2,543
Balances as of December 31, 2014	$ 7,082,904	$ 41,113	($4,218,326)	$ 35,730	$2,941,421

The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized to release on March 30, 2015, for the following Maxcom´s Officers, signing below.

(*) Restated figures, see Note 4.
(1) Net from deferred tax.

Mr. Enrique Ibarra
CEO

Mr. Armando Rivero
VP of Administration, Finance & Legal

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows
December 31, 2014 and 2013

In thousands of Mexican pesos

		For the year ended December 31,	
Cash flow from operating activities:	Note	2014	2013
Loss before income taxes		$ 317,626)	$ 1,245,069)
Adjustments for:			
Depreciation and amortization	22	367,868	573,933
Loss on sale of telephone network systems and equipment		45,784	277,479
Foreign exchange (gain) loss not realized		211,667	(88,903)
Gain on repurchase of Step-up Notes	23		(248,515)
Interest expense		227,536	214,336
Derivative financial instruments	18	291	9,341
Cost of stock option plan	21	2,543	1,812
Labor obligations upon retirement		639	180
Provisions		(72,176)	110,032
Impairment	11	(69,567)	578,257
Impairment of accounts receivable	22	81,556	129,301
Subtotal		478,515	312,184
Changes in working capital:			
Accounts receivable		4,103	(175,785)
Value added tax recoverable		(124,181)	(36,313)
Other sundry debtors		74,754	16,747
Inventory		(17,967)	815
Prepaid expenses		(3,646)	8,652
Accounts payable		298,309	(149,342)
Customer deposits		(148)	248
Other taxes payable		(15,683)	35,737
Other accounts payable		(166,853)	179,469
Other Liabilities		(304)	(789)
		526,899	191,623
Income tax paid		(10,910)	(22,255)
Net cash generated from operating activities		515,989	169,368
Cash flows from investing activities:			
Capital expenditures in telephone network systems and equipment	11	(935,547)	(386,524)
Proceeds from sale of telephone network systems and equipment		1,017	1,680
Net cash used in investing activities		(934,530)	(384,844)
Cash flows from financing activities:			
Increase in capital stock	20	52,807	2,192,306
Interest paid		(143,502)	(164,804)
Restricted cash		(18,103)	
Derivative financial instruments		-	22,800
Repurchase of Step-up Notes	15	-	(27,270)
Proceeds from finance lease (finance lease payments)		(8,348)	(3,464)
Net cash used in financing activities		(117,146)	2,019,568
Net increase (decrease) in cash and equivalents		(535,687)	1,804,092
Cash and cash equivalents:		1,953,692	146,516
At beginning of year		25,118	3,084
At the end of the year		$ 1,443,123	$ 1,953,692

The accompanying notes are an integral part of these consolidated financial statements, which were properly authorized to release on March 30, 2015, for the following Maxcom´s Officers, signing below.

Non-cash ítems transactions:

The main non-cash items transactions in 2013 included the acquisition of assets under lease agreements (note 11), and the conversions of debt into equity (note 15). In 2014 there were no records of representative non-cash items transactions.

Mr. Enrique Ibarra
CEO

Mr. Armando Rivero
VP of Administration, Finance & Legal

In thousands of Mexican pesos, except exchange rates and loss per share

Note 1 - Entity incorporation:

Maxcom Telecomunicaciones, S. A. B. de C. V. ("Maxcom" or the "Company"), is a Mexican Limited Liability Public Stock Corporation with variable capital incorporated on February 28, 1996. Its main corporate purpose is the construction and operation of a telephone network, voice over IP, local, national and international long-distance telephone services, public telephone, data transfer services, internet, pay TV, virtual private network services and other value-added services, within Mexico. The Company also provides mobile telephone services as a virtual mobile network operator. The Company began its commercial operations in May 1999.

Pursuant to the resolutions adopted by the shareholders at the General Extraordinary and Ordinary Shareholders Meetings held on September 13, 2007, and by virtue of the public offering of shares carried out by the Company in Mexico and abroad, Maxcom was denominated as a publicly listed stock company with variable capital ("sociedad anónima bursátil de capital variable" or "S.A.B. de C.V."). The shares of the Company are listed and traded in the form of "Certificados de Participación Ordinarios" or "CPO´s" on the Mexican Stock Exchange or "BMV" and in the form of "American Depositary Shares" or "ADS", on the "New York Stock Exchange" or "NYSE". The Company is subject to the applicable provisions of the Business Corporations Law and to the stock exchange regulations under the Stock Exchange Laws in Mexico and the United States of America, as well as the supervision of the National Banking and Securities Commission in Mexico ("Comisión Nacional Bancaria y de Valores" or "CNBV") and the U. S. Securities and Exchange Commission in the United States of America ("SEC"). Upon the terms of such resolutions, the by-laws of the Company were amended in their entirety to conform them to the Stock Exchange Act ("Ley del Mercado de Valores") and ancillary regulations.

Maxcom is a company domiciled in Guillermo González Camarena # 2000, C.P. 1376, Mexico City.

Note 2 - Recent Developments:

New York Stock Exchange (NYSE) Delist

On November 14, 2014 – Maxcom Telecomunicaciones, S.A.B. de C.V. submitted to the U.S. Securities and Exchange Commission ("SEC") the Form 15-F in order to terminate the registration of its ADS before the SEC, under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), the delisting was effective ninety days after the filing. As result of submitting this Form 15-F, Maxcom's reporting obligations to the SEC were concluded, including obligations to file annual reports under a Form 20-F and periodic reports under the Form 6-K.

Also, on November 14, 2014 the Company's ADS were deslisted fron the New York Stock Exchange ("NYSE") to be traded in the United States in the over-the-counter ("OTC") market, in the level OTCQX under the ticker symbol "MXMTY".

Recapitalization and Debt Restructuring

On December 4, 2012 Maxcom received an offer from Ventura Capital Privado, S.A. de C.V. ("Ventura") to acquire for cash, at a price equal to Ps.2.90 (two pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom pursuant to a public tender to be conducted, upon authorization of the Mexican and U.S. corresponding governmental authorities. As part of such transaction, Ventura committed to subscribe a capital increase of at least USD$22 million.

Ventura's obligation to consummate the tender was subject to i) acquiring more than 50% of all shares outstanding on a fully diluted basis and ii) a successful completion of an offer to exchange Maxcom's 11% Senior Notes Due 2014.

On February 20, 2013 Maxcom commenced an offer to exchange all of its outstanding 11% Senior Notes due 2014 for new Step-Up Senior Notes due 2020. On the same date, Ventura initiated an equity tender offer to acquire 100% of the issued and outstanding shares of Maxcom.

After several intents Maxcom advised that on April 24, 2013, that since the conditions for the consummation of the exchange offer were not satisfied or waived, such exchange offer was not consummated and consequently the equity tender offer launched by Ventura, which was conditioned upon the consummation of the exchange offer, was not consummated and thus, Maxcom would not be receiving the capital contribution offered by Ventura.

In light of this outcome, Maxcom considered all of its alternatives including, but not limited to, commencement of a Chapter 11 case or other restructuring proceeding.

On June 18, 2013 Maxcom announced its intention to use a 30-day grace period regarding its scheduled interest payment of approximately USD$11 million on its 11% Senior Notes due 2014 to implement a comprehensive plan of recapitalization.

On July 3, 2013 Maxcom, Ventura, an ad hoc group of bondholders (the "Ad Hoc Group") holding an aggregate amount of approximately U.S.$84 million of Maxcom's Senior Notes due 2014, and certain of its current equity holders reached an agreement on the terms of a restructuring and support agreement, a recapitalization agreement, and agreements to tender. In connection with this comprehensive restructuring process, Maxcom entered into a recapitalization agreement with Ventura and certain related shareholders, pursuant to which the Ventura also agreed to make a capital contribution of at least U.S.$45 million dollars and conduct a tender offer to acquire for cash, at a price equal to Ps.2.90 (two pesos and 90/100) per CPO, up to 100% of the issued and outstanding shares of Maxcom.

On July 23, 2013, the Company undertook a restructuring by commencing voluntary cases under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532, in the United States Bankruptcy Court for the District of Delaware to effect the restructuring as set forth in the plan of reorganization, including the issuance of new step-up senior notes by the Company.

On September 10, 2013, the U.S. Bankruptcy Court for the District of Delaware confirmed the Company's prepackaged Chapter 11 plan of reorganization (the "Plan"). The only class of creditors entitled to vote, the holders of the senior notes issued by the Company due 2014 (the "Old Notes"), voted in favor of the Plan and no party objected to confirmation of the Plan.

Pursuant to the terms of the Plan, all classes of creditors were unimpaired and their payments were not affected, except for the holders of Maxcom's Old Notes, which received (i) the step-up senior notes due 2020, which include the capitalized interest amount for unpaid interest accrued on the Old Notes from (and including) April 15, 2013 through (and excluding) June 15, 2013, at the rate of 11% per annum, (ii) cash in the amount of unpaid interest accrued on the Old Notes (A) from (and including) December 15, 2012 through (and excluding) April 15, 2013, at the rate of 11% per annum, and (B) from (and including) June 15, 2013 through (and excluding) the effective date of the Plan at the rate of 6% per annum, and (iii) rights to purchase equity that is unsubscribed by the Company's current equity holders pursuant to the terms of the Plan.

On September 27, 2013 Maxcom completed a comprehensive plan of recapitalization and an equity tender offer initiated by Ventura, acting through the Trust 1387 held by Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, a banking institution organized and existing under the laws of the United Mexican States and other investors. As part of this transaction, Ventura investors became the major shareholder in the Company.

On October 2, 2013, Maxcom held a general ordinary shareholders' meeting that approved, among other things, a capital increase of approximately USD$119.7 million.

According to the terms of the Plan, on October 11, 2014, Maxcom issued new Step-Up Senior Notes due 2020 (the "Step-Up Senior Notes") in an aggregate principal amount of U.S.$180,353,962, which reflects the amount of the Old Notes less the amount of Old Notes held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest (i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum, (ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and (iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Old Notes; and (iv) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

The Step-Up Senior Notes are governed by the indenture that Maxcom and its subsidiaries entered into with The Deutsche Bank Trust Company Americas, acting as trustee, on October 11, 2013. The indenture governing our Step-Up Senior Notes contains certain covenants that among other things, limit the ability of the Company and subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of the Company's subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates.

Pursuant to the terms of the indenture governing Maxcom's Step-Up Senior Notes, Maxcom used 50% of the capital contribution made by the Ventura investors to make an offer to repurchase Step-Up Senior Notes, but only to the extent such capital contribution that exceeded USD$5 million, at a price equal to 85% (eighty five percent) for the principal amount of Step-Up Senior Notes, in cash. This tender offer was initiated on November 8, 2013 and consummated on December 12, 2013, in which Step-Up Senior Notes 2020 were purchased for an amount of USD$2,544,811.

During December 2013, a few of the Step-Up Senior Bond Holders exercised their equity purchase rights, thereby the company exchanged bonds worth $23.3 million pesos (equivalent to USD$1.8 million) at carrying value, for 22,655,679 Series A common stock shares (see Note 20). The rest of the equity purchase rights held by the remaining Step-Up Senior Bond Holders were extinguished, as the right to convert them had expired in December 2013. As a result of the above events, Maxcom decreased the liability valued at fair value by $33.4 million Pesos (equivalent to US$2.6 million). The shares issued were recognized as an increase of capital stock and additional paid-in-capital by $22.1 million pesos (equivalent to USD$1.7 million) and $34.6 million Pesos (equivalent to USD$2.7 million), respectively.

Telecom Reform

On March 6, 2014, the Instituto Federal de Telecomunicaciones ("IFT"), complying with its constitutional mandate, declared Teléfonos de México, S.A.B. de C.V., Teléfonos de Noroeste, S.A. de C.V., Radiomóvil Dipsa, S.A.B. de C.V., Grupo Carso, S.A.B. de C.V. and Grupo Financiero Inbursa, S.A.B. de C.V. as preponderant economic agents in the telecommunications sector, thus establishing asymmetric regulation for fees and network infrastructure usage in mobile and fixed telecommunications services, as well as the effective disaggregation of the local network. On the same date, IFT declared Grupo Televisa, S.A.B., jointly with other entities, as preponderant economic agent in the Mexican broadcasting sector and imposing upon such entities certain restrictive measures, terms, conditions and obligations of importance. Including, infrastructure sharing usage.

On July 14, 2014 the new Ley Federal de Telecomunicaciones y Radiodifusión was enacted, being enforced and effective on August 13, 2014, stating new mandates, such as the elimination of fees for national long distance calls (effective January 1, 2015), mobile number portability within 24 hours; strengthening users' rights and increasing the administrative burden for concessionaries.

Effective June 11, 2013 the Mexican Congress enacted an amendment to the Mexican Constitution in connection with the telecommunications and broadcasting (radio and television) industries. This amendment to the Mexican Constitution (articles 6, 7, 27, 28, 73, 78, 94 and 105) is aiming to strengthen competition and providing the telecommunications authorities, the new Instituto Federal de Telecomunicaciones (IFT), with broader capacities to regulate the telecommunication and broadcasting industries.

The enacted bill provides for a number of measures that include eliminating the cap on foreign investment in the telecommunications industry (including satellite operations), raising the limit on foreign investment in the broadcasting industry to 49%.

Additionally, the enacted bill provides for the issuing of two new broadcasting licenses to be awarded by public auction.

"Must carry" and "must offer" obligations for television companies were also included in the new bill.

Note 3 - Concessions, frequency rights and interconnection agreements:

Concessions:

On December 20, 1996, Maxcom were awarded with a local and long-distance telephony concession. On February 3, 1997, the Mexican Ministry of Communications and Transportation ("Secretaría de Comunicaciones y Transportes" or "SCT") awarded the Company a concession to install and operate a public telecommunications network in Mexico (the "concession"). This concession is not exclusive. The initial term of the concession is 30 years and includes certain renewal rights. Subsequently, on December 7, 1999, September 27, 2001 and December 2, 2004, the Company received amendments to the initial terms and conditions of the concession.

The abovementioned changes to concessions are described below:

September 24, 1999 amendement

- Changes to capital stock

Afforded Maxcom with the required flexibility in the international financial markets for a debt issuings, acquiring the obligation to inform the IFT (formerly Comisión Federal de Telecomunicaciones – "COFETEL") on the final aspects of the issuing within 3 days after completing the transaction.

September 27, 2001 amendement

- Changes to national coverage commitments and amendment to the restatement of guarantees

Enable Maxcom to provide comercial, residential and public local wireline telephone services at a national level through owned or leased infrastructure, surging the requirement for seeking IFT's (formerly COFETEL) approval when leasing infrastructure.

December 2, 2004 amendement

- New commitments

A new commitment was set in place for Maxcom in order to increase its capacity and geographical footprint, projected for 2006 and 2014. This agreement was fulfilled in time and manner.

The concession grants the Company the right to provide local, national and international long-distance telephone services, data transfer services and other value-added services in any part of the Republic of Mexico and, under the last amendment dated December 2, 2004, certain obligations were set forth for the Company, as described in Note 25(c), (d).

On August 4, 2006, the SCT granted Maxcom a concession to provide cable television services and audio in the city of Puebla. Shortly thereafter, the SCT issued the Convergence Regulations, under which different types of telecommunications service providers are authorized to provide certain services in addition to those included under the original concessions.

On January 17, 2007, the Mexican Federal Telecommunications Commission ("Comisión Federal de Telecomunicaciones" or "COFETEL") authorized Maxcom to provide mobile virtual network operator ("MVNO") services, based on its 1996 concession. This authorization allows Maxcom to provide mobile telephone services throughout Mexico using its own brand, acquiring capacity from other concessionaires of this service in Mexico. As a result of this authorization, Maxcom is the first, and thus far, the only telecommunications concessionaire to offer quadruple-play services (voice, video, data and cellular) on an extensive basis under its own brand name. The terms of the cable television and restricted radio concession and the MVNO authorization match the thirty-year term (expiring in 2026) of the concession granted in 1996 and impose no further obligations, including minimum coverage or investment additional commitments.

Frequency rights:

On October 3, 1997, the Mexican Federal Government through the SCT granted the Company ten frequency right concessions (the "frequency rights") to use and exploit different bands of the radio-electric spectrum and to establish point-to-point and point-to-multi-point microwave links; seven are nationwide point-to-point and three are regional point-to multipoint microwave concessions. The frequency rights became effective on February 28, 1998, and shall remain in effect until 2018, see Note 12.

In accordance with the terms of these frequency rights concessions, the Company must provide to the SCT a guarantee on its operations in the form of a surety bond and renew it every year, see Note 25d

Convergence agreement:

On October 2, 2006, the Mexican Federal Government, through the SCT, issued a non-binding agreement for the rendering of services in convergence, which is known as "Agreement of Convergence of Fixed Services of Local Telephone and Restricted Audio and/or Television that are provided through Wired and Wireless Public Networks" ("Convergence Agreement").

The convergence agreement allows certain concessionaires of services of telecommunications to provide other services not included in the original concessions that were granted to them. The suppliers of cable television will now be able to provide the service of internet and telephone. Also the telephone operators, like Maxcom, will now be able to provide restricted services of audio and/or video. On October 13, 2006, Maxcom notified the SCT its compliance and voluntary adhesion to the Convergence Agreement and, therefore, the SCT authorized to provide the restricted services of audio and video besides to the previously authorized as a part of the original concessions of the public telecommunications network.

Interconnection agreements:

On January 22, 1999, the Company entered into a contract to provide local interconnection services (the "local interconnection agreement") with Teléfonos de México, S. A. B. de C. V. ("Telmex"), whereby the parties agree to render interconnection services to finish local traffic in the other party's network.

Likewise, the Company subscribed an interconnection agreement to handle Maxcom's long distance traffic towards Telmex's local network and Telmex's long distance traffic towards Maxcom's local network.

The Company has negotiated the signing of various amending agreements to the local interconnection agreement with Telmex, to extend the original term of the local interconnection contract, irrespective of the fact that the contract provides that the interconnection between the two companies is carried out based on the clause of "continuous application". This clause sets forth that upon termination of the first period, the original terms and conditions of the contract will continue in full force and effect until the parties sign a new contract to continue interconnecting their networks. This contract is indefinite.

During 2003 and 2002, the Company entered into various interconnection agreements with other local and long distance carriers and mobile phone companies, as well as agreements which allow the Company to render public telephone services through the capacity acquired from mobile networks.

Note 4 - Basis of preparation

Compliance Statement

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"). IFRSs comprises: i) International Financial Reporting Standards ("IFRS"); ii) International Accounting Standards ("IAS"); IFRS Interpretations Committee ("IFRIC") Interpretations; and iv) Standards Interpretations Committee ("SIC") Interpretations.

The accompanying consolidated financial statements were authorized for issuance on March 30, 2015, by Mr.Enrique Ibarra Anaya, Maxcom's Chief Executive Officer, and Mr. Armando Rivera L., VP of Finance, Management and Legal, and consequently do no reflect any subsequent event after this date.

(a) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of derivative financial instruments that are designated and qualify as cash flow hedges, recognized through the statement of comprehensive income.

(b) Functional and presentation currency:

These consolidated financial statements are presented in Mexican pesos, which is the Company's functional currency. All financial information presented in Mexican pesos has been rounded to the nearest thousands, except when otherwise indicated.

(c) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be revealed.

i) Judgments

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Concession and frequency rights renewal

Under Mexican Law, Maxcom is subject to renewal of their concession and frequency rights, according to the requirements established by the SCT. The continuity of the business is subject to the renewal of the concession and frequency rights, renewals are not fast track. The expiration dates are as follows:

Concession / Frequency rights	Expiration date
Public telecommunications network in México	2027
Cable television and restricted radio	2026
Frequency rights	2018

Installation cost:

The Company amortize the installation cost over the period in which the service is provided. Once the customer terminates the service, the Company does not consider any additional value related to the installation cost. The Company perform impairment reviews related to determine the average customer life and came to the conclusion that is five years (Note 11).

i) Use of estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the future are as follows:

Derivative financial instruments

The fair value of derivative financial instruments is defined as such price that would be received to sell an instrument or the cost to be paid to transfer the liability generated by the instrument, in an orderly transaction between the market participants, at the valuation date, whether that price is observable or estimated (using a valid and direct valuation technique). When estimating the fair value of an instrument (profit or loss), the Company considers the characteristics of the instrument “mark-to-market” when valuating the price of such instrument at a particular date.

Sensivity analysis

The contracts managed by the Company with derivative financial instruments are exclusively for hedging purposes. All contracts managed by the Company have the very clear purpose of reducing the risk for which they were contracted, it is important to note that the derivate hedging financial instruments held by the Company, do not lose hedge effectiveness at any variation level; in that sense, any change in fair value of the contracted instruments does not cause changes to its nature, use or effectiveness.

To estimate the fair value of derivative financial instruments, the Company uses models developed in the specialized technical literature that meet the hypotheses and standard assumptions in the industry. The valuation models are widely used and do not include any special adjustment. As well, the risk factors used to stress valuations are those widely known in the industry for valuation purposes.

Useful lives:

As described in Notes 5(e) and (f) below, the Company reviews its depreciation and amortization methods and estimates of useful lives and residual values of long-lived assets (including telephone network systems and equipment and intangibles and frequency rights) each annual reporting date and adjusts them if appropriate.

Valuation of long-lived assets:

For impairment testing, assets are grouped into cash generating units (CGU), i.e., the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets.

Since the Company provides bundled services and that the network and certain intangibles are common across many services, Management has determined that such assets should be tested for impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Key assumptions used in the calculation of recoverable amounts are the discount rate and the asset's residual values.

As of December 31, 2013, based on the Company's impairment testing, an additional impairment loss was recognized (see Note 12).

As of December 31, 2014 there is no impairment, also the Company recognized a reversal impairment (See Note 11).

Impairment sensitivity analysis:

The Company test telecommunication network and equipment for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When any indicator of impairment is identified, an impairment test is performed based on each cash-generating unit (CGU). The CGUs identify by the Company are pay TV, public telephone (PT) and other services (OS). The carrying values of these CGUs are compared to their recoverable amount, which is the higher of value in use and fair value less costs to sell. On October, 2013, according to the business plan of the Company's new management, the CGUs pay TV and public telephone are not considered strategic, and recognized an impairment loss of $578,257 as of December 31, 2013.

The impairment analysis as of December 31, 2013 were performed with a discount rate of 11.71%. An increase in the discount rate to 15% or a decrease in the discount rate to 10% would not have a significant impact on the impairment analysis.

As of December 31, 2014 the impairment analysis was performed with a discount rate of 12%. An increase in the discount rate to 13% or a decrease in the discount rate to 11% would not have a significant impact on the impairment analysis.

Utilization of tax losses:

The Company does not recognize a deferred tax asset arising from unused tax losses or tax credits due to the uncertainty the Company and its subsidiaries will have sufficient taxable temporary differences or convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the Company.

Allowance of doubtful accounts receivable

The Company recognizes an account receivable as impaired when there is clear evidence of impairment, as result of one or more events that occurred after the initial recognition of the asset.

The allowance for doubtful accounts represents the estimate of losses resulting from the failure or inability of our customers to make the required payments. Determining the allowance for doubtful accounts receivable requires significant estimates.

To estimate the reserve of accounts receivable collectively, historical loss ratios are determined according to the status of those accounts receivable. The Company adjusts historical loss ratios to management's judgment as to whether current economic and credit conditions are consistent and based upon their effects in the estimates of the provision. The Company recognizes an estimate of reserves by a ratio of the amount of overdue accounts receivable subject to days past due and related percentages. Understanding the proportional relation between days past due and percentages of provisions.

When there is a collection agreement with an impaired customer, the percentage estimate will be determined based on historical data of similar cases.

The estimated reserve accounts delivered to the legal collection services is a function of the estimated success rate based on the experience of the in-house lawyer responsible for managing the account receivable, and their features.

Management considers the estimate to be sufficient to cover the potential risk of impairment; however, actual results may differ from the estimates resulting in a material adjustment to the carrying amounts of the accounts receivable within the next financial year.

Estimates related to revenues from installation services:
No installation expenses are charged to our commercial clients and such costs are capitalized and amortized on a straight line basis for a period of 5 years. Installation costs capitalized are expensed once the relationship with the customer is terminated. In 2014 and 2013, the useful life of the installation costs was five years.

Adjustments 2013

During 2014 we noted that our estimate of revenue relative to 2013 was exceeded by $37,233. The amount of income from the income statement and the accounts receivable balance item, stated in the balance sheet, have been reduced by $37,233 to correct this error.

Additionaly, we reversed an exceeded charge to the depreciation of 2013 by $29,740, corresponding to a software still in use, the amount of amortization expenses from the income statement and the accumulated amortization balance stated in the statement of financial position for 2013 have been reduced by $29,740 to correct this error.

Considering that at the end of 2013 an investment related to the acquisition of a new software and that part of this will be used by CGUs that deteriorated in 2013 (IPTV and Public Telephony), a proportional part of this new software should have been allocated to the mentioned CGUs, whose recovery value is zero. Consequently, the Company recognized a charge to results of 2013 by $2,152.

Finally, as result of the above adjustments, the loss per share for 2013 increased from $1.11 to $1.12 and the net loss for the year from $1,250,729 to $1,260,374.

It was not necessary to add a third column in the statement of financial position, as changes to the balances of 2013 have no impact in the initial balance of the year.

Note 5 - Significant accounting policies:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

ii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Maxcom and its subsidiaries of which it controls and has almost 100% of the voting shares:

Subsidiary company	% 2014 and 2013	Activity	Country
Asesores Telcoop, S. A. de C. V. (i) (ii)	99.9	Business advisory services	Mexico
Celmax Móvil, S. A. de C. V. (i)	99.0	Telecommunications services	Mexico
Corporativo en Telecomunicaciones, S. A. de C. V.	99.9	Technical personnel services	Mexico
Fundación Maxcom, A. C. (i)	99.9	Non-for-profit foundation	Mexico
Maxcom Servicios Administrativos, S. A. de C. V.	99.9	Administrative personnel services	Mexico
Maxcom SF, S. A. de C. V.	99.9	Financial services	Mexico
Maxcom TV, S. A. de C. V. (i)	99.9	Cable television services	Mexico
Maxcom USA, Inc. (i)	100.0	International telecommunications services	U.S.
Servicios MSF, S. A. de C. V. (ii)	99.9	Administrative personnel services	Mexico
Outsourcing Operadora de Personal, S. A. de C. V. (ii)	99.9	Technical personnel services	Mexico
Sierra Comunicaciones Globales, S. A. de C. V.	99.9	Infrastructure leasing	Mexico
Sierra USA Communications, Inc.	100.0	International telecommunications services	U.S.
TECBTC Estrategias de Promoción, S. A. de C. V. (ii)	99.9	Technical personnel services	Mexico
Telereunión, S. A. de C. V.	99.9	Long distance and infrastructure leasing	Mexico
Telscape de México, S. A. de C. V.	99.9	Real estate services	Mexico

(i) These companies are currently with no operation.
(ii) Maxcom Servicios Administrativos, S. A. de C. V. subsidiaries

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses are presented in the statement of comprehensive income within finance cost, net.

(c) Financial instruments

i. Financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends upon the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Cash and cash equivalents:

Cash and cash equivalents comprise cash balances, call deposits and overnight government instruments with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

ii. Financial liabilities

Trade payables:

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs

Specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Compound financial instruments

The Company does not hold this type of instruments at the time.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of tax from the proceeds.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for repurchase shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(e) Derivative financial instruments

The Company holds derivative financial instruments relating to “Only Coupon” cross-currency swaps used to hedge and minimize its exposure to Mexican Peso/U.S. dollar exchange rate fluctuation risks, attributable to the coupon payments of its financial liabilities “semi-annual interest payment of its Step-up Notes.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. When a derivative financial instrument is not designated in a qualifying hedge, all changes in its fair value are recognized immediately in profit or loss.

For accounting purposes, these derivative instruments, although intended for hedging purposes from an economic perspective, have been designated as trading instruments as they do not comply with all the requirements to qualify for hedge accounting. Derivative gains or losses are shown in the statement of comprehensive income and statement of cash flows as either operating or financing items depending on the nature of the item being economically hedged. In particular, the interest rate and cross currency swaps are presented within the finance cost line and within financing activities, in the statement of comprehensive income and statement of cash flows, respectively.

The effectiveness of these hedges is assessed quarterly. The effective portion of restatements in the fair value of derivitavie instruments that are designated and qualify as cash flow hedges is recognized as part of the comprehensive income. The ineffective portion is recognized inmmediately in the income statement under the item of “Other income (loss) – Net”.

The fair value of financial derivatives represents a gain amounting to $52 mills. As of December 2014 there are no ineffective portions that must be recognized in the results for the period.

The effect recognized in December 2014 regarding net accrued interest by currency swaps amounted to $72, classified as a financial expense item.

(f) Inventories

Inventories consist of material used to install telephone lines and network build-out, and are measured at the lower of cost and net realizable value. Cost is determined using the average cost formula, and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(g) Telecommunications networks systems and equipment - Net

i. Recognition and measurement

Items of telecommunication network systems and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The Company constructs certain of its own network systems and related facilities. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.
When parts of an item of telecommunications network systems and equipment have different useful lives, they are accounted for as separate items (major components) of telecommunications network systems and equipment.

The gain or loss on disposal of an item of telecommunications network systems and equipment is determined by comparing the proceeds from disposal with the corresponding carrying amount, and is recognized net within other income/expenses in the statement of comprehensive income.

Maintenance and minor repair costs are charged to results as incurred; replacement and improvement costs are capitalized. The cost and related allowances of assets sold or retired are removed from the accounts, and any resulting profit or loss is reflected in the statement of results of operations, in other expenses.

All the installation cost is capitalized. Only when the installation expenses are charged to our residential customers, the Installation costs is expensed up to the amount charge. The useful life of the line installation cost for residential customer is five years because it is the average tenure of our customers. Installation costs capitalized are expensed once the relationship with the customer is terminated. No installation expenses are charged to our commercial clients and such costs are capitalized and amortized on a straight line basis for a period of 5 years.

ii. Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred, including the costs of the day-to-day servicing of systems and equipment.

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is calculated using the straight-line method to allocate the cost over the estimated useful lives of each component of an item of telecommunications network systems and equipment. Leased assets and leasehold improvements are depreciated at the lesser of its useful life or contract term. If it is reasonably certain that the Company will obtain ownership, the leased assets are depreciated over contract term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life (years)
Telecommunications network and equipment	Between 23 and 24
Public telephone equipment	8
Leasehold improvements and outside plant	Between 2 and 20
Radio equipment	30
Line installation cost	5
Electronic equipment	25
Computer equipment	5
Transportation equipment	4
Office furniture	10
Other	10
Engineering equipment	10

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

An asset´s carrying amount is written down immediately to its recoverable amount if the asset´s carrying amount is greater than its estimated recoverable amount.

(h) Investment property

Investment property is land and a building which are owned and held to earn rental income under operating leases, and which is not occupied by the companies in the consolidated Group. Investment properties are stated in the balance sheet at their acquisition cost.

(i) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and impairment losses.

As previously mentioned (Note 3), the SCT awarded the Company, at no cost; a concession to install and operate a public telecommunications network for a 30-year period. The concession and the related grant were initially recognized at their nominal amount, therefore, they have no recorded value for financial reporting purposes and they are only disclosed in a note to these consolidated financial statements.

Frequency rights are recorded at their acquisition cost.

i. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in the statement of comprehensive income.

ii. Amortization

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Useful life (years)
Infrastructure rights	30 and 15
Software licenses	3.3
Frequency rights	20*

* Amortization of frequency rights is amortized over the term of the frequency rights.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(j) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

Leases of transportation equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

(k) Impairment

i. Non- derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an estimate account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non financial assets

Telecommunications network systems and equipment and intangible assets subject to depreciation and amortization, respectively, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

When an impairment loss is reversed, the corresponding value of the asset or cash-generating unit (CGU) is increased, without exceeding the carrying amount that would have been determined had no impairment been recognized in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

(l) Employee benefits

i. Security premium

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the separate entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss in the period in which they arise.

Past-service costs are recognized immediately in income.

ii. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

iii. Profit sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's stockholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the statement of comprehensive income.

(n) Revenue

Maxcom's revenues derives from the offering of services in the normal course of operations, and they are recognized at fair value of the consideration receivable. Revenue is shown net of value added taxes (VAT) and further discounts.

Maxcom recognizes revenue when it can be reliably measured, it is possible that the economic benefits will flow to the entity in the future and the specific criteria for each type of activity are met. Revenues are recognized in the accounting period in which the services are rendered, so that at the end of each year, and because the company has several billing cycles, the Company determines the portion of revenues from services rendered in December not yet billed, based on the traffic for that period, taking into account the particular terms of each contract.

The Company provides telecommunications services based on the market type, divided into: wholesale, residential and commercial customers, public telephony and others.

The services provided include data and fixed telephony, and to a lesser extent mobile telephony and pay TV. The Company has several commercial offerings, mainly based on the combination of bandwidth and traffic carried. The contract periods range from 1 to 3 years, with a renewal call.

Revenues from public telephone services are recognized based on the cash collected (which is about the same time when services are rendered).

Revenues from lease of transmission capacity through the fiber optic ring are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as deferred revenues in non-current other accounts payable and current other accounts payable, respectively, in the statement of financial position.

(o) Finance income and finance costs

Finance income comprises interest income on funds invested and fair value gains on financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and fair value losses on financial assets at fair value through profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(p) Current and diferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

(q) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary stockholders of the Company by the weighted average number of ordinary shares outstanding during the period, less treasury shares. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary stockholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and which is reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The Company has determined that it has one operating segment: Telecommunications. The segment offers different service products to its customers based on the type of market, divided as follows: residential, commercial, public telephone, wholesale and others. The financial information reviewed by the chief operating decision maker includes revenue by market, but operating expenses and assets are reported on a combined basis for the entire operating unit. The Company also divided its operating segment in the following geographical destinations: Metropolitan Area, Central-South, and North (all within Mexico).

(s) Share-based payment

The fair value of share-based payment awards is calculated using an option pricing model. In accordance with IFRS 2 Share-based Payment, the resulting cost is charged as employee costs to the income statement over the vesting period of the relevant award. This charge is amended to take into account changes in the number of equity instruments expected to vest as a consequence of the changes in expectation as to the attainment of any performance-related conditions.

Note 6 – Financial risk management:

Overview

The Company´s activities expose it to a variety of financial risks: credit risk; liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the management and the Audit Committee as responsible for developing and monitoring the Company's risk management practices. The Audit committee reports regularly to the Board of Directors on its activities.

The Company's risk management practices are established to identify and analyze the risks faced by the Company, to monitor risks. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management practices and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in securities.

Accounts receivable:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company provides its services to a vast array of customers, thus avoiding dependency on any single customer; therefore, there is no concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company research on the credit behavior of its customers. This information is supplied by independent rating agencies ("Buró de Crédito" or "Círculo de Crédito") where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. Where appropriate, guarantees are required in the form of deposits (customer deposits). The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management and the Audit Committee.

As described in Note 4, the Company recognizes impairment of receivables through an allowance for doubtful accounts which is further detailed in Note 9.

Impairment losses

Aging of trade receivables at the reporting date

	December 31, 2014		December 31, 2013	
	Gross	Impairment	Gross	Impairment
Not pass due	$ 450,383	$ -	$ 462,815	$ -
Past due 0-90 days	77,013	-	81,610	-
Past due 90-121 days				
More than 121 days	257,278	(244,079)	205,297	(153,776)
	$ 784,674	($244,079)	$ 749,722	($153,776)

See in Note 9 the movement in the allowance for doubtful accounts.

Investments

The Company limits its exposure to credit risk by investing only in overnight government instruments and only with trustworthy banks. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In the following table, the Company's derivative financial liabilities and non-derivative are analyzed, organized by maturity from December 31, 2014 and 2013. Derivative financial liabilities are included in the analysis if it is required to understand the timing of the Company's cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

The following are the maturities as of December 31, 2014 and 2013 including estimated interest payments:

December 31, 2014	Less than 1 year	From 1 year to 2 years	More than 3 years	Total
Step-up Notes to settle, and their anual interest rate, payable semiannually	$ 163,704	$ 383,752	$ 3,712,188	$ 4,259,644
Accounts payable	596,651			596,651
Current other accounts payable	20,499			20,499
Customer deposits	2,252	-	-	2,252
Non-current other accounts payable	-	75,324	-	75,324
Other non-current liabilities	-	4,633	-	4,633

December 31, 2013	More than 1 year	From 1 year to 2 years	More than 3 years	Total
Step-up Notes to settle, and their anual interest rate, payable semiannually	$ 163,704	$ 383,752	$ 3,712,188	$ 4,259,644
Accounts payable	596,651			596,651
Current other accounts payable	20,499			20,499
Customer deposits	2,400			2,400
Finance lease	4,935	4,890		9,825
Non-current other accounts payable		37,034		37,034
Other non-current liabilities		149,054		149,054

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by Management Board and the Audit Committee.

There have been no changes in the Company's exposure to market risks or the way to manage and value these risks.

Derivative financial instruments

The Company manages its credit risk related to the portfolio of derivatives through only entering transactions with recognized and creditworthy counterparties. As of December 31, 2014 credit risk is zero, because the Company has settled approximately US$1.85 million as collateral for its derivative financial instruments, which covers 100% (one hundred percent) the fair value of the derivative financial instruments at the end of the period.

Currency risk

The Company has "Only Coupon Swaps" to cover its exposure to Mexican peso/U.S. dollar exchange rate risk, associated to the coupons of its foreign currency debt "Step-un Notes", through which it makes payments, based upon fixed interest rates, in pesos, and receives payments, upon fixed interest rates, in U.S. dollars.

The current amount of contracts with derivative financial instruments to hedge currency risk amounts to US$139 million at several dates during the term of the Step-Up Senior Note maturing in June 2020. The objective of the hedge is setting an exchange rate that allows mitigate the variability in the peso/U.S. dollar exchange rate up to 77% (seventy seven percent) related to the coupon payments of the notes issued in U.S. dollars maturing in June 2020.

In 2014 currency swaps operations were closed with Morgan Stanley (France), SAS oriented to minimize currency risks related to the semi-annual coupon payments on a principal amount of US$150 million of our Step-up Notes. All transactions with currency swaps were canceled in advance in February 2013, representing $9,341 recorded in the financial cost in the consolidated statement of comprehensive income.

The next table shows the different risk factors used to determine the fair value of the derivative financial instruments:

Counterpart	Rate MXN	Rate USD	Starting date	Expiration date	MXN/USD
M. Stanley	6.96%	6.0%	Dec.15, 2013	June 15, 2016	13.0400
	7.96%	7.0%	June 16, 2016	June 15, 2018	
	8.96%	8.0%	June 16, 2018	June 15, 2020	
M. Stanley	6.61%	6.0%	Dec. 15, 2013	June 15, 2016	13.1325
	7.61%	7.0%	June 16, 2016	June 15, 2018	
	8.61%	8.0%	June 16, 2018	June 15, 2020	
M. Stanley	7.0%	6.0%	Dec. 15, 2013	June 15, 2016	13.0000
	8.0%	7.0%	June 16, 2016	June 15, 2018	
	9.0%	8.0%	June 16, 2018	June 15, 2020	
Credit Suisse	6.68%	6.0%	Dec. 15, 2013	June 15, 2016	13.4810
	7.68%	7.0%	June 16, 2016	June 15, 2018	
	8.68%	8.0%	June 16, 2018	June 15, 2020	

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. Note 15 provide the details on the foreign currency position of the Company as of the date of the statements of financial position.

Sensitivity Analysis

Since acquired derivatives have the same features as the primary underlying instrument, the effectiveness ratio will always result at 100%, regardless of the stress scenario or sensitivity test used, due to the fact that any change in fair value of the derivatives will offset the change in fair value for the primary underlying instrument.

Regarding the sensitivity analysis of currency risks, to which the Company is exposed, considering a depreciation of Mexican peso against U.S. dollar (from $15.75 pesos per dollar to $14.75 pesos per dollar), would produce a favorable impact of $50.4 million, which would be offset by the currency fluctuation of the semi-annual coupons of the Step-up Notes in dollars, so that the effect in results would be null.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Step-up Notes due 2020 constitute substantially all of the Company's indebtedness and bear interests at a fixed rate, see Note 15.

For presentation purposes, an increase of 100 basis points in the curve of the credit rating of the reporting date would have decreased by US$3.97 million the fair value of debt and a decrease of 100 basis points would have increased by US$4.21 million for 2014. For 2013 an increase of 100 basis points would have decreased by US$3.95 million and a decrease of 100 basis points would have increased by US$4.20 million the fair value of the debt.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of capital stock, additional paid-in capital, accumulated losses and repurchase of shares.

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Company's share option program. Buy and sell decisions are made on a specific transaction basis by the General Management Director; the Company does not have a defined share buy-back plan.

During the year ended December 31, 2014 the Company strategy is to keep the leverage ratio by 25% to 35% (5% to 15% in 2013) the change derives from the investments made by the Company in telecommunications equipment.

The gearing ratios at December 31, 2014 and 2013 were as follows:

	December 31, 2014	
	2014	2013
Step-up Notes to settle	$ 2,218,905	$ 1,909,139
Interest	7,250	6,200
Less cash and cash equivalents (note 8)	1,443,123	1,953,692
Net debt	783,032	(38,353)
Total stockholders' equity (note 20)	2,941,421	3,155,600
Gearing ratio	26%	(1%)

Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, the management considers that the carrying amounts of current financial assets and liabilities recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013, approximate their fair values.

	December 31, 2014			December 31, 2013		
	Level	Carrying Amount	Fair Value	Level	Carrying Amount	Fair Value
Step-up Notes to settle And accrued interest	2	$ 2,226,155	$ 2,282,827	2	$ 1,915,339	$ 2,022,827

The fair values of financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

There were no transfers between levels during 2014 and 2013.

Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments carried at amortized cost

The fair value of financial instruments carried at amortized cost is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Derivatives

The fair value of the cross currency swaps is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Shared based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Fair value hierarchy

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

	December 31, 2014		
	Loans and receivables	Assets as fair value thorugh profit or loss	Total
Assets as per balance sheet			
Cash and cash equivalents	$ 1,443,123	$ -	$ 1,443,123
Derivative financial instruments	-	50,626	50,626
Accounts receivable	540,595	-	540,595
Other sundry debtors	55,233		55,233
Prepayments	11,041		11,041
Total	$ 2,049,992	$ 50,626	$ 2,100,618

	December 31, 2014		
	Financial Liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
Liabilities as per balance sheet			
Accounts payable	$ 596,651	$ -	$ 596,651
Current other accounts payable	20,499	-	20,499
Customer deposits	2,252	-	2,252
Non-current other accounts payable	75,324	-	75,324
Other non-current liabilities	4,634	-	4,634
Step-up Notes	2,218,905	-	2,218,905
Total	$ 2,918,265	$ -	$ 2,918,265

	December 31, 2013		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
Assets as per balance sheet			
Cash and cash equivalents	$ 1,953,692	$ -	$ 1,953,692
Accounts receivable	595,946	-	595,946
Other sundry debtors	119,077	-	119,077
Total	$ 2,668,715	$ -	$ 2,668,715

	December 31, 2013		
	Financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
Liabilities as per balance sheet			
Accounts payable	$ 266,793	$ -	$ 266,793
Current other accounts payable	81,222	-	81,222
Customer deposits	2,400	-	2,400
Non-current other accounts payable	37,034	-	37,034
Other non-current liabilities	149,054	-	149,054
Step-up Notes	1,915,339	-	1,915,339
Vendor financing	8,348	-	8,348
Total	$ 2,460,190	$ -	$ 2,460,190

Note 7 – Operating segments:

The Company operates in the telecommunication business sector and has only one reportable segment. The segment offers different service products to its customers based on the type of market divided as follows: residential, commercial, public telephone, wholesale and others. However, most of the infrastructure is commonly used by the different services products in all markets and equally specific telecommunications services, such as local service, long distance and “calling party pays” (CPP) that can be provided in one or more markets. Therefore, discrete financial information is not available because there is no measure of segment profit or loss by each of these markets. The financial information reviewed by our chief operating decision maker includes revenue by market, but operating expenses and assets are reported on a combined basis for the entire operating unit.

Information about products and services

The revenue is divided for the years ended December 31, 2014, 2013 and 2012 as shown below:

Markets	2014	2013
Residential	$ 889,495	$ 939,395
Commercial	669,274	639,548
Wholesale	989,317	724,653
Public telephone	127,584	146,199
Others	14,268	17,940
Total revenue	$ 2,689,938	$ 2,467,735

Each of the above markets is comprised of homogeneous customers.

Information about geographical areas

The information by geographical location (all within Mexico) including revenue, total assets, and additions of the telephone network, systems and equipment is as follows:

December 31, 2014	Metropolitan area(1)	Central-south(2)	North(3)	Total
Period for the yeat ended December 31, 2014:				
Local	$ 1,052,593	$ 645,040	$ 12,344	$ 1,709,977
Long Distance	836,554	102,930	13,887	953,371
Rent of dedicated links	224			224
Sale of equipment to customers	677	743		1,420
Capacity leasing	24,946			24,946
Total revenue	$ 1,914,994	$ 748,713	$ 26,231	$ 2,689,938
Total assets as of December 31, 2014	$ 4,845,851	$ 706,253	$ 392,181	$ 5,944,285
Acquisition of telecommunications network systems And equipment and intangible assets for the year ended December 31, 2014	$ 439,968	$ 39,063	$ 50,537	$ 529,568

December 31, 2013	Metropolitan Area (1)	Central-south(2)	North(3)	Total
Period for the yeat ended December 31, 2013:				
Local	$ 1,097,058	$ 669,564	$ 16,681	$ 1,783,303
Long distance	448,768	137,833	31,459	618,060
Rent of dedicated links	225	-	-	225
Sale of equipment to customers	2,502	2,682	3	5,187
Capacity leasing	60,960	-	-	60,960
Total revenue	$ 1,609,513	$ 810,079	$ 48,143	$ 2,467,735
Total assets as of December 31, 2013	$ 4,745,401	$ 674,090	$ 327,477	$ 5,746,968
Acquisition of telecommunications network systems And equipment and intangible assets for the year ended December 31, 2013	$ 408,038	$ 1,494	$ 2,104	$ 411,636

(1)Includes Mexico City and Metropolitan Area
(2)Includes some cities in the States of Puebla, Querétaro and San Luis Potosí
(3)Cities in the State of Monterrey

Information about major customers

There is no single external customer for whom its revenues amount to 10% or more of a Company's revenues.

Note 8 - Cash and cash equivalents:

	December 31,	
	2014	2013
Cash	$ 346,928	$ 84,112
Cash equivalents	1,096,195	1,869,580
Total	$ 1,443,123	$ 1,953,692

Note 9 - Accounts receivable:

	December 31,	
	2014	2013
Accounts receivable	$ 784,674	$ 749,722
Allowance for doubtful accounts	(244,079)	(153,776)
Total current assets	$ 540,595	$ 595,946

The credit period is generally 25 days from the date of the invoice. Certain customers are granted extended credit periods up to 3 months.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of receivables that are past due but not impaired

	December 31,	
	2014	2013
60-90 days	$ 26,126	$ 32,728
Average age (days)	75	75

Movement in the allowance for doubtful accounts

	December 31,	
	2014	2013
Balance at beginning of the year	$ 153,778	$ 585,990
Charged to costs and expenses	107,130	157,280
Deductions	(16,829)	(589,494)
Balance at end of year	$ 244,079	$ 153,776

According with the Account receivable procedure, the accounts with more than 210 outstanding days where applied against the bad debt reserve. No additional collection is expected. As of December 31, 2014, were applied $13,829 and $589,492 in 2013.

Credit quality of financial assets

	December 31,		December 31,	
	2014	%	2013	%
(a) Current	$ 403,983	75	$ 522,845	89
(b) From 0 to 30 outstanding days	50,887	9	20,627	3
(c) From 31 to 60 outstanding days	15,406	3	14,746	2
(d) From 61 to 90 outstanding days	70,319	13	37,728	6
Total	$ 540,595	100	$ 595,946	100

(a) Minimum credit risk
(b) Low credit risk with 29% success recovery
(c) Medium credit risk with 22% success recovery
(d) High credit risk 22% success recovery

Cash and cash equivalents	2014	2013
BBB	$ 1,222,695	$ 1,548,142
BBB+	220,428	405,550
Total	$ 1,443,123	$ 1,953,692

Note 10 - Income taxes:

(a) Total income tax expense for the years ended December 31, 2014 and 2013 are as follow:

	2014	2013
Current income tax	($ 3,084)	($14,306)
Deferred income tax	15,451	(999)
	$ 12,367	($15,305)

(b) The analysis of deferred tax assets and liabilities is as follows:

	2014	2013
Deferred tax assets		
Deferred tax assets to be recovered after more tan 12 months	$ 2,254	$ 6,787
Deferred tax assets to be recovered within 12 months	6,803	2,007
Deferred tax asset - net	$ 9,057	$ 8,794

The gross movement on the deferred income tax account is as follow:

	2014	2013
At January 1	$ 8,794	$ 9,793
Comprehensive Income tax charge	(15,188)	
Income tax charge	15,451	(999)
December 31	$ 9,057	$ 8,794

	Employee Benefits	Provisions	Prepaid Expenses	Derivatives	Total
Al 1 de enero de 2014	$2,007	6,787			$ 8,794
Comprehensive income tax charge				(15,188)	
Income tax charge	(1,110)	(84)	16,645		15,451
December 31, 2014	$ 897	6,703	16,645	(15,188)	$ 9,057

	Employee benefits	Provisions	Prepaid expenses	Advance payments	Total
At January 2013	$1,259	19,024	(4,814)	(5,676)	$ 9,793
Income tax charge	748	(12,237)	4,814	5,676	(999)
December 31, 2013	$2,007	6,787	-	-	$ 8,794

(c) The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilites, at December 31, 2014 and 2013 are presented below:

	2014	2013
Employee benefits	$ 897	$ 2,007
Provisions	6,703	6,787
Derivatives	(15,188)	
Tax loss carry forwards	16,645	-

Net deferred tax asset	$ 9,057	$ 8,794

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilized. In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The deferred tax not recognized comes from:

	2014	2013
Tax loss	$ 318,629	$ 398,252
Telecommunications networks systems and equipment	674,187	796,854
Allowance for doubtful accounts	57,123	61,465
Provisions and others	43,891	(139,292)
Deferred tax assets	$1,093,830	$1,117,279

As of December 31, 2014 the Company had accumulated tax loss carry forwards of $1,066,950 which will expire as follows:

Years of loss	Amount	Year of expiration
2005	$ 11,396	2015
2006	93,109	2016
2007	170,752	2017
2008	557,619	2018
2010	4,045	2020
2011	214,593	2021
2014	15,436	2024
	$1,066,950	

(d) Tax reform impacts

On December 11, 2013, the Mexican Congress enacted a news Tax Reform, which became effective as of January 1, 2014. Among the tax reforms approved, the following impact to the Company:

- *General provisions:* The Income Tax Law includes changes to the tax rate (30% for 2014), to authorized deductions, to as the moments for income recognition or deductions, as well as changes in some regimes.

- *Employee benefits*: Worker remunerations that represent an exempt item of income for the employee, such as fringe benefits, employees' savings and loan funds, severance payments, annual bonus, overtime, vacation premium, Sunday premium and exempt portion of PTU, may only be deducted to 47% or 53%. The tax reform also states that the deduction for contributions to pension and retirement funds' will be limited to 47% or 53% of the contribution made during the year.

- *Flat Rate Business Tax Law and Cash Deposit Tax Law*: These laws are repealed, and transition provisions are established to secure the rights and obligations acquired during the effective term of the law.

- *VAT:* The 16% rate is standardized throughout the country, by eliminating the 11% rate applicable to the border zone.

(e) Reconciliation of effective tax rate:

	2014		2013	
	%	$	%	$
Loss before income tax		($ 333,138)		($1,235,424)
Income tax expense (benefit) using the Company's domestic tax rate	(30%)	$ 99,941	(30%)	$ 370,627
Inflationary effect	(29%)	96,119	4%	(50,642)
Non-deductible employee benefits				
Unrealized foreign exchange loss & Non-deductable uncollectable receivables	49%	(161,639)	2%	(25,301)
Unrecognized deferred tax assets	2%	(6,387)	24%	(282,638)
Other	5%	(17,450)	1%	(25,021)
	4%	$ 12,367	2%	($ 15,305)

Note 11 - Telecommunications network systems and equipment - net:

Telephone network systems and equipment consist of:

Cost	Line installation cost	Telecommuni-cations network and equipment	Public telephone equipment	Computer equipment	Engineering equipment	Radio equipment	Transportation equipment	Electronic equipment	Leasehold improvements	Office furniture	Investment property	Other	CIP	Total
Balance at January 1, 2013	$ 906,020	$ 4,728,089	$ 644,050	$ 267,732	$ 22,908	$ 529,394	$ 60,067	$ 259,877	$ 1,598,448	$ 52,077	$ 53,550	$ 36,029	$ 65,636	$9,223,877
Transfers	97,934	109,326	31,235	13,140	4	6,157	3,602	-	7,576	842		-	(269,815)	0
Additions	7,276	-	-	16	-	-	-	-	1,271	0		89	350,137	358,789
Disposals	(151,732)	(545,906)	(78,598)	(203,262)	-	(333)	(5,488)	(259,877)	(13,845)	(26,572)		-	-	
(1,285,612)														
Balance at December 31, 2013	$ 859,498	$ 4,291,509	$ 596,687	$ 77,626	$ 22,912	$ 535,218	$ 58,181	($ 0)	1,593,450	26,347	53,550	36,118	145,958	8,297,054
Balance at December 31, 2013	$ 859,498	$ 4,291,509	$ 596,687	$ 77,626	$ 22,912	$ 535,218	$ 58,181	($ 0)	$ 1,593,450	$ 26,347	$ 53,550	$ 36,118	$ 145,958	$8,297,054
Transfers	(9,593)	17,437				1,160	103		(9,484)	-			(0)	(377)
Additions	118,042	332,159		12,456	329	7,349	16,575		40,588	1,904		473	385,049	914,924
Disposals	(4,727)	(120,978)		(10,090)		(124)	(9,568)		(3,848)				(3,605)	(152,940)
Balance at December 31, 2014	$ 963,220	$ 4,520,127	$ 596,687	$ 79,992	$ 23,241	$ 543,603	$ 65,291	($ 0)	$ 1,620,706	$ 28,251	$ 53,550	$ 36,591	$ 527,402	$9,058,661

Accumulated depreciation and impairment losses	Line installation cost	Telecommuni-cations network and equipment	Public telephone equipment	Computer equipment	Engineering equipment	Radio equipment	Transport equipment	Electronic equipment	Leasehold improvements	Office furniture	Investment property	Other	CIP	Total
Balance at January 1, 2013	($ 280,886)	($ 3,151,041)	($ 411,865)	($ 237,809)	($ 16,427)	($ 257,344)	($ 51,673)	($ 257,190)	($ 640,611)	($ 33,300)	($ 8,720)	($ 22,436)		
		($ 5,369,302)												
Additions	(96,969)	(243,504)	(86,010)	(16,790)	(1,066)	(10,327)	(4,073)	(0)	(100,581)	(3,292)	(2,249)	(2,085)		(566,946)
Disposals	35,836	517,155	40,179	200,719	-	-	5,063	257,190	9,705	23,665		-		1,089,512
Impairment	(39,352)	(412,624)	(124,020)	-	(82)	(1,202)	-	-	(972)	(5)		-		(578,257)
Balance at December 31, 2013	($ 381,371)	($ 3,290,014)	($ 581,716)	($ 53,880)	($ 17,575)	($ 268,873)	($ 50,683)	$ -	($ 732,459)	($ 12,932)	($ 10,969)	($ 24,521)		
		($ 5,424,993)												
Balance at December 31, 2013	($ 381,371)	($ 3,290,014)	($ 581,716)	($ 53,880)	($ 17,575)	($ 268,873)	($ 50,683)	$ -	($ 732,459)					
	($ 12,932)	($ 10,969)	($ 24,521)		($5,424,993)									
Additions	(84,086)	(158,306)		(10,400)	(1,050)	(15,252)	(4,132)	-	(40,000)	(2,631)	(2,249)	(2,056)		(320,162)
Disposals	2,422	75,433		161		20	4,522		2,527					85,085
Impairment		69,567												69,567
Balance at December 31, 2014	($ 463,035)	($ 3,303,320)	($ 581,716)	($ 64,119)	($ 18,625)	($ 284,105)	($ 50,293)	$ -	($ 769,932)	($ 15,563)	($ 13,218)			
	($ 26,577)		($5,590,503)											
Carrying amounts														
At January 1, 2013	$ 625,135	$ 1,577,049	$ 232,185	$ 29,923	$ 6,481	$ 272,049	$ 8,394	$ 2,687	$ 957,837	$ 18,776	$ 44,830	$ 13,593	$ 65,636	$3,854,575
At December 31, 2013	$ 478,128	$ 1,001,495	$ 14,971	$ 23,746	$ 5,337	$ 266,345	$ 7,498	($ 0)	$ 860,991	$ 13,414	$ 42,581	$ 11,597	$ 145,958	$2,872,061
At December 31, 2014	$ 500,186	$ 1,216,807	$ 14,971	$ 15,873	$ 4,616	$ 259,497	$ 14,998	($ 0)	$ 850,774	$ 12,688	$ 40,332	$ 10,014	$ 527,402	$3,468,158

As of December 31, 2014 the Company maintains investment property of $40,332. The depreciation amount was $2,249 and $2,249 for 2014 and 2013, respectively. The accumulated depreciation was $13,218 and $10,969 for 2014 y 2013 respectively.

Investment properties are valued at cost model, these investment properties generated as of December 31, 2014 the following income and expenses:

Income	$ 4,698
Expenses	2,067
Revenue	$ 2,631

Investments properties have no restrictions.

Construction in progress mainly comprises telecommunications and equipment. As of December 31, 2014 the estimated cost remainin to conclude the construction in progress is $410,906, and management expects to conclude them before December 31, 2015.

As of December 31, 2014 and 2013 the amounts for contractual commitments for the acquisition of Telecommunications network systems and equipment are $146,683 and $25,615, respectively.

As part of the agreements entered into with the holders of step-up senior notes and senior notes, as mentioned in Note 15, the Company committed all of Maxcom’s telephone network systems and equipment as colateral in favor of said bond holders.

Although the assets mentioned above have been encumbered in favor of the Notes holders, the Company can make use of those assets as long as the requirements and conditions established in the indenture are met.

Until January 2014 the Company had entered into financial leasing agreements with Autoarrendadora Integral, S.A. de C.V. in Mexican pesos for transportation equipment.

As of December 31, 2013 the gross amount of fixed assets recognized under leases that are capitalized is comprised as follows:

	As of December 31, 2013
Transportation equipment	$ 2,418
Accumulated depreciation	(270)
Total	$ 2,148

Impairment test

The Company test telecommunication network and equipment for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

When any indicator of impairment is identified, an impairment test is performed based on each cash-generating unit (CGU). The CGUs identify by the Company are pay TV, public telephone (PT) and other services (OS). The carrying values of these CGUs are compared to their value in use.

As of December 31, 2014 based on the impairment tests of the Company, no additional impairment loss was recognized.

During 2014, the Company recognized a reversal of impairment loss by an amount of $69,567, reflected the income statement for the year.

Fiber optic (main asset of the Company) reflects an increase in the estimated service potential of "other services" unit, stemming from the investment that Maxcom is currently developing in its telecommunications network.

In October 2013, according to the business plan of the Company's new Management, it was established that pay television and public telephony CGU as not strategic, and recognized an impairment loss of $578,257 at December 31, 2013.

The key assumptions used for value-in-use calculations in 2013 are as follows:

	Pay TV	PT
Compound anual growth rate	13.5%	(23%)
Discount rate	11.71%	11.71%

Management determined compound annual volume growth rate for each CGU covering over the three-year forecast period to be a key assumption. The volume of sales in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market development. The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Note 12 - Intangible assets - net:

Intangible assets are comprised as follows:

			Infraestructure rights				
Cost	Frequency rights	Software	Use rights	Pipes rights	Fiber rights	Brand rights	Total
Balance at January 1, 2013	$ 94,674	$ 429,704	$ 292,570	$ 27,742	$ 73,279	$ 372	$ 918,341
Additions	-	27,735 (*)	-	-	-	-	27,735
Disposals	-	(2,114)	-	-	-	-	(2,114)
Balance at December 31, 2013	94,674	455,325	292,570	27,742	73,279	372	943,962
Additions		66,653 (*)	-	-	-	-	66,653
Disposals		(135)					(135)
Balance at December 31, 2014	$ 94,674	$ 521,843	$ 292,570	$ 27,742	$ 73,279	$ 372	$ 1,010,480

	Frequency rights	Software	Infrastructure rights: Expenses to be amortized	Infrastructure rights: Pipes rights	Infrastructure rights: Fiber rights	Infrastructure rights: Brand rights	Total
Accumulated amortization and impairment losses							
Balance at January 1, 2013	($ 70,123)	($ 368,318)	($ 292,570)	($ 20,048)	($ 30,969)	$ -	($ 782,028)
Amortization	(6,483)	(19,649)	-	(1,489)	(3,372)	-	(30,993)
Impairment		(2,152)					(2,152)
Disposals	-	(17,103)	-	-	-	-	(17,103)
Balance at December 31, 2013	(76,606)	(407,222)	(292,570)	(21,537)	(34,341)	-	(832,276)
Amortization	(7,777)	(37,956)	(173)	(1,481)	(3,372)	-	(50,759)
Disposals		135					135
Balance at December 31, 2014	($ 84,383)	($ 445,043)	($ 292,743)	($ 23,018)	($ 37,713)	$ -	($ 882,900)
At January 1, 2013	$ 24,551	$ 61,386	$ -	$ 7,694	$ 42,310	$ 372	$ 136,313
At December 31, 2013	$ 18,068	$ 48,103	$ -	$ 6,205	$ 38,938	$ 372	$ 111,686
At December 31, 2014	$ 10,291	$ 76,800	($ 173)	$ 4,724	$ 35,566	$ 372	$ 127,580

(*) Mainly SAP license.

Note 13 - Provisions:

Short Term Provisions:

	Legal claims(2)	Bonuses(3)	Total
At January 1, 2014	$ 44,715	$ 15,721	$ 60,436
Charged to the income statement:			
- Application	($ 44,715)	($ 23,721)	($ 68,436)
- Additional provision	15,843	11,500	27,343
At December 31, 2014	$ 15,843	$ 3,500	$ 19,343

Long Term Provisions:	Retirement obligation(1)	Labor contingencies(4)	Total
At January 1, 2014	$ 3,801	$ 12,363	$ 16,164
Charged to the income statement:			
- Application	($ 3,801)	($ 4,184)	($ 7,985)
- Additional provision	-	7,210	7,210
At December 31, 2014	$ -	$ 15,389	$ 15,389

(1) Retirement obligation from leasehold and outside plant.
(2) Legal claims including comercial contingencies.
(3) Profit sharing and bonuses according with the employee compensations program.
(4) Applies to labor cases in which is a high profitability of losing the sae.

Note 14 – Balances and transactions with related parties:

The Group is controlled by the stockholders advised by Ventura Capital Privado, S.A. de C.V. ("Ventura"), which owns 54.1% of the Company's shares. The remaining 45.1% of shares is float, widely held.

For the years ended December 31, 2014 and 2013, related party transactions with former stockholders analyzed as follows:

	2014	2013
Expensen paid to:		
Ventura Capital Privado (1) - Shareholder	$ 6,960	
BBG Wireless* (3) - Associate		$ 2,457
Vázquez Eduardo* (5) - Shareholder		838
Vázquez Gabriel Agustín* (5) - Shareholder		801
GS Comunicación* (2) - Associate		2,485
Telecomunicaciones Móviles de México, S. A. de C. V.* (4) - Associate		1,607
Total	$ 6,960	$ 8,188

(*) As of October 2, 2013 these Companies cease to be related parties.

(1) Corresponds to payments regarding financial consulting services.
(2) Corresponds to payments regarding marketing consulting services.
(3) Corresponds to *cluster* construction.
(4) Corresponds to interest payments and a portion of the capital pertaining to a loan to settle Telereunion's debt with the Comisión Federal de Electricidad (CFE). This debt was fully paid in 2013.
(5) Corresponds to lease of sites and offices owned by a relative of a Maxcom shareholder.

The accounts due to and due from balances arising from operations with stockholders as of December 31, 2014 were the following:

	2014	2013
Due from:		
Gabriel Vázquez Carstens - Shareholder	$ -	$ 1
Due to:		
BBG Wireless - Associate	$ -	$ 23

Accounts payable and receivable from related parties are included within accounts receivable customers and accounts payable, respectively.

Key management personnel compensation

	2014	2013
Short-term employee benefits	$299,462	$ 51,856
Termination benefits	35,812	2,697
Total	$335,274	$ 54,553

Note 15 – Step-up senior notes and senior notes:

As of December 31, 2014 and 2013, bonds payable "Step-up Notes" were comprised as follows:

	2014	2013

Long term:

Step-up Notes, maturing on June 15, 2020.	$2,218,905	$1,909,139
	$2,218,905	$1,909,139

Bonds payable in 2013 have an anual interest rate of 11% from January 1 to October 6, 2013.

Bonds payable from October 7, 2013, have a fixed anual interest of 6% until June 14, 2016; 7% from June 15, 2016 until June 14, 2018; and 8% from June 15, 2018 until June 15, 2020, payable semiannually. Effective interest rate was 10.41%.

As of December 31, 2014 and 2013, accrued interest payable on these bonds amounted to $7,250 y $6,200, respectively.

On July 23, 2013, the Company undertook a restructuring by commencing a voluntary case under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. 101–1532, in the United States Bankruptcy Court for the District of Delaware to effect the restructuring as set forth in the plan of reorganization, including the issuance of new step-up senior notes by the Company (commonly known as Chapter 11 prepackaged restructuring).

On September 10, 2013, the U.S. Bankruptcy Court for the District of Delaware confirmed the Company's prepackaged Chapter 11 plan of reorganization (the "Plan"). The only class of creditors entitled to vote, the holders of the Senior Notes issued by the Company due 2014 (the "Old Notes"), overwhelmingly voted in favor of the Plan and no party objected to confirmation of the Plan, see Note 1.

Pursuant to the terms of the Plan, all classes of creditors were unimpaired and their payments were not affected under the Plan, except for the Old Notes claims, which received the step-up senior notes due 2020, which include the capitalized interest amount for unpaid interest accrued on the Old Senior Notes with the correspondent interest, and rights to purchase equity that is unsubscribed by the Company's current equity holders pursuant to the terms of the Plan.

According to the terms of the Plan, on October 11, 2013, Maxcom issued new Step-up Senior Notes due 2020 (the "Step-Up Senior Notes") in an aggregate principal amount of U.S. $180,353,962, which reflects the amount of the Old Notes less the amount of Old Notes held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest (i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum, (ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and (iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Old Notes; and (e) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

Interests paid abroad are subject to income tax withholding at a rate of 4.9%, payable by the holder and interest is payable net. However, the Company assumed the obligation to pay interests free of any charge or tax burden to the holders, absorbing the cost of the retention of withholding taxes.

The Step-Up Senior Notes are governed by indenture that Maxcom and its subsidiaries entered into with The Deutsche Bank Trust Company Americas, acting as trustee, on October 11, 2013. The indenture governing our Step-Up Senior Notes contains certain covenants that among other things, limit the ability of the Company and subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of the Company's subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of December 31, 2014 and 2013, the Company and the guarantors have kept, observed, performed and fulfilled each and every covenant contained in the indenture.

On October 11, 2013, the Company recognized a gain on extinguisment debt $205.6 into the finance cost in the Statement of loss and other comprehensive income, as result of recognized the Step-Up Senior Notes to fair value and the derecognition of the Senior Notes.

During December 2013, the Company repurchased outstanding Step-Up Senior Notes for an amount of $27.3 million, equivalent to US$2.1 million in cash. The difference between the carrying value of $28.1 million equivalent to US$2.2 was recognized as a gain of $0.4 million, equivalent to US$0.03 million in the statement of comprehensive loss.

As of December 31, 2012 the Company repurchased Old Senior Notes for a total amount of $201 million, equivalents to US$15.4 million (fair value). The difference between the carrying amount as of December 31, 2012 for an amount of $299 million equivalents to US$22.9 million and the purchase price resulted in a gain of $98,000 , equivalent to US$7.5 million, which was recognized in the consolidated statement of comprehensive loss.

During December 2013, a few of the Step-Up Senior Bond Holders exercised their equity purchase rights, thereby the company exchanged bonds worth $23.3 million pesos (equivalent to U.S.$1.8 million) at carrying value, for 22,655,679 Series A common stock shares (see Note 20). The rest of the equity purchase rights held by the remaining Step-Up Senior Bond Holders were extinguished, as the right to convert them had expired in December 2013. As a result of the above events, Maxcom derecognized the associated embedded derivative liability valued at its fair value of $33.4 million (equivalent to US$2.6 million). The shares issued were recognized as an increase of capital stock and additional paid-in-capital of $22.1 million (equivalent to US$1.7 million) and $34.6 million Pesos (equivalent to US$2.7 million), respectively.

Note 16 - Other non-current liabilities:

During 2013, Maxcom had a disagreement with Radiomovil Dipsa, S.A. de C.V. (Telcel) regarding the interconnection tariffs charged. On September 3, 2013, Maxcom acknowledge and agreed with Telcel the payment in 30 months. At December 31, 2014 and 2013, the outstanding amount was recognized in Other non-current liabilities for an amount of $4,963 (fair value) and $98,955 (fair value), respectively.

Note 17 – Foreign currency position:

Figures in this note represent thousands of U.S. dollars.

The Company’s foreign-currency position (exclusive of the currency swaps) was as follows:

	December 31,	
	2014	2013
Assets		
Short-term	$ 6,672	$ 6,344
Long-term	1,230	-
	7,902	6,344
Liabilities		
Short-term	-	99,977
Long-term	157,299	157,163
	157,299	257,140
Net (liabilities) – in dollars	(149,397)	(250,796)

Exchange rate at end of the year ($1 to the 1.00 dollar)	$ 14.72	$ 13.08

Note 18 – Derivative financial instruments:

According with the agreements of "Only Coupon" cross-currency swaps, the Company agrees to exchange the difference between the amounts of the fixed interest rate in U.S. dollars and the fixed interest rate in pesos calculated on the agreed-upon notional amounts. Such contracts enable the Company to mitigate exposure to Mexican peso/U.S. dollar foreign exchange fluctuation risk, attributable to the coupons of its financial liabilities. The derivatives fair value at the end of the reporting period is determined by discounting future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, which is detailed below.

Maxcom quarterly values its derivative financial instruments at their fair value. The value of these instruments held by Maxcom is reported by the institutions and counterparts with whom contracts have been celebrated, it is determined in accordance with their own methodologies, and using well-known and reasonable procedures, techniques and models.

The derivatives contracted by Maxcom qualify as Level 2 because its fair value is determined using a discounted cash flow model. The future cash flows are estimated based upon forward interest rates (based on the yield curve observable at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of several counterparts.

The next table details the notional principal amounts and remaining terms of the derivative contracts outstanding at the end of the reporting period.

Current position of derivative financial instruments at the end of 2014

Notional amount in pesos	Notional amount in U.S. dollars	Contract date	Expiration date	Rate received in U.S. dollars	Rate paid in pesos	Fair value in U.S. dollars
430,320	33,000	January 2014	June 2020	6.00%	6.96%	10,769
433,373	33,000	January 2014	June 2020	6.00%	6.61%	16,913
429,000	33,000	March 2014	June 2020	6.00%	7.00%	10,449
539,240	40,000	October 2014	June 2020	6.00%	6.68%	13,480

The current amount of contracts with derivative financial instruments to hedge currency risk of coupons is US$139 million to exercise at several dates during the term of the Step-Up Senior Note maturing in June 2020.

Gains and losses recognized in the hedge account, included in equity, was $50,917.

During February 2013, as part of the debt restructuring plan, the Company unwound all cross currency swaps and obtained net proceeds of U.S. $22.8 in cash and recognized a loss of $9,341, recognized in finance cost.

The maximum exposure to credit risk at the end of the year is the fair value of the current derivative finanancial instruments recognized in the statement of financial position.

Note 19 – Labor obligations upon retirement and personnel expenses:

As of December 31, 2014 and 2013, the Company has direct benefits payable for absences (non-cumulative) amounting to $869 and $706, respectively.

The Company has obligations and costs of seniority premiums for employees entitled to receive them and are recognized based on actuarial studies prepared by an independent third party specialist.

	2014	2013
Net cost for the period:		
Labor cost	$ 1,091	$ 1,294
Financial cost	315	269
Remeasurements	(767)	(1,027)
Settlement effect	-	(356)
Net cost for the period	$ 639	$ 180

The following is the determination of liabilities for the benefits of the plans:

	Retirement benefits seniority premium
Defined benefit obligation:	
Defined benefit obligation at December 31, 2012	$ 4,198
Current service cost	1,294
Financial cost	269
Remeasurements	(1,027)
Effects of settlement	(356)
Defined benefits obligation at December 31, 2013	4,378
Current service cost	1,091
Financial cost	315
Remeasurements	(767)
Effects of settlement	-
Defined benefit obligation at December 31, 2014	$ 5,017

The main actuarial assumptions used in valuing these plans are as follows:

	Benefits December 31,	
	2014	2013
Discount rate reflectin the value of the current obligations	7.00%	7.50%
Compensation increase rate	5.00%	5.00%
Life expectancy (applicable to benefits upon retirement)	32 year	35 years
Inflation rate	3.5%	3.5%

Sensitivity analysis

Present value of defined benefit obligations	+ 100 basis points	- 100 basis points
Discount rate:	4,643	5,391
Salary growth rate:	4,213	5,821
Minimum salary increase:	4,205	5,829

1 year older 1 year younger		
Lifespan:	5,187	3,245

Note 20 - Stockholders' equity:

Capital stock structure -

On April 11, 2002, the Company obtained authorization from the Foreign Investment Bureau ("Dirección General de Inversión Extranjera") to increase its ability to issue limited voting shares up to 95% of its total capital stock. This authorization was endorsed on September 28, 2007, at the Company's public offering.

Restrictions imposed by the Mexican Foreign Investment Law (Ley Federal de Inversion Extranjera) and the Mexican Federal Telecommunications Law (Ley Federal de Telecomunicaciones) in connection with foreign participation in the telecommunication sector were eliminated on June 12, 2013, by a reform to the Mexican Constitution.

On April 20, 2012, by means of resolutions adopted by the General Ordinary Shareholders Meetings, the shareholders approved the reclassification of the additional paid in capital for the amount of $817.05 million to the accumulated losses of the Company and the corresponding decrease of the accumulative losses.

On October 2, 2013, Maxcom held a General Ordinary Shareholders' Meeting that approved among other things, a capital increase of up to 3,102,540,883 Series "A" Shares. Derived from this capital increase, as of December 31, 2013, 2,276,629,697 Series "A" Shares were subscribed and paid. The remaining Series "A" shares will be kept in the treasury of the Company. Additionally, the General Ordinary Shareholder´s Meeting held on October 2, 2013, also approved the issuance of 210,000,000 Series "A" Shares to be kept in the treasury of the Company, so that the Company may perform its obligations from futures stock options plans for directors, executives and employees of the Company.

Additionally, in the Meeting mentioned in the previous paragraph, it was agreed to increase the Company's capital stock by issuing 210,000,000 (two hundred and ten million) Series "A" Class II shares, ordinary, nominative, with no par value, representing the variable portion of the capital stock to be destined for the Company's stock options plan. Deriving form this capital increase on August 8, 2014 33,000,000 (thirty-three million) of these shares were subscribed by the trustee of the trust established in accordance with the stock options plan, to be later acquired by the elegible persons considered by the corporate practices committee as key within the Company, and the entities and companies owned by the Company or in which the Company becomes the owner, directly or indirectly, of at least 51% (fifty one percent) of its capital stock, in compliance with the first fraction (I) of article three hundred sixty-six (366) of the Ley del Mercado de Valores. The remaining shares will remain in the treasury of the Company.

The amount that was contributed by the new shareholders and the general public was around of $1,566 million (represented 1,619,700,751 shares Series A common stock. In addition, the Chairman of the board approved the assignment of another shares, this event contributed with $0.613 million (represented by 634,273,267 shares Series A common stock). In connection with the terms of the Plan Maxcom offered to holder of its Step-Up Senior Notes equity subscription rights, pursuant to which such holders exchanged US$2.1 million aggregate principal amount of the Step-Up Senior Notes for 22,655,679 newly issued shares of its Series A common stock (in the form of CPOs and ADRs). The exchanged Step-Up Senior Notes were cancelled.

The capital increase of 2,276,629,697 Series "A" shares mentioned above was subscribed and paid as follows:

- 1,619,700,751 Series "A" Shares on October 2013.
- 634,273,267 Series "A" Shares during November 2013.
- 22,655,679 Series "A" Shares on December 9, 2013.

As of December 31, 2014 and 2013 the shares fully paid and subscribed representative of the Company's capital stock are nominative, with no par value and were comprised as shown below:

	December 31, 2012	Stock option Plan shares from January to September 2013 (Note 21)	October 2013	November 2013	December 2013	December 31, 2013
Series "A" Class I (fixed portion)	$ 1,528,827	$ -	$ -	$ -	$ -	$ 1,528,827
Series "A" Class II (variable portion)	788,290,002	19,921,098	1,619,700,751	634,273,267	22,655,679	3,084,840,797
Subtotal	789,818,829	19,921,098	1,619,700,751	634,273,267	22,655,679	3,086,369,624
Total authorized shares	25,800,000	(19,921,098)	1,686,961,230	(634,273,267)	(22,655,679)	1,035,911,186 (*)
Total authorized shares Series "A"	815,618,829	-	3,306,661,981	-	-	4,122,280,810
Capital stock	$ 4,814,428	$ 15,076	$ 1,583,603	$ 593,626	$ 21,900	$ 7,028,633

Series and type of shares

	December 31, 2013	Shares from The Capital Increase February 2013	Other	December 31, 2014
Series "A" Class I (fixed portion)	$ 1,528,827	$ -	$ -	$ 1,528,827
Series "A" Class II (variable portion)	3,084,840,797	51,722,031		3,136,562,828
Subtotal	3,086,369,624	51,722,031		3,138,091,655
Total authorized shares	1,035,911,186			1,035,911,186(*)
Total authorized shares Series "A"	4,122,280,810	51,722,031		4,174,002,841
Capital stock	$ 7,028,633	$ 50,860(1)	$ 3,411(2)	$ 7,082,904

(1) Shares subscribed in 2013 and paid in 2014.
(2) Payment to Banorte-Ixe in 2014.
(*) Held in treasury, 210,000,000 corresponds to the stock option plan.

At the moment of the new recapitalization process, the Company cancelled the authorized outstanding treasury shares for about 5,878,901 shares. All the options in the money related to the employee programs and to the officers and directors programs were exercised before the cancellation.

Regarding the capital increase approved by the General Ordinary Stockholders' Meeting held on October 2, 2013, and January 2014, the President of the Stockholders' Meeting authorized the issuance of 51,722,031 Series "A" shares at a subscription price of $0.983333 per share representing a total of $50,860, the settelement of this increase was made in 2014.

In the event of a reduction to the capital stock or to the share subscription premium any surplus of the amount reimbursed over the balances of the accounts of contributed capital, a tax equivalent to 30% shall be incurred, when paid in the future. The tax incurred shall be paid by the Company and may be credited against the Income Tax for the fiscal year, or the Income Tax for the two immediately following fiscal years.

Stockholders restrictions -

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock.

In October 2013 the Chamber of Senators and Representatives approved the issuance of a new Law on Income Tax (Income Tax Law) which came into force on January 1, 2014. Among other things, this Act sets a tax of 10% by the profits generated as of 2014 to dividends paid to foreign residents and Mexican individuals, it also states that for the years 2001-2013, the net taxable profit is determined in terms of the Income Tax Law in force in the fiscal year concerned.

Dividends paid are not subject to income tax if paid from the net tax profit account (CUFIN by its Spanish acronym) and, will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested net tax profit account. Any dividends paid in excess of this account will cause a tax equivalent to 42.869%if they are paid on 2014. The current tax is payable by the Company and may be credited against its income tax in the same year or the following two years or in its case against the Flat tax of the period. Dividends paid coming from profits previously taxed by income tax are not subject to tax withholding or additional tax payment.

During periods of 2013 and 2012, the Company didn't distributed dividends.

In the event of a capital reduction, the provisions of the Income Tax Law arrange any excess of Stockholders' equity over capital contributions, is accounted with the same tax treatment as dividends.

As of December 31, 2014 and 2013, the balances of the stockholders' equity tax account (CUCA by its Spanish acronym) were $11,077,938 and $6,415,705, respectively.

Note 21 – Stock based compensation:

On April 20, 2012, by means of resolutions adopted at our General Extraordinary and Ordinary Shareholders Meetings, our shareholders ratified a new executive incentive plan and the compensation or emoluments awarded to directors and members of our different committees and approved a capital increase through the issuance of 25,800,000 Series A shares to be held in treasury. The plan was composed of part cash payment and other part of stock options. As of December 31, 2013, directors, officers and employees have exercised 20,926,698 Series A Shares. As of September 30, all in the money options were excerciced. No additional options were granted after this date, all the available options not granted were canceled after the restructuring process.

On September, 2011, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders ratified the Executive Incentive Program. In this case a portion of the payments is awarded through shares, as described below:

On January, 2010, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders compensation awarded to the Directors and Committee members of the Company's different committees. In this case a portion of the payments is awarded through shares, as described below:

- Compensation for Directors and Committee members.

a. Directors and Committee members will receive each year options to purchase up to $120 in the form of CPOs, with the exception of the Chairman of the Board who will receive each year options to purchase up to $240 in the form of CPOs.

b. The Chairman of the Board will receive each year options to purchase up to $180 in the form of CPOs.

The fair value of options for services rendered was determined using a binomial valuation model applying the Black & Scholes method.

The cost for the years ended December 31, 2013 was of $1,812. The compensation cost of the stock option for Directors and options for executives are recognized in shorter periods, because it corresponds to the payment of emoluments and performance bonds and its "fair value" is 0.12 dollars.

The breakdown of the options granted and their vesting periods for the year ended December 31, 2013 are described below:

	December 31, 2013	
	New option plans for	Option plans for Directors

	employees	and Executives	Total
Options granted past years	$ 16,044,015	$ 6,792,963	$ 22,836,978
Granted during the year	-	962,400	962,400
Options exercised in year	(15,122,265)	(4,798,833)	(19,921,098)
Options cancelled	(921,750)	(2,956,530)	(3,878,280)
Total options granted	$ -	$ -	$ -

As of December 31, 2013 changes in additional paid-in capital were as follows:

	December 31, 2013
Stock option plan cost	$1,812

This plan was canceled by the Company's management in October 2013.

During 2014 11,000,000 CPOs were granted under a new scheme of stock options plan for executives, for which the issuance of 210,000,000 Series "A" Class II shares (70,000,000 CPOs) was approved since October 2, 2013.

The objective of the new stock options plan, which may be granted to those Company's executives whose responsibilities, performance and results are considered key by the Corporate Practices Committee, is the allingment of interest, in order to promote the Company's profitability.

To determine the fair value, Black & Scholes model was used, this model is widely known in finance for options valuation (in this case CPOs), feeding with available market data at the valuation date for optimal calculations.

The assumptions to determine fair value of the stock options plan are: rotation and mortality.

During 2014, the Company recognized an expense of $2,543, corresponding to share-based compensation payments against capital. The weighted average exercise price of the plans is $2.90 per share.

Note 22 – Costs and expenses by nature:

	2014	2013
Network operating cost:		
Interconnection	$ 1,153,157	$ 936,198
Circuit leases	40,787	38,263
Voice	21,847	22,139
	1,215,791	996,600
Depreciation and amortization	356,832	558,201
Mantenaince	69,684	48,981
Site leases	47,308	36,923
Services – energy and water	35,262	43,880
Other	13,722	13,158
Disconnection cost	2,446	3,597
Impairment (Nota 5h(ii))	(69,567)	560,132
	$ 1,671,478	$ 2,261,472

	2014	2013
Selling, general and administrative expenses:		
Wages and salaries	$ 539,521	$ 500,034
Allowance for doubtful accounts	81,556	129,301
Leases	44,299	39,790
Services – Energy and water	27,591	27,972
Other	46,196	93,246
Consulting services	34,183	83,704
Depreciation and amortization	11,036	15,732
Impairment (nota 5h(ii))		18,125
	$ 784,382	$ 907,904
Other expenses:		
Loss in disposal of telephone network systems and equipment	$ 45,784	$ 277,479
Labor contingencies	26,945	12,363
Other	35,302	(6,539)
Legal contingencies	23,719	44,715
Staff restructuring charges	637	
Debt restructuring charges (Note 3)	9,301	212,017
	$ 141,688	$ 540,035

Note 23 – Finance costs:

	2014	2013
Interest expense:		
- Step-up senior notes (Note 15)	($140,860)	($ 6,200)
- Foreign Exchange losses	(234,255)	(46,570)
- Other interest	(16,439)	(9,603)
- Finance cost	(65,081)	-
- Senior notes (Note 15)	-	(197,383)
- Finance lease liabilities	-	(1,151)
- Loss on valuation of financial instruments (Note 16)	-	(9,341)
Total finance costs	($456,635)	($270,248)
Less: amounts capitalized on qualifyin assets (Note 11)	-	-
Finance cost net	(456,635)	(270,248)
Interest income:		
- Interest income on short-term bank deposits	46,619	18,340
- Gain on extinguishment debt	-	248,515
Finance income	46,619	266,855
Net finance costs	($410,016)	($ 3,393)

Note 24 - Earnings per share:

a. Basic:

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

	2014	2013
Net loss and comprehensive loss for the year	($ 269,259)	($1,260,374)
Weighted average basic shares (thousands)	3,133,390	1,127,528
Loss and comprehensive loss per share:		
Basic loss per common share (pesos)	(0.09)	(1.12)

b. Diluted:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As of December 31, 2013 the company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. Given the modifications described in Note 20, in 2014 the Company only has ordinary shares.

	2014	2013
Net loss and comprehensive loss for the year	($ 269,259)	($1,260,374)
Weigted average diluted shares (thousands)	3,133,390	1,127,528
Loss and comprehensive loss per share:		
Diluted loss per share (pesos)	(0.09)	(1.12)

Note 25 - Commitments and contingencies:

As of December 2014, the Company has the following commitments:

Commitments:

a. Operating lease agreements:

The Company maintains operating leases on buildings, sites, poles and office equipment. The Company recorded leasing expenses of $65,135 and $54,097 for the years ended December 2014 and 2013, respectively. In the case of leases of some sites the contracts are agreed in dollars, the remainder are agreed in pesos.

The schedule for estimated future minimum operating lease payments is as follows:

2015	$ 57,271
2016	39,440
2017	27,209
2018	20,275

b. Lease agreement for the building currently housing the Company's corporate offices.

On January 1, 2013, the Company renewed its corporate lease agreement with maturity date on December 31, 2017. The surface leased is 7,586 square meters. The Company recorded a lease expense of $40,243 and $33,685 for the years ended December 31, 2014, and 2013, respectively. These contracts were set in dollars.

The schedule for estimated future minimum lease agreement is as follows:

2015	$ 42,016
2016	43,868
2017	45,801
2018	47,819

c. Geographic expansion commitment:

Existing concessions establish obligations to install and operate the network and achieve certain coverage levels.

As of December 31, 2014 and 2013 no notifications regarding non-compliance were received.

d. Commitment related to frequency rights:

As of December 31, 2014 y 2013 the Company complied with its obligation to submit to the Instituto Federal de Telecomunicaciones (IFT) the renewal of the surety bonds for the corresponding years, as per the commitments and obligations set forth in the concessions.

e. Commitment pertaining to the sale of capacity:

ix. In October 2003, the Company signed a contract for the sale of fiber optic capacity with Axtel, SA de C.V. in the amount of $36 million, of which $13.5 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $22.5 million as deferred income generated by the outstanding services provided. The amortization began in January 2004 when the carrier started to use the service; the term of this contract is 13 years. As of December 31, 2014 and 2013 deferred revenue amounted to $3.5 and $5.2 million respectively.

x. In December 2008, the Company signed a contract for the sale of fiber optic capacity with Megacable in the amount of $36.2 million, of which $10.5 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $25.6 million as deferred income generated by the outstanding services provided. The amortization began in April 2009 when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2014 and 2013 deferred revenue amounted to $10.9 and $13.5 million respectively.

xi. In September 2009, the Company signed a contract for the sale of fiber optic capacity with Cablevision in the amount of $8.6 million, of which $ 2.3 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $ 6.3 million as deferred income generated by the outstanding services provided. The amortization began in November 2009 when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2014 and 2013 deferred revenue amounted to $3.02 and $3.7 million respectively. In September the revenues to be deferred are applied by $3.02, by having an early termination contract.

xii. In September 2013, the Company signed a contract for the sale of fiber optic capacity with Grupo de Telecomunicaciones Mexicanas in the amount of $24.9 million, of which $7.9 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $17 million as deferred income generated by the outstanding services provided. The amortization began in November 2013, when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2014 and 2013 deferred revenue amounted to $15.05 and $16.8 million respectively.

xiii. In October 2013, the Company signed a contract for the sale of fiber optic capacity with Cablevision in the amount of $11.8 million, of which $7.3 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $4.5 million as deferred income generated by the outstanding services provided. The amortization began in November 2013 when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2014 and 2013, deferred revenue amounted to $3.96 and $4.4 million.

xiv. In January 2007, the Company signed a contract for the sale of fiber optic capacity with Grupo de Telecomunicaciones Mexicanas in the amount of $1.8 million, of which $0.781 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $4.5 million as deferred income generated by the outstanding services provided. The amortization began in January 2013, when the carrier started to use the service; the term of this contract is 10 years. As of December 31, 2014 and 2013 deferred revenue amounted to $0.2 and $0.3 million respectively.

xv. In January 2014, the Company signed a contract for the use of a point-to-multi point link in the range of 23 GHz with Pegaso PCS in the amount of $119.4 million, of which $40 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $79.4 million as deferred income generated by the outstanding services provided. The amortization began in January 2014, when the carrier started to use the service; the term of this contract is 4.5 years. As of December 31, 2014 and 2013 deferred revenue amounted to $17.6 and $0 million respectively.

xvi. In January 2007, the Company signed a contract for the sale of fiber optic capacity with Operadora Cable de Occidente in the amount of $2.1 million, and $2.1 million as deferred income generated by the outstanding services provided. The amortization began in January 2007; the term of this contract is 10 years. As of December 31, 2014 and 2013 deferred revenue amounted to $0.4 and $635 million respectively.

					Deferred revenue as of December 31,	
Carrier		Amount of sales agreement	Prepaid charge	Revenue to been defer	2014	2013
i.	Axtel, S.A. de C.V.	36.0	13.5	22.5	3.5	5.2
ii.	Megacable	36.2	10.6	25.6	10.9	13.5
ii.	Cablevision	8.6	2.4	6.3	-	3.7
iv.	Grupo de Telecomunicaciones Mexicanas	25.0	7.9	17.0	15.0	16.8
v.	Cablevision	11.8	7.4	4.5	4.0	4.4
vi.	Mexico Red de Telecomunicaciones	1.8	0.8	1.0	0.2	0.3
vii.	Pegaso PCS	119.5	40.0	79.5	61.8	-
viii.	Operadora Cable de Occidente	2.1	-	2.1	0.4	0.6
	Total	24.1	82.6	158.5	95.8	44.5

Contingencies:

As of December 31, 2014 and 2013 the Company has the following contingencies:

l. The Company is involved in a number of lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position and results of operations.

m. In accordance with Mexican tax law, the tax authorities are entitled to examine transactions carried out during the five years prior to the most recent income tax return filed.

n. In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

o. Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

p. The tax authorities are conducting a direct examination of certain Company operations. As of December 31, 2014 and 2013 this examination is still in progress. Management of the Company and their legal counsel do not anticipate that this examination will result in significant additional assessments.

q. The company is involved in some legal claims out of the normal course of business. As of December 31, 2013 a provision was recognized in the amount $44,715 and includes: a) commercial claim with the vendor Telred, S.A., and b) professional fees already provided with some law firms related to tax, labor and public telephony matters. As of December 31, 2014 this case was closed.

Note 26 - Subsequent events:

As of January 1, 2015 according with the Ley Federal de Telecomunicaciones y Radiodifusión, the obligations to remove fees for national long distance calls begin.

Note 27 - New accounting principles:

New and revised IFRS affecting amounts reported and/or disclosures in the financial statements

There were no modifications to IFRS that are effective for periods beginning on January 1, 2014 that would have a significant effect on the Company's financial statements.

Non-effective issued IFRs for periods beginning on January 1, 2014, but effective for future periods, not implemented earlier.

IFRS 9, Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The Company's management anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

It has been determined that IFRS 9 is not expected to materially affect the financial information provided by the Company.

IFRS 15 "Income from client contracts"

IFRS 15 is a converged standard on income recognition. Replaces IAS 11 "Construction Constracts", IAS 18 "Income" and related interpretations.

Income is reconized when a client obtains control of a good or service. A client obtains control when he has the ability to direct the use and obtain benefits of the good or service.

The basic principle of IFRS 15 is that an entity recognizes income to represent the transfer of promised goods or services to the clients in an amount that reflects the consideration that the entity expects to obtain in exchange for those goods or services. An entity recognizes income in accordance with the basic principle applying the following steps:

Step 1: Identify contract(s) with the client.
Step 2: Identify the separable performance obligations in the contract.
Step 3: Determine transaction price.
Step 4: Distribute transaction price among each performance obligations in the separable contract.
Step 5: Recognize income when the entity satisfies the performance obligation.

IFRS 15 includes an extensive set of disclosure requirements which will result in an entity that provides more information on nature, amount, timing and uncertainty of income and cash flows deriving from client contracts of the entity.

The Company is evaluating IFRS 15's probable impact on the financial statements provided.

Mr. Enrique Ibarra	Mr. Armando Rivero
CEO	VP of Administration, Finance & Legal

MAXCOM TELECOMUNICACIONES, S. A. B. DE C. V.
AND SUBSIDIARIES

Consolidated Financial Statements

As of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Maxcom Telecomunicaciones, S. A. B. de C. V.

In our opinion, the accompanying consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Maxcom Telecomunicaciones, S. A. B. de C. V. and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for the year ended December 31, 2013 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers, S. C.

/s/ C.P.C. José Antonio Quesada Palacios
Audit Partner
México City, México
May 14, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Maxcom Telecomunicaciones, S. A. B. de C. V.:

We have audited the accompanying consolidated statements of financial position of Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries (the 'Company') as of December 31, 2012, and the related consolidated statements of loss and comprehensive loss, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG Cardenas Dosal, S. C.

/s/ Luis A. Carrero Roman
Mexico City, Mexico
May 15, 2013

Consolidated Statements of Financial Position
December 31, 2013 and 2012

(In thousands of Mexican pesos)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents (Note 8)	$ 1,953,692	$ 146,516
Derivative financial instruments (Note 18)	-	16,385
Accounts receivable - net (Note 9)	633,179	614,674
Value added tax recoverable	50,911	14,598
Other sundry debtors	119,077	107,845
Inventories	16,697	17,512
Prepaid expenses	7,395	16,047
Total current assets	2,780,951	933,577
Non-current assets:		
Telecommunication network systems and equipment - net (Note 11)	2,836,371	3,854,575
Investment property - net	35,690	37,671
Intangible assets - net (Note 12)	84,098	136,326
Deferred income tax (Note 10)	8,794	9,793
Derivative financial instruments (Note 18)		15,756
Other assets	10,709	9,920
Total non-current assets	2,975,662	4,064,041
Total assets	$ 5,756,613	$ 4,997,618
Liabilities and Stockholders' Equity		
Current liabilities:		
Current step-up senior notes and senior notes (Note 15)	$ 6,200	$ 11,920
Accounts payable	266,793	406,532
Current installments of obligations under finance leases	4,171	5,488
Current other accounts payable	81,222	39,062
Customer deposits	2,400	2,152
Other taxes payable	50,200	22,412
Current provisions (Note 13)	60,436	-
Total current liabilities	471,422	487,566
Non-current liabilities:		
Non-current step-up senior notes and senior notes (Note 15)	1,909,139	2,282,774
Installments of obligations under finance leases	4,177	5,173
Non-current other accounts payable	37,034	23,246
Labor obligations upon retirement (Note 19)	4,378	4,198
Other non-current liabilities (Note 16)	149,054	25,532
Non-current provisions (Note 13)	16,164	3,801
Total non-current liabilities	2,119,946	2,344,725
Total liabilities	2,591,368	2,832,291
Stockholders' equity (Notes 20 and 21):		
Capital stock	7,028,634	4,814,428
Additional paid-in capital	40,033	3,592
Accumulated losses	(3,903,422)	(2,652,693)
Total stockholders' equity	3,165,245	2,165,327
Total liabilities and stockholders' equity	$ 5,756,613	$ 4,997,618

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

Consolidated Statements of Comprehensive Income
December 31, 2013, 2012 and 2011

(In thousands of Mexican pesos, except share data)

	2013	2012	2011
Revenue - net (Note 7)	$ 2,504,968	$ 2,201,252	$ 2,375,941
Operating costs and expenses:			
Network operating costs (Note 22)	2,289,060	1,371,354	1,418,852
Selling, general and administrative expenses (Note 22)	907,904	716,908	815,604
Other expenses (Note 22)	540,035	177,178	131,890
Total operating costs and expenses	3,736,999	2,265,440	2,366,346
Operating loss	(1,232,031)	(64,188)	9,595
Finance cost net (Note 23)	(270,248)	(379,891)	(540,370)
Finance income net (Note 23)	266,855	323,551	2,748
Finance cost-net (Note 23)	(3,393)	(56,340)	(537,622)
Loss before income tax	(1,235,424)	(120,528)	(528,027)
Income tax expense (benefit) (Note 10)	15,305	15,560	(14,890)
Net loss for the year	(1,250,729)	(136,088)	(513,137)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	$ (1,250,729)	$ (136,088)	$ (513,137)
Loss and comprehensive loss per share (Note 24):			
Basic loss per common share (pesos)	(1.11)	(0.17)	(0.65)
Diluted loss per common share (pesos)	(1.11)	(0.17)	(0.63)
Weighted average basic shares (thousands)	1,127,528	789,819	789,819
Weighted average diluted shares (thousands)	1,127,528	799,013	812,882

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

Consolidated Statements of Changes in Stockholders' Equity
December 31, 2013 and 2012

(In thousands of Mexican pesos)

	Capital stock	Additional paid-in capital	Accumulated losses	Repurchase of shares	Total stockholders' equity
Balances as of January 1, 2011	$ 4,814,428	$ 813,135	$ (2,820,522)	$ (1,062)	$ 2,805,979
Stock option plan (Note 21)	-	3,919	-		3,919
Repurchase of shares				1,062	1,062
Total comprehensive loss for the year	-	-	(513,137)		(513,137)
Balances as of December 31, 2011	4,814,428	817,054	(3,333,659)	-	2,297,823
Reclassification of additional paid-in capital (Note 20)	-	(817,054)	817,054		-
Stock option plan (Note 21)	-	3,592	-		3,592
Total comprehensive loss for the year	-	-	(136,088)		(136,088)
Balances as of December 31, 2012	4,814,428	3,592	(2,652,693)	-	2,165,327
Increase in capital stock (Note 20)	2,214,206	-	-	-	2,214,206
Equity subscription rights		34,629			34,629
Stock option plan (Note 21)	-	1,812	-		1,812
Total comprehensive loss for the year	-	-	(1,250,729)	-	(1,250,729)
Balances as of December 31, 2013	$ 7,028,634	$ 40,033	$ (3,903,422)	$	$ 3,165,245

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

Consolidated Statements of Cash Flows
December 31, 2013, 2012 and 2011

(In thousands of Mexican pesos)

	2013	2012	2011
Cash flow from operating activities			
Loss before income taxes	$ (1,235,424)	$ (120,528)	$ (528,027)
Adjustments for:			
Depreciation and amortization	601,521	576,565	668,655
Loss on disposal of telecommunications network systems and equipment and intangible assets	277,479	59,625	72,477
Foreign exchange (gain) loss not realized	(88,903)	(207,596)	319,573
Gain on repurchase of senior notes	-	(97,845)	-
Gain on extinguishment debt	(248,515)		
Interest expense	214,336	300,941	297,497
Derivative financial instruments	9,341	49,500	(95,174)
Cost of stock option plan	1,812	3,592	3,919
Labor obligations upon retirement	180	1,713	794
Other non-cash	72,799	-	-
Impairment	578,257	-	-
Impairment of accounts receivables	129,301	65,824	153,888
Subtotal	312,184	631,791	893,602
Changes in working capital:			
Accounts receivable	(175,785)	(44,387)	(106,021)
Value added tax recoverable	(36,313)	38,886	77,911
Other sundry debtors	16,747	(26,539)	21,483
Inventory	815	(8,488)	14,814
Prepaid expenses	8,652	9,062	13,419
Accounts payable	(149,342)	190,759	(130,521)
Customer deposits	248	101	(107)
Other taxes payable	35,737	(8,627)	(19,501)
Income taxes paid	(22,255)	(2,452)	1,667
Other accounts payable	179,469	(8,680)	(8,724)
Other liabilities	(789)	988	(6,006)
Net cash generated from operating activities	169,368	772,414	752,016
Cash flows from investing activities			
Capital expenditures	(386,524)	(583,390)	(419,630)
Proceeds from sale of telecommunications network systems and equipment	1,680	2,354	2,395
Net cash used in investing activities	(384,844)	(581,096)	(417,418)
Cash flows from financing activities			
Increase in capital stock	2,192,306	-	-
Interest paid	(164,804)	(260,625)	(295,830)
Derivative financial Instrument	22,800		
Repurchase of senior notes	(27,270)	(182,302)	(20,979)
Proceeds from finance lease (finance lease payments)	(3,464)	1,545	2,505
Repurchase of shares	-	-	1,062
Net cash used in financing activities	2,019,568	(441,382)	(313,242)
Net increase (decrease) in cash and equivalents	1,804,092	(248,376)	15,998

Cash and cash equivalents exchange loss (gain)	3,084	(1,688)	5,358
Cash and cash equivalents:			
At beginning of year	146,516	396,580	375,224
At end of year	$ 1,953,692	$ 146,516	$ 396,580

The accompanying notes are an integral part of these consolidated financial statements.Non-cash transactions: The main non-cash transactions in 2013 included the acquisition of assets under lease agreements (Note 11) and the conversion of debt into equity (Note 15). The principal non-cash transactions in 2012 and 2011 included the acquisition of assets under lease agreements (Note 11).

(In thousands of Mexican pesos, except exchange rates and loss per share)

Note 1 - Entity incorporation:

Maxcom Telecomunicaciones, S. A. B. de C. V. and Subsidiaries ("Maxcom", the "Company" or the "Group"), is a Mexican Limited Liability Public stock Corporation with variable capital incorporated on February 28, 1996. The Company is engaged in the construction and operation of a telecommunications network, voice over IP, local, national and international long-distance telephone services, public telephone, data transfer services, internet, pay TV, virtual private network services and other value-added services, within Mexico. The Company also provides mobile telephone services as a virtual mobile network operator. The Company began its commercial operations in May 1999.

Pursuant to the resolutions adopted by the stockholders at the General Extraordinary and Ordinary Shareholders Meetings held on September 13, 2007, and by virtue of the public offering of shares carried out by the Company in Mexico and abroad, Maxcom was denominated as a publicly listed stock company with variable capital ("sociedad anónima bursátil de capital variable" or "S. A. B. de C. V."). The shares of the Company are listed and traded in the form of "Certificados de Participación Ordinarios" or "CPO´s" on the Mexican Stock Exchange or "BMV" and in the form of "American Depositary Shares" or "ADS", on the "New York Stock Exchange" or "NYSE". The Company is subject to the applicable provisions of the Business Corporations Law and to the stock exchange regulations under the Stock Exchange Laws in Mexico and the United States of America, as well as the supervision of the National Banking and Securities Commission in Mexico ("Comisión Nacional Bancaria y de Valores" or "CNBV") and the U. S. Securities and Exchange Commission in the United States of America ("SEC"). Upon the terms of such resolutions, the by-laws of the Company were amended in their entirety to conform them to the Stock Exchange Act ("Ley del Mercado de Valores") and ancillary regulations.

Maxcom is domiciled in Guillermo González Camarena St. # 2000, C.P. 01210, México, D.F.

Note 2 - Significant Events:

Recapitalization and debt restructuring

The Company experienced recurring losses, declines in revenues, cash flows, and cash balances and its ability to fulfill its debt obligations that mature in 2014 raised substantial doubt of its ability to continue as a going concern.

On December 4, 2012, Maxcom entered into a recapitalization agreement pursuant to which it would conduct an exchange offer for its outstanding senior notes (the "Debt Exchange Offer") and concurrently Ventura Capital Privado, S.A. de C.V. ("Ventura") would conduct a tender offer for Maxcom's outstanding equity securities (the "Tender Offer") and make a capital contribution to Maxcom (the "Capital Contribution"). The Tender Offer and Capital Contribution were conditioned on, among other things, the success of the Debt Exchange Offer. The Debt Exchange Offer was extended three times and expired on April 24, 2013 without the conditions to the offer having been satisfied and, as a result, Maxcom did not receive the Capital Contribution.

The Company made three unsuccessful attempts of tender offer to restructure change in ownership and recapitalization.

On July 23, 2013, Maxcom filed for a voluntary prepackaged Chapter 11 case in the U.S. Bankruptcy Court for the District of Delaware to implement a recapitalization plan and debt restructuring. Through the recapitalization plan, Ventura agreed to purchase the equity interest to the former holders and fund new capital to Maxcom through an equity tender offer and a capital contribution.

On September 10, 2013 the Company received the confirmation of the plan of reorganization and debt restructuring under section 1129 of the bankruptcy code.

On October 4, 2013, Ventura contributed $653 million in cash and purchased the outstanding equity interest of Bank of America. As of that date, Ventura owned 69.9% equity shares in Maxcom.

On October 11, 2013 the Company's, prepackaged Chapter 11 plan of reorganization became effective and Maxcom emerged from Chapter 11, 79 days after voluntarily filing for bankruptcy protection.

The Company incurred expenses for an amount of $212,017 recognized in the statement of comprehensive income.

Telecom Reform

Effective June 12, 2013 the Mexican Congress enacted an amendment to the Mexican Constitution in connection with the telecommunications and broadcasting (radio and television) industries. This amendment to the Mexican Constitution (articles 6, 7, 27, 28, 73, 78, 94 and 105) is aiming to strengthen competition and providing the telecommunications authorities, the new Federal Telecommunications Institute or IFT, with broader capacities to regulate the telecommunication and broadcasting industries.

The enacted bill provides for a number of measures that include eliminating the limit on foreign investment in the telecommunications industry (including satellite operations), raising the limit on foreign investment in the broadcasting industry to 49%.

Additionally, the enacted bill provides for the issuing of two new broadcasting licenses to be awarded by public auction.

"Must carry" and "must offer" obligations for television companies were also included in the new bill.

Note 3 - Concessions, frequency rights and interconnection agreements:

Concessions:

On December 20, 1996, Maxcom were awarded with a local and long-distance telephony concession. On February 3, 1997, the Mexican Ministry of Communications and Transportation ("Secretaría de Comunicaciones y Transportes" or "SCT") awarded the Company a concession to install and operate a public telecommunications network in Mexico (the "concession"). This concession is not exclusive. The initial term of the concession is 30 years and includes certain renewal rights. Subsequently, on December 7, 1999, September 27, 2001 and December 2, 2004, the Company received amendments to the initial terms and conditions of the concession.

The concession grants the Company the right to provide local, national and international long-distance telephone services, data transfer services and other value-added services in any part of the Republic of Mexico and, under the last amendment dated December 2, 2004, certain obligations were set forth for the Company, as described in Note 21c.

On August 4, 2006, the SCT granted Maxcom a concession to provide cable television services and audio in the city of Puebla. Shortly thereafter, the SCT issued the Convergence Regulations, under which different types of telecommunications service providers are authorized to provide certain services in addition to those included under the original concessions.

On January 17, 2007, the Mexican Federal Telecommunications Commission ("Comisión Federal de Telecomunicaciones" or "COFETEL") authorized Maxcom to provide mobile virtual network operator ("MVNO") services, based on its 1996 concession. This authorization allows Maxcom to provide mobile telephone services throughout Mexico using its own brand, acquiring capacity from other concessionaires of this service in Mexico. As a result of this authorization, Maxcom is the first, and thus far, the only telecommunications concessionaire to offer quadruple-play services (voice, video, data and cellular) on an extensive basis under its own brand name. The terms of the cable television and restricted radio concession and the MVNO authorization match the thirty-year term (expiring in 2026) of the concession granted in 1996 and impose no further obligations, including minimum coverage or investment additional commitments.

Frequency rights:

On October 3, 1997, the Mexican Federal Government through the SCT granted the Company ten frequency right concessions (the "frequency rights") to use and exploit different bands of the radio-electric spectrum and to establish point-to-point and point-to-multi-point microwave links; seven are nationwide point-to-point and three are regional point-to multipoint microwave concessions. The frequency rights became effective on February 28, 1998, and shall remain in effect until 2018, see Note 12.

In accordance with the terms of these frequency rights concessions, the Company must provide to the SCT a guarantee on its operations in the form of a surety bond and renew it every year, see Note 21d.

Convergence agreement:

On October 2, 2006, the Mexican Federal Government, through the SCT, issued a non-binding agreement for the rendering of services in convergence, which is known as "Agreement of Convergence of Fixed Services of Local Telephone and Restricted Audio and/or Television that are provided through Wired and Wireless Public Networks" ("Convergence Agreement").

The convergence agreement allows certain concessionaires of services of telecommunications to provide other services not included in the original concessions that were granted to them. The suppliers of cable television will now be able to provide the service of internet and telephone. Also the telephone operators, like Maxcom, will now be able to provide restricted services of audio and/or video. On October 13, 2006, Maxcom notified the SCT its compliance and voluntary adhesion to the Convergence Agreement and, therefore, the SCT authorized to provide the restricted services of audio and video besides to the previously authorized as a part of the original concessions of the public telecommunications network.

Interconnection agreements:

On January 22, 1999, the Company entered into a contract to provide local interconnection services (the "local interconnection agreement") with Teléfonos de México, S. A. B. de C. V. ("Telmex"), whereby the parties agree to render interconnection services to finish local traffic in the other party's network.

Likewise, the Company subscribed an interconnection agreement to handle Maxcom's long distance traffic towards Telmex's local network and Telmex's long distance traffic towards Maxcom's local network.

The Company has negotiated the signing of various amending agreements to the local interconnection agreement with Telmex, to extend the original term of the local interconnection contract, irrespective of the fact that the contract provides that the interconnection between the two companies is carried out based on the clause of "continuous application". This clause sets forth that upon termination of the first period, the original terms and conditions of the contract will continue in full force and effect until the parties sign a new contract to continue interconnecting their networks. This contract has had yearly updates up until now.

During 2003 and 2002, the Company entered into various interconnection agreements with other local and long distance carriers and mobile phone companies, as well as agreements which allow the Company to render public telephone services through the capacity acquired from mobile networks.

Note 4 - Basis of preparation:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB"). IFRSs comprises: i) International Financial Reporting Standards ("IFRS"); ii) International Accounting Standards ("IAS"); IFRS Interpretations Committee ("IFRIC") Interpretations; and iv) Standards Interpretations Committee ("SIC") Interpretations.

As required by regulations issued by the Mexican Banking and Securities Commission ("Comisión Nacional Bancaria y de Valores") for listed companies in Mexico, beginning on January 1, 2012, the Group discontinued using Mexican Financial Reporting Standards ("Mexican FRS") as issued by the Mexican Financial Reporting Standards Board ("Consejo Mexicano de Normas de Información Financiera" or "CINIF") and began using IFRS.

In accordance with the General Corporation Law and the Company's bylaws, the stockholders are empowered to authorized modify the consolidated financial statements after issuance.

The accompanying consolidated financial statements were authorized for issuance on April 30, 2014, by Mr. Enrique Ibarra Anaya, Maxcom's Chief Executive Officer, and consequently do not reflect events after this date.

(a) Basis of measurement:

The consolidated financial statements have been prepared on the historical convention, as modified by the revaluation of derivative financial instruments that are measured at fair value through profit or loss at the end of each reporting period.

(b) Functional and presentation currency:

These consolidated financial statements are presented in Mexican pesos, which is the Company's functional currency. All financial information presented in Mexican pesos has been rounded to the nearest thousands, except when otherwise indicated.

(c) Use of estimates and judgments:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those that will apply to the first annual IFRS financial statements.

i. Judgments:

The key judgments made in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

<u>Concession and frequency rights renewal</u>:

Under Mexican Law, Maxcom is subject to renewal of their concession and frequency rights, according to the requirements established by the SCT. The continuity of the business is subject to the renewal of the concession and frequency rights. The expiration dates are as follows:

Concession / Frequency rights	Expiration date
Public telecommunications network in Mexico	2027
Cable television and restricted radio	2026
Frequency rights	2018

Installation cost:

The Company amortize the installation cost over the period in which the service is provided. Once the customer terminates the service, the Company does not consider any additional value related to the installation cost. The Company perform impairment reviews related to determine the average customer life and came to the conclusion that is five years (Note 11).

ii. Use of estimates:

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the future are as follows:

<u>Derivative financial instruments</u>:

The fair value of derivative financial instruments that are not traded in an active market (over-the-counter derivatives) is determined by using valuation techniques.

The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

<u>Useful lives</u>:

As described in Notes 5(e) and (f) below, the Company reviews its depreciation and amortization methods and estimates of useful lives and residual values of long-lived assets (including telephone network systems and equipment and intangibles and frequency rights) each annual reporting date and adjusts them if appropriate.

On 2013, the Company change the useful life of the line installation cost for residential customer from twenty year to five years. This change was generated by the new telecom reform.

<u>Valuation of long-lived assets</u>:

For impairment testing, assets are grouped into cash generating units (CGU), i.e., the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets. Since the Company provides bundled services and the network and certain intangibles are common across many services, Management has determined that such assets should be tested for impairment at the level of the whole economic entity.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Key assumptions used in the calculation of recoverable amounts are the discount rate and the asset's residual values.

As of December 31, 2013, based on the Company's impairment testing, an additional impairment loss was recognized (see Note 11).

Impairment sensitivity analysis:

The Company test telecommunication network and equipment for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When any indicator of impairment is identified, an impairment test is performed based on each cash-generating unit (CGU). The CGUs identify by the Company are pay TV, public telephone (PT) and other services (OS). The carrying values of these CGUs are compared to their recoverable amount, which is the higher of value in use and fair value less costs to sell. On October, 2013, according to the business plan of the Company's new management, the CGUs pay TV and public telephone are not considered strategic, and recognized an impairment loss of $578,257 as of December 31, 2013.

The impairment analysis were performed with a discount rate of 11.71%. An increase in the discount rate to 15% or a decrease in the discount rate to 10% would not have a significant impact on the impairment analysis.

Utilization of tax losses:

The Company does not recognize a deferred tax asset arising from unused tax losses or tax credits due to the uncertainty the Company and its subsidiaries will have sufficient taxable temporary differences or convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized by the Company.

Allowance of doubtful accounts receivable:

The allowance for doubtful accounts represents the estimate of losses resulting from the failure or inability of our customers to make required payments. Determining the allowance for doubtful accounts receivable requires significant estimates. The Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions suggest changes from historical trends. Management considers the estimate to be sufficient to cover the potential risk of impairment; however, actual results may differ from the estimates resulting in a material adjustment to the carrying amounts of the accounts receivable within the next financial year.

Estimates related to revenues from installation services:

When the installation expenses are charged to our residential customers, the related revenues are recognized when installation is complete. No installation expenses are charged to our commercial clients and such costs are capitalized and amortized on a straight line basis for a period of 5 years. Installation costs capitalized are expensed once the relationship with the customer is terminated. In 2013, the company change the useful life of the line installation cost for residential customer from twenty year to five years. This change was generated by the new telecom reform with important changes in the infrastructure lease from the predominant agent. The 2013 impact for the change in the useful life was for Ps.57.1 million. Every change of 1 year in the useful life represent approximately Ps.12.7 million on annual basis (Note 11).

Note 5 - Significant accounting policies:

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of consolidation:

i. Subsidiaries:

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

ii. Transactions eliminated on consolidation:

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of Maxcom and its subsidiaries of which it controls and has almost 100% of the voting shares:

Subsidiary company	% 2013 and 2012	Activity
Asesores Telcoop, S. A. de C. V. (i) (iv)	99.9	Business advisory services
Celmax Móvil, S. A. de C. V. (i)	99.0	Telecommunication services
Corporativo en Telecomunicaciones, S. A. de C. V.	99.9	Technical personnel services
Fundación Maxcom, A. C. (i)	99.9	Non-for-profit foundation
Maxcom Servicios Administrativos, S. A. de C. V.	99.9	Administrative personnel services
Maxcom SF, S. A. de C. V. (iv)	99.9	Financial services
Maxcom TV, S. A. de C. V. (i)	99.9	Cable television services
Maxcom USA, Inc. (i)	100.0	International telecommunications services
Servicios MSF, S. A. de C. V. (iii)	99.9	Administrative personnel services
Outsourcing Operadora de Personal, S. A. de C. V. (iv)	99.9	Technical personnel services
Sierra Comunicaciones Globales, S. A. de C. V.	99.9	Infrastructure leasing
Sierra USA Communications, Inc. (ii)	100.0	International telecommunication services
TECBTC Estrategias de Promoción, S. A. de C. V. (iv)	99.9	Technical personnel services
Telereunión, S. A. de C. V. (ii)	99.9	Long distance and infrastructure leasing
Telscape de México, S. A. de C. V. (ii)	99.9	Real estate services

(i) These companies are in pre-operating stage.

(ii) These companies were formerly part of VAC Group (former owner statements of Telereunion Group), which together and hereinafter are referred to as “Grupo Telereunión”.

(iii) Subsidiary established in 2011.

(iv) Subsidiaries of Maxcom Servicios Administrativos, S. A. de C. V.

(b) Foreign currency transactions:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Foreign exchange gains and losses are presented in the statement of comprehensive income within finance cost, net.

(c) Financial instruments:

i. Financial assets:

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Cash and cash equivalents:

Cash and cash equivalents comprise cash balances, call deposits and overnight government instruments with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

ii. Financial liabilities:

Trade payables:

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

Borrowings:

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowing costs:

Specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Compound financial instruments:

Compound financial instruments issued by the Group comprise foreign-currency denominated convertible-notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. However, as these instruments are denominated in a currency different from the functional currency of Maxcom, they failed the “fixed for fixed” requirement and the whole instrument in classified as financial liability.

The liability component of the compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The embedded derivative liability component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs were allocated to the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The embedded derivative liability is subsequently measured at fair value through profit or loss, upon conversion or expiry when it is derecognized.

Borrowings and embedded derivative liability are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of tax from the proceeds.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for repurchase shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(e) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. When a derivative financial instrument is not designated in a qualifying hedge, all changes in its fair value are recognized immediately in profit or loss.

To mitigate exposure to Peso/U.S. Dollar foreign exchange fluctuation risks, the Company uses derivative financial instruments such as cross currency swaps.

For accounting purposes, these derivative instruments, although intended for hedging purposes from an economic perspective, have been designated as trading instruments as they do not comply with all the requirements to qualify for hedge accounting. Derivative gains or losses are shown in the statement of comprehensive income and statement of cash flows as either operating or financing items depending on the nature of the item being economically hedged. In particular, the interest rate and cross currency swaps are presented within the finance cost line and within financing activities, in the statement of comprehensive income and statement of cash flows, respectively.

(f) Inventories

Inventories consist of material used to install telephone lines and network build-out, and are measured at the lower of cost and net realizable value. Cost is determined using the average cost formula, and includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(g) Telecommunication network systems and equipment - Net

i. Recognition and measurement

Items of telecommunication network systems and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The Company constructs certain of its own network systems and related facilities. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of telecommunications network systems and equipment have different useful lives, they are accounted for as separate items (major components) of telecommunications network systems and equipment.

The gain or loss on disposal of an item of telecommunications network systems and equipment is determined by comparing the proceeds from disposal with the corresponding carrying amount, and is recognized net within other income/expenses in the statement of comprehensive income.

Maintenance and minor repair costs are charged to results as incurred; replacement and improvement costs are capitalized. The cost and related allowances of assets sold or retired are removed from the accounts, and any resulting profit or loss is reflected in the statement of results of operations, in other expenses.

All the installation cost is capitalized. Only when the installation expenses are charged to our residential customers, the Installation costs is expensed up to the amount charge. The useful life of the line installation cost for residential customer is five years because it is the average tenure of our customers. Installation costs capitalized are expensed once the relationship with the customer is terminated. No installation expenses are charged to our commercial clients and such costs are capitalized and amortized on a straight line basis for a period of 5 years.

ii. Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred, including the costs of the day-to-day servicing of systems and equipment.

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is calculated using the straight-line method to allocate the cost over the estimated useful lives of each component of an item of telecommunications network systems and equipment. Leased assets and leasehold improvements are depreciated at the lesser of its useful life or contract term. If it is reasonably certain that the Company will obtain ownership, the leased assets are depreciated over contract term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful life (years)
Telecommunications network and equipment	Between 23 and 24
Public telephone equipment	8
Leasehold improvements and outside plant	Between 2 and 20
Radio equipment	30
Line installation cost	5
Electronic equipment	25
Computer equipment	5
Transportation equipment	4
Office furniture	10
Other	10
Engineering equipment	10

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

An asset´s carrying amount is written down immediately to its recoverable amount if the asset´s carrying amount is greater than its estimated recoverable amount.

(h) Investment property

Investment property is land and a building which are owned and held to earn rental income under operating leases, and which is not occupied by the companies in the consolidated Group. Investment properties are stated in the balance sheet at their acquisition cost.

(i) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and impairment losses.

As previously mentioned (Note 3), the SCT awarded the Company, at no cost; a concession to install and operate a public telecommunications network for a 30-year period. The concession and the related grant were initially recognized at their nominal amount, therefore, they have no recorded value for financial reporting purposes and they are only disclosed in a note to these consolidated financial statements.

Frequency rights are recorded at their acquisition cost.

i. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in the statement of comprehensive income.

ii. Amortization

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Useful life (years)
Infrastructure rights	30 and 15
Software licenses	3.3
Frequency rights	20*

* Amortization of frequency rights is amortized over the term of the frequency rights.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(j) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the comprehensive income statement on a straight-line basis over the period of the lease.

Leases of transportation equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

(k) Impairment

i. Non- derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an estimate account against loans and receivables. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company records an estimate in the amount of 90% of accounts receivable with balances due over 90 but less than 119 days old, and of 100% of accounts receivable due over 120 days old, except when there is a collection agreement with a client. In such cases, the allowance amount is 30% with balances due over 90 days if there is not a settlement negotiated with the client. Accounts handed over to the Company's legal collection services are reserved up to a 100%, or less depending on the success rate indicated by the internal counsel handling the account.

ii. Non-financial assets

Telecommunications network systems and equipment and intangible assets subject to depreciation and amortization, respectively, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets are reviewed for possible reversal at each reporting date.

(l) Employee benefits

i. Seniority Premium

A defined contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the separate entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss in the period in which they arise.

Past-service costs are recognized immediately in income.

ii. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

iii. Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s stockholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(m) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the statement of comprehensive income.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amount receivable for services provided. The Company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity, as described below:

- Sale of telephone equipment to clients is recognized at the time of delivery of said equipment and the risk and rewards are transferred to the customer. Revenues from services are recognized as rendered.
- Revenues from public telephone services are recognized based on the cash collected which is the same time when services are rendered.
- Revenues from interconnection services are recognized on accrual basis. The Company entered into local interconnection agreements with various telephone companies under the "bill and keep" compensatory clause. In accordance with these agreements, if the imbalance between local calls originated from the other telephone concessionaire and completed by Maxcom, and the calls originated from Maxcom and completed by the other telephone company over the course of one month do not exceed an established percentage of 5%, there will be no payment of an interconnection rate charge to the user for interconnection services. However, if the imbalance exceeds that percentage in a particular month, the Company or the telephone concessionaire is subject to a charge per minute. During the years 2013, 2012 and 2011, the imbalance did not exceed 5%.

The Company has interconnection agreements for long-distance and mobile services with other concessionary telephone companies. However, they do not include the clause of the "bill and keep" compensatory agreement.

- Revenues from pay television services are recognized as rendered.
- Revenues from mobile telephone services are recognized when the service is provided or minutes expire.
- For mobile telephone revenues the Company evaluates the revenue recognition of multiple-element arrangements evaluating the time and manner in which revenues for the different accounting units should be recognized. For the Company the separated accounting units are the sale of mobile telephone equipment which is recognized at fair value at the moment of delivery to the customer; and mobile services which are recognized as the service is provided.
- Customer contracts that include both equipment and bundled services (voice, data, pay TV or mobile services) are evaluated to determine whether the components are separable. Revenue from bundled services is recognized in the month in which the services are provided. The sale of the equipment is not separable from the sale of the services; the services cannot be obtained independently from the purchase of the equipment. Therefore, the bundled services are not unbundled.
- Revenues from lease of transmission capacity through the fiber optic ring are recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and are recognized on the same basis as the lease revenues. The transactions are therefore recorded as operating lease agreements. The contracted sales price is mainly paid in advance and sales that are not recognized in income are recorded as deferred revenues in non-current other accounts payable and current other accounts payable, respectively, in the statement of financial position.

(o) Finance income and finance costs

Finance income comprises interest income on funds invested and fair value gains on financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and fair value losses on financial assets at fair value through profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

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

(q) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary stockholders of the Company by the weighted average number of ordinary shares outstanding during the period, less treasury shares. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary stockholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(r) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and which is reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. The Company has determined that it has one operating segment: Telecommunications. The segment offers different service products to its customers based on the type of market, divided as follows: residential, commercial, public telephone, wholesale and others. The financial information reviewed by the chief operating decision maker includes revenue by market, but operating expenses and assets are reported on a combined basis for the entire operating unit. The Company also divided its operating segment in the following geographical destinations: Metropolitan Area, Central-South, and North (all within Mexico).

(s) Share-based payment

The fair value of share-based payment awards is calculated using an option pricing model. In accordance with IFRS 2 Share-based Payment, the resulting cost is charged as employee costs to the income statement over the vesting period of the relevant award. This charge is amended to take into account changes in the number of equity instruments expected to vest as a consequence of the changes in expectation as to the attainment of any performance-related conditions. No changes to the charge are made when the expected or actual level of awards vesting differs from the original estimate due to non-attainment of market conditions. Cancelled awards were deemed to have vested upon cancellation.

Note 6 - Financial risk management:

Overview:

The Company´s activities expose it to a variety of financial risks: credit risk; liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the management and the Audit Committee as responsible for developing and monitoring the Company's risk management practices. The Audit committee reports regularly to the Board of Directors on its activities.

The Company's risk management practices are established to identify and analyze the risks faced by the Company, to monitor risks. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Company's risk management practices and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment in securities.

Accounts receivable:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company provides its services to a vast array of customers, thus avoiding dependency on any single customer; therefore, there is no concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company research on the credit behavior of its customers. This information is supplied by independent rating agencies ("Buró de Crédito" or "Círculo de Crédito") where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. Where appropriate, guarantees are required in the form of deposits (customer deposits). The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management and the Audit Committee.

As described in Note 5(h), the Company recognizes impairment of receivables through an allowance for doubtful accounts which is further detailed in Note 9.

Impairment losses:

Aging of trade receivables at the reporting date:

	December 31, 2013		December 31, 2012	
	Gross	Impairment	Gross	Impairment
Not past due	$ 500,048	-	$ 456,543	-
Past due 0-90 days	81,610	-	108,241	-
Past due 91-120 days	-	-	-	-
More than 121 days	205,297	153,778	635,880	585,990
	$ 786,955	153,778	$ 1,200,664	585,990

See in Note 9 the movement in the allowance for doubtful accounts.

Investments:

The Company limits its exposure to credit risk by investing only in overnight government instruments and only with trustworthy banks. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the maturities as of December 31, 2013 and 2012 including estimated interest payments:

As of December 31, 2013:	Less than 1 year	From 1 year to 2 years	More than 3 years	Total
Step-up Senior Notes	-	-	2,297,253	2,297,253
Fixed annual interest rate of 11% from January 1 to October 6,2013, 6% from October 7, 2013 to June 14, 2016, 7% from June 15, 2016 to June 14, 2018 and 8% from June 15, 2018 to June 15, 2020, payable semiannually	137,835	137,835	752,478	1,028,148
Accounts payable	266,750	43	-	266,793
Current other accounts payable	27,447		-	27,447
Customer deposits	2,400		-	2,400
Finance lease	4,935	4,890	-	9,825
Non-current other accounts payable		37,034	-	37,034
Other non-current liabilities		149,054	-	149,054

As of December 31, 2012:	Less than 1 year	From 1 year to 2 years	More than 3 years	Total
Senior Notes	-	2,282, 774	-	2,282, 774
Fixed annual interest rate of 11%, payable semiannually	253,46 4	253,46 4	-	506,92 8
Accounts payable	407,49 8	737	15	408,25 0
Current other accounts payable	39,062			39,062
Customer deposits	2,152			2,152
Non-current other accounts payable		23,246		23,246
Other non-current liabilities		25,532		25,532
Finance lease	210	8,515	1,310	10,035

Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by Management Board and the Audit Committee.

Currency risk:

The Company entered into currency swap transactions with Morgan Stanley (France), SAS to minimize the exchange rate risks related to the coupon payments with respect to U.S.$150 million aggregate principal amount of our senior notes. All currency swap transactions were canceled in advance in February 2013, with an amount of $9,341 recorded in finance cost in the statement of comprehensive income.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. Note 15 provide the details on the foreign currency position of the Company as of the date of the statements of financial position.

Sensitivity analysis

A strengthening of the US Dollar against the Mexican peso at December 31, 2013 and 2012 would have increased loss by the amount shown below. This analysis is based on a 10% foreign currency exchange rate increase on the Senior Notes liability at the carrying amount of U.S. $180.4 and $177.1 million, respectively. The analysis assumes that all other variables, in particular interest rates, remain constant.

		December 31	
		2013	2012
US Dollar (10% strengthening)	Loss	$ 235,840	$ 230,410

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The senior notes due 2020 constitute substantially all of the Company's indebtedness and bear interests at a fixed rate, see Note 14.

For presentation purposes, an increase of 100 basis points in the curve of the credit rating of the reporting date would have decreased by $3,954,380 the fair value of debt and a decrease of 100 basis points would have increased by $4,201,762 for 2013. For 2012 an increase of 100 basis points would have decreased by $2,854,348 and a decrease of 100 basis points would have increased by $3,007,455 the fair value of the debt.

Sensitivity analysis

Until 2012, the Company manages the market risk (interest rate risk and currency risk) of the derivative financial instrument in its position through the use of value at risk (VaR). VaR is a technique that produces estimates of the potential negative change in the market value of a portfolio over a specified time horizon at a given confidence level. The VaR methodology used by Maxcom is a parametric model with a 99% confidence level and one-day time horizon. The table below sets out the VaR for Maxcom regarding the financial derivatives held in position as of:

Month end	Level	Fair value derivate	Value at risk @99%
December 2012	2	$ 32,141	$ 5,844

VaR results presented above imply that Maxcom would expect to incur a loss in December, 2012 of $5,844, under normal market conditions with a 99% confidence level. Such VaR measure has limitations that are described as follows:

1. Historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.
2. VaR using a 99% confidence level does not reflect the extent of potential losses beyond that percentile. Even within the model used there is a one percent probability that losses would exceed the VaR.
3. VaR using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day.
4. These limitations and the nature of the VaR measure mean that Maxcom can neither guarantee that losses will not exceed the VaR amounts indicated nor that losses in excess of the VaR amounts will not occur more frequently than once in 20 business days.
5. The Company considers that under current market conditions the VaR measure reported represents reasonably the risk exposure of its derivatives portfolio.

The characteristics of the cross currency swaps acquired since 2011 by Maxcom match perfectly the characteristics of the primary position (senior notes bearing interest at a fixed annual rate of 11%,), thus a 100% effectiveness of the hedge is expected notwithstanding with the stress scenario or sensitivity test used, due to the fact that any change in fair value or the Cross Currency Swap will offset the change in fair value for the primary position.

The market risk factors that affect the fair value of the financial derivatives are MXN Rate TIIE, USD Rate LIBOR and FX Rate MXN/USD.

Capital management:

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of capital stock, additional paid-in capital, accumulated losses and repurchase of shares.

From time to time the Company purchases its own shares on the market; the timing of these purchases depends on market prices. Primarily the shares are intended to be used for issuing shares under the Company’s share option program. Buy and sell decisions are made on a specific transaction basis by the General Management Director; the Company does not have a defined share buy-back plan.

There were no changes in the Group’s approach to capital management for the year ended December 31, 2013. The Group’s strategy was to maintain the gearing ratio within 5% to 15%.

The gearing ratios at December 31, 2013 and 2012 were as follows:

	December 31, 2013	December 31, 2012
Total Step-up Senior Notes and Senior Notes	$ 1,909,139	$ 2,282,774
Less: cash and cash equivalents	1,953,692	146,516
Net debt	(44,553)	2,136,258
Total stockholders' equity	$ 3,165,245	$ 2,165,327
Gearing ratio	(1%)	99%

Fair value of financial instruments carried at amortized cost:

Except as detailed in the following table, the management considers that the carrying amounts of current financial assets and liabilities recognized in the consolidated financial statements for the years ended December 31, 2013 and 2012, approximate their fair values.

	December 31, 2013			December 31, 2012		
	Level	Carrying amount	Fair value	Level	Carrying amount	Fair value
Step-up senior notes, senior notes and accrued interest	2	1,915,339	2,022,827	2	2,294,694	1,556,773
Other non-current liabilities (Note 16)		204,336	213,614			

The fair values of financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

There were no transfers between levels during the year.

Determination of fair value:

A number of the Company's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments carried at amortized cost:

The fair value of financial instruments carried at amortized cost is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Derivatives

The fair value of the cross currency swaps is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Share-based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Fair value hierarchy:

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments in level 2:

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all of the resulting fair value estimates are included in Level 2 except for certain forward foreign exchange contracts explained below.

	December 31, 2013		
	Loans and Receivables	Assets as fair value through profit or loss	Total
Assets as per balance sheet:			
Cash and cash equivalents	$ 1,953,692	$ -	$ 1,953,692
Accounts receivable	786,955	-	786,955
Other sundry debtors	119,077		119,077
Total	$ 2,859,724	$ -	$ 2,859,724

	December 31, 2013		
	Financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
Liabilities as per balance sheet:			
Accounts payable	$ 266,793	$ -	$ 266,793
Current other accounts payable	81,222	-	81,222
Customer deposits	2,400	-	2,400
Non-current other accounts payable	37,034	-	37,034
Other non-current liabilities	149,054	-	149,054
Step-up senior notes	1,915,339	-	1,915,339
Vendor financing	8,348		8,348
Total	$ 2,460,190	$ -	$ 2,460,190

	December 31, 2012		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
Assets as per balance sheet:			
Cash and cash equivalents	$ 146,516	$ -	$ 146,516
Derivative financial instruments	-	32,141	32,141
Accounts receivable	1,200,664	-	1,200,664
Total	$ 1,347,180	$ 32,141	$ 1,379,321

	December 31, 2012		
	Financial liabilities at amortized cost	Liabilities at fair value through profit or loss	Total
Liabilities as per balance sheet:			
Accounts payable	$ 406,532	$ -	$ 406,532
Current other accounts payable	39,062	-	39,062
Customer deposits	2,152	-	2,152
Non-current other accounts payable	23,246	-	23,246
Other non-current liabilities	25,532	-	25,532
Derivative financial instruments	-	-	-
Senior notes	2,294,694	-	2,294,694
Total	$ 2,791,218	$ -	$ 2,791,218

Note 7 - Operating segments:

The Company operates in the telecommunication business sector and has only one reportable segment. The segment offers different service products to its customers based on the type of market divided as follows: residential, commercial, public telephone, wholesale and others. However, most of the infrastructure is commonly used by the different services products in all markets and equally specific telecommunications services, such as local service, long distance and "calling party pays" (CPP) that can be provided in one or more markets. Therefore, discrete financial information is not available because there is no measure of segment profit or loss by each of these markets. The financial information reviewed by our chief operating decision maker includes revenue by market, but operating expenses and assets are reported on a combined basis for the entire operating unit.

Information about products and services:

The revenue is divided for the years ended December 31, 2013, 2012 and 2011 as shown below:

Markets	2013	2012	2011
Residential	$ 968,033	$ 1,003,507	$ 994,663
Commercial	643,637	632,027	606,964
Public telephone	146,199	174,887	232,794
Wholesale	729,160	374,124	526,876
Others	17,939	16,707	14,644
Total revenue	$ 2,504,968	$ 2,201,252	$ 2,375,941

Each of the above markets is comprised of homogeneous customers.

Information about geographical areas:

The information by geographical location (all within Mexico) including revenue, total assets, and additions of the telephone network, systems and equipment is as follows:

	Metropolitan area[1]	Central-south[2]	North[3]	Total
Period for the year ended December 31, 2013:				
Local	$ 1,134,291	$ 669,564	$ 16,681	$ 1,820,536
Long distance	448,768	137,833	31,459	618,060
Rent of dedicated links	225	-	-	225
Sale of equipment to customers	2,502	2,682	3	5,187
Capacity leasing	60,960	-	-	60,960
Total revenue	$ 1,646,746	$ 810,079	$ 48,143	$ 2,504,968
Total assets as of December 31, 2013	$ 4,755,046	$ 674,090	$ 327,477	$ 5,756,613
Acquisition of telecommunications network systems and equipment and intangible assets for the year ended December 31, 2013	$ 408,038	$ 1,494	$ 2,104	$ 411,636

	Metropolitan area	Central-south	North	Total
Period for the year ended December 31, 2012:				
Local	$ 1,084,411	$ 616,197	$ 9,958	$ 1,710,566
Long distance	201,492	186,833	46,480	434,805
Rent of dedicated links	208	-	-	208
Sale of equipment to customers	12,886	2,023	3	14,912
Capacity leasing	40,761	-	-	40,761
Total revenue	$ 1,339,758	$ 805,053	$ 56,441	$ 2,201,252
Total assets as of December 31, 2012	$ 3,532,318	$ 1,057,631	$ 407,669	$ 4,997,618
Acquisition of telecommunications network systems and equipment for the year ended December 31, 2012	$ 576,391	$ 2,910	$ 4,089	$ 583,390

	Metropolitan area	Central-south	North	Total
Period for the year ended December 31, 2011:				
Local	$ 1,278,055	$ 651,898	$ 34,587	$ 1,964,540
Long distance	208,406	138,967	24,089	371,462
Rent of dedicated links	233	-	-	233
Sale of equipment to customers	2,460	1,572	11	4,043
Capacity leasing	35,663	-	-	35,663
Total revenue	$ 1,524,817	$ 792,437	$ 58,687	$ 2,375,941
Total assets as of December 31, 2011	$ 3,934,072	$ 1,076,125	$ 398,032	$ 5,408,229
Acquisition of telecommunications network systems and equipment for the year ended December 31, 2011	$ 328,269	$ 75,710	$ 15,651	$ 419,630

(1) Includes Mexico City and Metropolitan Area
(2) Includes some cities in the States of Puebla, Querétaro and San Luis Potosí
(3) Cities in the State of Monterrey

Information about major customers

There is no single external customer for whom its revenues amount to 10% or more of a Company's revenues.

Note 8 - Cash and cash equivalents:

	December 31, 2013	December 31, 2012
Cash	$ 84,112	$ 71,940
Cash equivalents	1,869,580	74,576
Total	$ 1,953,692	$ 146,516

Note 9 - Accounts receivable:

	December 31, 2013	December 31, 2012
Accounts receivable	$ 786,955	$ 1,200,664
Allowance for doubtful accounts	(153,776)	(585,990)
Total current assets	$ 633,179	$ 614,674

The credit period is generally 25 days from the date of the invoice. Certain customers are granted extended credit periods up to 3 months.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful accounts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of receivables that are past due but not impaired

	December 31, 2013	December 31, 2012
60-90 days	$ 32,728	$ 45,229
Average age (days)	75	75

Movement in the allowance for doubtful accounts

	December 31,		
	2013	2012	2011
Balance at beginning of the year	$ 585,990	$ 504,570	$ 316,018
Charged to cost and expenses	157,280	81,420	188,552
Deductions	(589,492)	-	-
Balance at end of year	$ 153,778	$ 585,990	$ 504,570

According with the Account receivable procedure, the accounts with more than 210 outstanding days where applied against the bad debt reserve. No additional collection is expected. As of December 31, 2013, were applied $589,492.

Credit quality of financial assets

	December 31,		December 31,	
	2013	%	2012	%
(a) Current	$ 560,078	89%	$ 509,900	83%
(b) From 0 to 30 outstanding days	20,627	3%	20,155	4%
(c) From 31 to 60 outstanding days	14,746	2%	39,390	6%
(d) From 61 to 90 outstanding days	37,728	6%	45,229	7%
Total	$ 633,179	100%	$ 614,674	100%

(a) Minimum credit risk
(b) Low credit risk with 29% success recovery
(c) Medium credit risk with 22% success recovery
(d) High credit risk 22% success recovery

	2013	2012
Cash and cash equivalents:	Amount	Amount
BBB	1,548,142	13,354
BBB+	405,550	133,162
Total	1,953,692	146,516

Note 10 - Income taxes:

(a) Total income tax expense for the years ended December 31, 2013 and 2012 are as follow:

	2013	2012	2011
Current income tax	$ 14,306	$ 11,952	$ 11,726
Deferred income tax	999	3,608	(26,616)
	$ 15,305	$ 15,560	$ (14,890)

(b) The analysis of deferred tax assets and liabilities is as follows:

		2013		2012
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	$	6,787	$	19,024
Deferred tax assets to be recovered within 12 months		2,007		1,259
		8,794		20,283
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months		-		
Deferred tax liability to be recovered within 12 months		-		10,490
		-		10,490
Deferred tax asset - net	$	8,794	$	9,793

The gross movement on the deferred income tax account is as follow:

		2013		2012
At January 1,	$	9,793	$	13,401
Income tax charge		(999)		(3,608)
At December 31,	$	8,794	$	9,793

		Employee benefits	Provisions	Prepaid expenses	Advance payments		Total
At January 1, 2013	$	1,259	19,024	(4,814)	(5,676)	$	9,793
Income tax charge		748	(12,237)	4,814	5,676		(999)
At December 31, 2013	$	2,007	6,787	-	-	$	8,794

		Employee benefits	Provisions	Prepaid expenses	Advance payments	Derivative financial instrument		Total
At January 1, 2012	$	746	25,763	(7,533)	(5,386)	(189)	$	13,401
Income tax charge		513	(6,739)	2,719	(290)	189		(3,608)
At December 31, 2012	$	1,259	19,024	(4,814)	(5,676)	-		9,793

(c) Recognized deferred tax assets and liabilities

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities, at December 31, 2013 and 2012 are presented below:

	IT 2013	IT 2012
Deferred tax assets:		
Employee benefits	$ 2,007	$ 1,259
Provisions	6,787	19,024
Deferred tax assets	8,794	20,283
Deferred tax liabilities:		
Prepaid expenses	-	4,814
Advance payments	-	5,676
Deferred tax liabilities	-	10,490
Net deferred tax asset, recorded in the statements of financial position	$ 8,794	$ 9,793

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences can be utilized. In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The deferred tax not recognized comes from:

	2013	2012
Tax loss carry forwards	$ 398,252	$ 417,191
Fixed assets	796,854	442,445
Reserve for bad debt	61,465	155,234
Provisions	(139,292)	(180,229)
Deferred tax assets	$ 1,117,278	$ 834,640

As of December 31, 2013, the Company had accumulated tax loss carry forwards of $1,327,552 which will expire as follows:

Year of loss	Amount	Year of expiration
2004	$ 88,891	2014
2005	11,510	2015
2006	89,571	2016
2007	284,932	2017
2008	536,398	2018
2010	3,892	2020
2011	206,427	2021
2012	3	2022
2013	105,928	2023
	$ 1,327,552	

(d) Tax reform impacts

On December 11, 2013, the Mexican Congress enacted a news Tax Reform, which became effective as of January 1, 2014. Among the tax reforms approved, the following impact to the Company:

- General provisions: The Income Tax Law includes changes to the tax rate (30% for 2014), to authorized deductions, to as the moments for income recognition or deductions, as well as changes in some regimes.

- Employee benefits: Worker remunerations that represent an exempt item of income for the employee, such as fringe benefits, employees' savings and loan funds, severance payments, annual bonus, overtime, vacation premium, Sunday premium and exempt portion of PTU, may only be deducted to 47% or 53%. The tax reform also states that the deduction for contributions to pension and retirement funds' will be limited to 47% or 53% of the contribution made during the year.

- Flat Rate Business Tax Law and Cash Deposit Tax Law: These laws are repealed, and transition provisions are established to secure the rights and obligations acquired during the effective term of the law.

- VAT: The 16% rate is standardized throughout the country, by eliminating the 11% rate applicable to the border zone.

(e) Reconciliation of effective tax rate:

	2013		2012		2011	
	%	$	%	$	%	$
Loss before income tax		$ (1,235,424)		$ (120,528)		$ (528,027)
Total income tax expense (benefit)	2%	15,305	13%	15,560	(3)%	(14,890)
Income tax expense (benefit) using the Company´s domestic tax rate	(30)%	(370,627)	(30)%	(36,158)	30%	(158,408)
Employee Statutory Profit Sharing	-	-	1%	1,054	(1)%	1,504
Inflationary effect	4%	50,642	(5)%	(6,597)	7%	(7,739)
Non-deductible expenses	2%	25,301	24%	28,677	20%	37,457
Non-deductible employee benefits	1%	2,330			5%	104,844
Unrecognized deferred tax assets	24%	282,638	(30)%	(35,956)	-	28,083
Tax loss carryforwards that expired	-	-	53%	63,557	(4)%	-
Other	1%	25,021	1%	983	(1)%	(20,631)
	2%	$ 15,305	13%	$ 15,560	(3)%	$ (14,890)

Note 11 - Telecommunications network systems and equipment - net:

Telephone network systems and equipment consist of:

	Line installation cost	Telecommuni-cations network and equipment	Public telephone equipment	Computer equipment	Enginee-ring equipment	Radio equipment	Transpor-tation equipment	Electronic equipment	Leasehold improve-ments and outside plant	Office furniture	Other	CIP	Total
Cost													
Balance at January 2012	$ 843,722	4,528,420	657,963	266,639	22,121	520,979	60,791	259,877	1,568,229	51,413	34,940	65,636	8,880,730
Transfers	67,602	215,671	48,445	3,168	787	8,415	2,676	-	30,220	663	1,089	(378,736)	-
Additions	-	88,618		-	-	-	-	-	-	-	-	378,736	467,354
Disposals	(5,304)	(51,069)	(62,358)	(2,075)	-	-	(3,401)	-	-	-	-	-	(124,207)
Balance at 31 December 2012	906,020	4,781,640	644,050	267,732	22,908	529,394	60,066	259,877	1,598,448	52,077	36,029	65,636	9,223,877
Transfers	97,934	109,448	31,235	13,140	4	6,157	3,602	-	7,576	842	3,603	(273,540)	-
Additions	7,276	(123)	-	16	-	-	-	-	1,271	-	(3,514)	353,862	358,789
Disposals	(151,732)	(545,906)	(78,598)	(203,262)	-	(333)	(5,488)	(259,877)	(13,845)	(26,572)	-	(34,101)	(1,319,713)
Balance at 31 December 2013	$ 859,498	4,345,060	596,687	77,626	22,912	535,218	58,180	-	1,593,450	26,347	36,118	111,856	8,262,952

	Line installation cost	Telecommuni-cations network and equipment	Public telephone equipment	Computer equipment	Enginee-ring equipment	Radio equipment	Transpor-tation equipment	Electronic equipment	Leasehold improve-ments and outside plant	Office furniture	Other	Total
Accumulated depreciation and impairment losses												
Balance at January 1, 2012	$ (237,259)	(2,960,861)	(375,576)	(214,689)	(15,576)	(247,095)	(48,811)	(257,053)	(556,987)	(30,138)	(20,028)	(4,964,075)
Depreciation charge	(43,640)	(221,083)	(71,266)	(25,073)	(851)	(10,249)	(5,962)	(137)	(83,624)	(3,162)	(2,408)	(467,455)
Disposals	14	22,184	34,977	1,953	-		3,100	-	-	-	-	62,228
Balance at December 31, 2012	(280,885)	(3,159,761)	(411,865)	(237,809)	(16,427)	(257,344)	(51,673)	(257,190)	(640,611)	(33,300)	(22,436)	(5,369,302)
Additions	(96,969)	(245,753)	(87,598)	(16,790)	(1,066)	(10,327)	(4,073)	-	(100,581)	(3,292)	(2,085)	(568,534)
Disposals	35,836	517,155	40,179	200,719	-	-	5,063	257,190	9,705	23,665	-	1,089,512
Impairment	(39,352)	(412,624)	(124,020)		(82)	(1,202)			(972)	(5)		(578,257)
Balance at December 31, 2013	(381,370)	(3,300,983)	(583,304)	(53,880)	(17,575)	(268,873)	(50,683)	-	(732,459)	(12,932)	(24,521)	(5,426,581)

Carrying amounts													
At January 1, 2012	606,463	1,567,558	282,387	51,950	6,545	273,883	11,981	2,824	1,011,242	21,274	14,912	65,636	3,916,655
At December 31, 2012	625,135	1,621,879	232,185	29,923	6,481	272,049	8,394	2,687	957,837	18,776	13,593	65,636	3,854,575
At December 31, 2013	$ 478,128	1,044,076	13,383	23,746	5,337	266,345	7,498	-	860,991	13,414	11,597	111,856	2,836,372

As of December 31, 2013 the Company maintain investment property for $44,601. The depreciation amount was $1,981 and $1,981 for 2013 and 2012 respectively. The accumulated depreciation was $8,911 and $6,930 for 2013 and 2012 respectively.

Construction in progress mainly comprises telecommunications network and equipment. As of December 31, 2013 the estimated cost remaining to conclude the construction in progress is $79,372 and management expects to conclude them before December 31, 2014. During the year 2012 and 2011, the Company capitalized borrowing costs amounting to $9,444 and $4,513, respectively. In 2013 the Company did not capitalized borrowing costs. Borrowing costs were capitalized at an average rate of 11%..

As of December 31, 2013 and 2012 the amounts of contractual commitments for the acquisition of Telecommunications network systems and equipment are $25,615 and $10,834, respectively.

During the year 2013, the Company changed the useful life of the line installation cost for residential customer from twenty year to five years. This change was generated by the new telecom reform with important changes in the infrastructure lease from the predominant agent. The impact was for Ps.57.1 million pesos. The Company amortized the installation cost over the period in which the service is provided. Once the customer terminates the service, the Company does not consider any additional value related to the installation cost. The Company determine the average residential customer live is five years.

As part of the agreements entered into with the holders of step-up senior notes and senior notes, as mentioned in Note 14, the Company committed all of Maxcom's telephone network systems and equipment as collateral in favor of said bond holders. Although the assets mentioned above have been encumbered in favor of the senior notes holders, the Company can make use of those assets as long as the requirements and conditions established in the instruments that govern issuance of the bonds are met.

The Company entered into financial lease agreements with Autoarrendadora Integral, S. A. de C. V. in pesos for transportation equipment.

The gross amount of fixed assets recognized under leases that are capitalized is comprised as follows:

	December 31,		
	2013	2012	2011
Transportation equipment	$ 2,418	$ 2,740	$ 4,959
Accumulated depreciation	(270)	(149)	(367)
Total	$ 2,148	$ 2,591	$ 4,592

Impairment test

The Company test telecommunication network and equipment for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

When any indicator of impairment is identified, an impairment test is performed based on each cash-generating unit (CGU). The CGUs identify by the Company are pay TV, public telephone (PT) and other services (OS). The carrying values of these CGUs are compared to their value in use.

On October, 2013, according to the business plan of the Company's new management, the CGUs pay TV and public telephone are not considered strategic, and recognized an impairment loss of $578,257 as of December 31, 2013.

The key assumptions used for value-in-use calculations in 2013 are as follows:

	Pay TV	PT
Compound annual growth rate	13.5%	(23)%
Discount rate	11.71%	11.71%

Management determined compound annual volume growth rate for each CGU covering over the three-year forecast period to be a key assumption. The volume of sales in each period is the main driver for revenue and costs. The compound annual volume growth rate is based on past performance and management's expectations of market development. The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Note 12 - Intangible assets:

Intangible assets are comprised as follows:

			Infrastructure rights				
	Frequency rights	Software	Expenses to be amortized	Pipes rights	Fiber rights	Brand rights	Total
Cost							
Balance at January 1, 2012	94,674	373,680	232,570	27,742	73,279	372	802,318
Additions	-	56,036	60,000	-	-	-	116,036
Balance at December 31, 2012	94,674	429,716	292,570	27,365	73,279	372	918,353
Additions	-	27,735		-			27,735
Disposals	-	(2,114)	-	-	-	-	(2,114)
Balance at December 31, 2013	94,674	455,337	292,570	27,742	73,279	372	943,975

			Infrastructure rights				
	Frequency rights	Software	Expenses to be amortized	Pipes rights	Fiber rights	Brand rights	Total
Accumulated amortization and impairment losses							
Balance at January 1, 2012	(67,151)	(293,404)	(266,240)	(19,136)	(28,967)	-	(674,898)
Amortization	(2,972)	(41,185)	(60,000)	(912)	(2,002)	-	(107,071)
Balance at December 31, 2012	(70,123)	(368,318)	(292,570)	(20,048)	(30,969)	-	(782,027)
Amortization	(6,482)	(19,663)	-	(1,489)	(3,372)	-	(31,007)
Disposals	-	(46,844)	-	-	-	-	(46,844)
Balance at December 31, 2013	(76,606)	(434,825)	(292,570)	(21,537)	(34,341)	-	(859,878)
Carrying amounts							
At January 1, 2012	27,523	46,547	-	8,606	44,313	372	127,361
At 31 December 31, 2012	24,551	61,398	-	7,694	42,311	372	136,326
At 31 December 31, 2013	18,068	20,512	-	6,205	38,939	372	84,097

Note 13 - Provisions:

Short Term Provisions:

	Legal claims [2]	Bonuses [3]	Total
At January 1, 2013	-	-	-
Charged to the income statement:			
- Additional provision	44,715	15,721	60,436
At December 31, 2013	44,715	15,721	60,436

Long Term Provisions:	Retirement obligation [1]	Labor contingencies [4]	Total
At January 1, 2013	3,801	-	3,801
Charged to the income statement:			
- Additional provision	-	12,363	12,363
At December 31, 2013	3,801	12,363	16,164

(1) Retirement obligation from leasehold and outside plant.

(2) Legal claims including commercial contingencies.

(3) Profit sharing and bonuses according with the employee compensations program.

(4) Applies to labor cases in which there is a high probability of losing the case.

Note 14 - Balances and transactions with related parties:

The Group is controlled by the stockholders advised by Ventura Capital Privado, S.A. de C.V. (“Ventura”), which owns 54.1% of the Company’s shares. The remaining 45.1% of shares are widely held.

For the years ended December 31, 2013, 2012 and 2011, related party transactions with former stockholders analyzed as follows:

	2013	2012	2011
Expenses paid to:			
GS Comunicación* (1)	$ 2,485	$ 2,513	$ 3,417
BBG Wireless* (2)	2,457	504	3,387
Telecomunicaciones Móviles de México, S. A. de C. V.* (3)	1,607	3,648	3,285
Vázquez Eduardo* (4)	838	972	882
Vásquez Gabriel Agustín* (4)	801	806	792
Bank of America, Co.* (5)	-	311	465
Autokam Regiomontana, S. A. de C. V.* (6)	-	80	419
MG Radio* (7)	-	-	150
Servicios Corporativos VAC* (8)	-	6	9
Total	$ 8,188	$ 8,840	$ 12,806

(*) As of October 2, 2013, these Companies cease to be related parties.

(1) Corresponds to payments regarding marketing consulting services.

(2) Corresponds to cluster construction.

(3) Corresponds to interest payments and a portion of the capital pertaining to a loan to settle Telereunion’s debt with the Comisión Federal de Electricidad (CFE).

(4) Corresponds to lease of sites and offices owned by a relative of a Maxcom shareholder.

(5) Corresponds to expenses related to the debt restructuring and travel expenses related to a risk capital investment fund of Bank of America (Maxcom shareholder).

(6) Corresponds to costs related to the purchase of vehicles.

(7) Corresponds to advertising services.

(8) Corresponds to representation expenses.

The accounts due to and due from balances arising from operations with stockholders as of December 31, 2013and 2012 were the following:

	2013	2012
Due from:		
Shareholder Gabriel Vázquez Cartens	$ 1	$ 1
Difusión Panorámica, S. A. de C. V.	-	14
Total	$ 1	$ 15
Due to:		
BBG Wireless	$ 23	$ 6,555
Telecomunicaciones Móviles de México, S. A. de C. V.(1)	-	25,294
GS Comunicación, S. A. de C. V.	-	598
Total	$ 23	$ 32,447

Accounts payable and receivable from related parties are included within accounts receivable customers and accounts payable, respectively.

(1) On January 5, 2010, Electromecánica de Guadalajara, S. A. de C. V. gave the rights of the loan to Telecomunicaciones Móviles de Mexico, S. A. de C. V.

Key management personnel compensation

	2013	2012	2011
Short-term employee benefits	$ 51,856	$ 49,180	$ 54,611
Termination benefits	2,697	2,399	2,399
Share-based payments	-	5,383	270
Total	$ 54,553	$ 56,962	$ 57,280

Note 15 - Step-up senior notes and senior notes:

As of December 31, 2013 and 2012, bonds payable were comprised as follows:

	2013	2012
Long term:		
Step-up Senior Notes maturing on June 15, 2020, bearing interest at a fixed annual rate of 6% from October 7, 2013 to June 14, 2016, 7% from June 15, 2016 to June 14, 2018 and 8% from June 15, 2018 to June 15, 2020. The effective interest rate was 10.34%	$ 1,909,139	$ -
Senior Notes maturing on December 15, 2014, bearing interest at a fixed annual rate of 11%, payable semiannually as from June 15, 2007. The effective interest rate was 11.14%	-	2,282,774
	$ 1,909,139	$ 2,282,774

As of December 31, 2013 and 2012, accrued interest payable on these bonds amounted to $6,200 and $11,920, respectively.

On July 23, 2013, the Company undertook a restructuring by commencing a voluntary case under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. 101-1532, in the United States Bankruptcy Court for the District of Delaware to effect the restructuring as set forth in the plan of reorganization, including the issuance of new step-up senior notes by the Company (commonly known as Chapter 11 prepackaged restructuring).

On September 10, 2013, the U.S. Bankruptcy Court for the District of Delaware confirmed the Company's prepackaged Chapter 11 plan of reorganization (the "Plan"). The only class of creditors entitled to vote, the holders of the Senior Notes issued by the Company due 2014 (the "Old Notes"), overwhelmingly voted in favor of the Plan and no party objected to confirmation of the Plan, see Note 1.

Pursuant to the terms of the Plan, all classes of creditors were unimpaired and their payments were not affected under the Plan, except for the Old Notes claims, which received (1) the step-up senior notes due 2020 (which include the capitalized interest amount for unpaid interest accrued on the Senior Notes from (and including) April 15, 2013 through (and excluding) June 15, 2013, at the rate of 11% per annum), (2) cash in the amount of unpaid interest accrued on the Senior Notes (A) from (and including) December 15, 2012 through (and excluding) April 15, 2013, at the rate of 11% per annum, and (B) from (and including) June 15, 2013 through (and excluding) the effective date of the Plan at the rate of 6% per annum, and (3) rights to purchase equity that is unsubscribed by the Company's current equity holders pursuant to the terms of the Plan.

According to the terms of the Plan, on October 11, 2013, Maxcom issued new Step-up Senior Notes due 2020 (the "Step-Up Senior Notes") in an aggregate principal amount of US$180,353,962, which reflects the amount of the Old Notes less the amount of Old Notes held in treasury by the Company plus the capitalized interest amount. The Step-Up Senior Notes bear interest (i) from the date of issuance until June 14, 2016, at the annual rate of 6% per annum, (ii) from June 15, 2016 until June 14, 2018, at the annual rate of 7% per annum, and (iii) from June 15, 2018 until the maturity date, at the annual rate of 8% per annum; have a maturity date of June 15, 2020; are secured by the same collateral that secures the Old Notes; and (e) are unconditionally guaranteed, jointly and severally and on a senior unsecured basis, by all of Maxcom's direct and indirect subsidiaries, excluding Fundación Maxcom, A.C. The collateral comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment. The guarantee was perfected on October 11, 2013 through a voluntary mortgage set up in order of priority and degree.

Interests paid abroad are subject to income tax withholding at a rate of 4.9%, payable by the holder and interest is payable net. However, the Company assumed the obligation to pay interests free of any charge or tax burden to the holders, absorbing the cost of the retention of withholding taxes.

The Step-Up Senior Notes are governed by indenture that Maxcom and its subsidiaries entered into with The Deutsche Bank Trust Company Americas, acting as trustee, on October 11, 2013. The indenture governing our Step-Up Senior Notes contains certain covenants that among other things, limit the ability of the Company and subsidiaries to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of the Company's subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of December 31, 2013 and 2012, the Company and the guarantors have kept, observed, performed and fulfilled each and every covenant contained in the indenture.

On October 11, 2013 the Company recognized a gain on extinguishment debt of approximately $205,614 into the finance cost in the Statement of loss and other comprehensive income, as a result of recognized the Step-Up Senior Notes to fair value and the derecognition of the Senior Notes.

During December 2013, the Company repurchased outstanding Step-Up Senior Notes for an amount of $27.3 million, equivalent to U.S. $2.1 million in cash. The difference between the carrying value of $28.1 million equivalent to U.S. $2.2 was recognized as a gain of $ 0.4 million, equivalent to U.S. $ 0.03 million in the statement of comprehensive loss

As of December 31, 2012 the Company repurchased Old Senior Notes for a total amount of $201 million, equivalents to U.S. $15.4 million (fair value). The difference between the carrying amount as of December 31, 2012 for an amount of $299 million equivalents to U.S. $22.9 million and the purchase price resulted in a gain of $98 million, equivalent to U.S. $7.5 million, which was recognized in the consolidated statement of comprehensive loss.

Additionally, on December 31, 2013, the equity purchase right was extinguished. As such, the Company swapped U.S.2.5 million (equivalent to $23.3 million Pesos) nominal value of Step-up senior notes for 22,655,949 series A common stock shares. For the swap, Maxcom derecognized the senior notes at its carrying value, U.S.$2.1 million, equivalent to $27.3 million Pesos, and the embedded derivative liability at its fair value. The difference between these last two items and the shares issued was recognized as paid in capital.

During December 2013, a few of the Step-Up Senior Bond Holders exercised their equity purchase rights, thereby the company exchanged bonds worth $ 23.3 million pesos (equivalent to US$ 1.8 million) at carrying value, for 22,655,679 Series A common stock shares (see note 20). The rest of the equity purchase rights held by the remaining Step-Up Senior Bond Holders were extinguished, as the right to convert them had expired in December 2013. As a result of the above events, Maxcom derecognized the associated embedded derivative liability valued at its fair value of $33.4 million Pesos (equivalent to U.S.2.6 million). The shares issued were recognized as an increase of capital stock and additional paid-in-capital of $22.1 million pesos (equivalent to U.S.1.7 million dollars) and $34.6 million Pesos (equivalent to U.S.2.7 million), respectively.

Note 16 - Other non-current liabilities:

During 2013, Maxcom had a disagreement with Radiomovil Dipsa, S.A. de C.V. (Telcel) regarding the interconnection tariffs charged. On September 3, 2013, Maxcom acknowledge and agreed with Telcel the payment in 30 months. At December 31, 2013, the outstanding amount was recognized in Other non-current liabilities for an amount of $98,955.

Note 17 - Foreign currency position:

Figures in this note represent thousands of US dollars.

The Company’s foreign-currency position (exclusive of the currency swaps) was as follows:

	December 31, 2013	December 31, 2012
Assets		
Short-term	$ 6,344	$ 5,558
Long-term	-	2,470
	6,344	8,028
Liabilities		
Short-term	99,977	15,700
Long-term	157,163	176,107
	257,140	191,807
Net (liabilities) - in dollars	$ (250,796)	$ (183,779)
Exchange rate at end of the year ($1 to the 1.00 dollar)	$ 13.08	$ 13.01

Note 18 - Derivative financial instruments:

During February 2013, as part of the debt restructuring plan, the Company unwound all cross currency swaps and obtained net proceeds of $22,800 in cash and recognized a loss of $9,341, recognized in finance cost. At December 31, 2012 the Company had four swaps with Bank Morgan Stanley, without receiving or settling any amount for such transactions. For all the financial instruments (swaps), the Company paid the computed interests of the notional settled in Mexican pesos on a semiannual basis, and received an interest income generated from the notional settled in dollars. As of December 31, 2012 the swaps totaled a loss for the year of $49.5million, which was composed of the following derivatives:

Cross currency swaps:

Counterparty	Received Leg	Payment Leg	Maturity	Canceled	Loss for the year ended December 31, 2012	Gain for the year ended December 31, 2011
Bank Morgan Stanley SAS	37,500 USD @11% S/A	(478,125) MXN @ TIIE 28 + 4.57% S/A	December 15, 2014	February, 2013	$ (9,087)	$ 20,778
Bank Morgan Stanley SAS	37,500 USD @11% S/A	(478,125) MXN @ 12.75% S/A	December 15, 2014	February, 2013	(8,134)	21,969
Bank Morgan Stanley SAS	37,500 USD @11% S/A	(474,375) MXN@ TIIE 28 + 4.85% S/A	December 15, 2014	February, 2013	(15,370)	27,028
Bank Morgan Stanley SAS	37,500 USD @11% S/A	(474,375)MXN @ 12.91% S/A	December 15, 2014	February, 2013	$ (16,909)	$ 25,399
	@11% S/A	12.91% S/A			$ (49,500)	$ 95,174

For accounting purposes, these derivative instruments, although intended for hedging purposes from an economic perspective, have been designated as trading instruments as they do not comply with all the requirements to qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized in the statement of operations for the year in which such changes occur, under financing cost.

Note 19 - Labor obligations upon retirement and personnel expenses:

As of December 31, 2013 and 2012, the Company has direct benefits payable for absences (non-cumulative) amounting to $706 and $698, respectively.

The Company has obligations and costs of seniority premiums for employees entitled to receive them and are recognized based on actuarial studies prepared by an independent third party specialist.

	December 31, 2013	2012	2011
Net cost for the period:			
Labor cost	$ 1,294	$ 1,485	$ 529
Financial cost	269	173	544
Remeasurements	(1,027)	1,042	(167)
Settlement effect	(356)	(987)	(112)
Net cost for the period	$ 180	$ 1,713	$ 794

The following is the determination of liabilities for the benefits of the plans:

		Retirement benefits seniority premium
Defined benefit obligation:		
Defined benefit obligation at January 1, 2012	$	2,485
Current service cost		1,485
Financial cost		173
Remeasurements		1,042
Effects of settlement		(987)
Defined benefit obligation at December 31, 2012	$	4,198
Current service cost		1,294
Financial cost		269
Remeasurements		(1,027)
Effects of settlement		(356)
Defined benefit obligation at December 31, 2013	$	4,378

	Benefits	
	December 31,	
	2013	2012
Discount rate reflecting the value of the current obligations	7.50%	6.50%
Compensation increase rate	5.00%	5.00%
Life expectancy (applicable to benefits upon retirement)	35 years	27.8 years
Inflation rate	3.50%	3.47%

Note 20 - Stockholders' equity:

Capital stock structure -

On April 11, 2002, the Company obtained authorization from the Foreign Investment Bureau ("Dirección General de Inversión Extranjera") to increase its ability to issue limited voting shares up to 95% of its total capital stock. This authorization was endorsed on September 28, 2007, at the Company's public offering.

Restrictions imposed by the Mexican Foreign Investment Law (Ley Federal de Inversion Extranjera) and the Mexican Federal Telecommunications Law (Ley Federal de Telecomunicaciones) in connection with foreign participation in the telecommunication sector were eliminated on June 12, 2013, by a reform to the Mexican Constitution.

On April 20, 2012, by means of resolutions adopted by the General Ordinary Shareholders Meetings, the shareholders approved the reclassification of the additional paid in capital for the amount of $817,054 million to the accumulated losses of the Company and the corresponding decrease of the accumulative losses.

On October 2, 2013, Maxcom held a General Ordinary Shareholders' Meeting that approved among other things, a capital increase of up to 3,102,540,883 Series "A" Shares. Derived from this capital increase, as of December 31, 2013, 2,276,629,697 Series "A" Shares were subscribed and paid. The remaining Series "A" shares will be kept in the treasury of the Company. Additionally, the General Ordinary Shareholder´s Meeting held on October 2, 2013, also approved the issuance of 210,000,000 Series "A" Shares to be kept in the treasury of the Company, so that the Company may perform its obligations from futures stock options plans for directors, executives and employees of the Company.

The amount that was contributed by the new shareholders and the general public was around of Ps.1,566 million (represented 1,619,700,751 shares Series A common stock. In addition, the chairman of the board approved the assignment of assign another shares, this event contributed with Ps.613 million (represented by 634,273,267 shares Series A common stock). In connection with the terms of the Plan Maxcom offered to holder of its Step-Up Senior Notes equity subscription rights, pursuant to which such holders exchanged U.S.$2.1 million dollar aggregate principal amount of the Step-Up Senior Notes for 22,655,679 newly issued shares of its Series A common stock (in the form of CPOs and ADRs). The exchanged Step-Up Senior Notes were cancelled.

The capital increase of 2,276,629,697 Series "A" shares mentioned above was subscribed and paid as follows:

- 1,619,700,751 Series "A" Shares on October 2013;
- 634,273,267 Series "A" Shares during November 2013;
- 22,655,679 Series "A" Shares on December 9, 2013.

As of December 31, 2013 and 2012 the shares fully paid and subscribed representative of the Company's capital stock are nominative, with no par value and were comprised as shown below:

Series and Class of Shares	Capital increase					
	December 31, 2012	Shares - stock soption plan from January to September 2013 (Note 21)	October 2013	November 2013	December 2013	December 31, 2013
Series "A" Class I (fixed portion)	1,528,827					1,528,827
Series "A" Class II (variable portion)	788,290,002	19,921,098	1,619,700,751	634,273,267	22,655,679	3,084,840,797
Subtotal	789,818,829	19,921,098	1,619,700,751	634,273,267	22,655,679	3,086,369,624
Total authorized shares (treasury shares)	25,800,000	(19,921,098)	1,686,961,230	(634,273,267)	(22,655,679)	1,035,911,186
Total authorized Series "A" shares	815,618,829	-	3,306,661,981	-	-	4,122,280,810
Capital stock	$ 4,814,428	$ 15,076	$ 1,583,603	$ 593,626	$ 21,900	$ 7,028,634

On October, 2013, the following movements in the treasury shares are as follows:

Authorized shares	3,102,540,883
Old treasury shares cancellation	(5,878,902)
Capital stock increase (subscribed and paid)	(1,619,700,751)
Stock option plan	210,000,000
Total	1,686,961,230

At the moment of the new recapitalization process, the Company cancelled the authorized outstanding treasury shares for about 5,878,901 shares. All the options in the money related to the employee programs and to the officers and directors programs were exercised before the cancellation.

In the event of a reduction to the capital stock or to the share subscription premium any surplus of the amount reimbursed over the balances of the accounts of contributed capital, a tax equivalent to 30% shall be incurred, when paid in the future. The tax incurred shall be paid by the Company and may be credited against the Income Tax for the fiscal year, or the Income Tax for the two immediately following fiscal years.

Stockholders restrictions -

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock.

In October 2013 the Chamber of Senators and Representatives approved the issuance of a new Law on Income Tax (Income Tax Law) which came into force on January 1, 2014. Among other things, this Act sets a tax of 10% by the profits generated as of 2014 to dividends paid to foreign residents and Mexican individuals, it also states that for the years 2001-2013, the net taxable profit is determined in terms of the Income Tax Law in force in the fiscal year concerned.

Dividends paid are not subject to income tax if paid from the net tax profit account (CUFIN by its Spanish acronym) and, will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the reinvested vet tax profit account. Any dividends paid in excess of this account will cause a tax equivalent to 42.869%if they are paid on 2014. The current tax is payable by the Company and may be credited against its income tax in the same year or the following two years or in its case against the Flat tax of the period. Dividends paid coming from profits previously taxed by income tax are not subject to tax withholding or additional tax payment.

During periods of 2013 and 2012, the Company didn't distributed dividends.

In the event of a capital reduction, the provisions of the Income Tax Law arrange any excess of Stockholders' equity over capital contributions, is accounted with the same tax treatment as dividends.

As of December 31, 2013 and 2012, the balances of the stockholders' equity tax account (CUCA by its Spanish acronym) were $6,415,705 and $6,170,727, respectively.

Note 21 - Stock based compensation:

On April 20, 2012, by means of resolutions adopted at our General Extraordinary and Ordinary Shareholders Meetings, our shareholders ratified a new executive incentive plan and the compensation or emoluments awarded to directors and members of our different committees and approved a capital increase through the issuance of 25,800,000 Series A shares to be held in treasury. The plan was composed of part cash payment and a part stock options. As of December 31, 2013, directors, officers and employees have exercised 20,926,698 Series A Shares. As of September 30, all in the money options were excerciced. No additional options were granted after this date, all the available options not granted were canceled after the restructuring process.

On September, 2011, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders ratified the Executive Incentive Program. In this case a portion of the payments is awarded through shares, as described below:

- Incentive Program.

a. The yearly incentive goal, which may be given to the Company's officers and employees who are eligible under the scope of the Executive Incentive Program, is to reward management for reach the budgeted EBITDA for 2011, 2012 and 2013 through a variable incentive program short-term (annual) and medium term (three-year).

b. The minimum requirement for the incentives to be awarded is 85% of budgeted EBITDA for the company. A lower EBITDA generated no beneficiaries entitled to receive payment of the incentive plan.

   It is also necessary to maintain minimum cash and a ratio of EBITDA to Debt at the end of each year. Lower values for the minimum amount of cash or debt ratio higher do not generate bonus payments.

c. The amount of the yearly incentive is based on the monthly salary multiplied by a predefined factor.

d. The yearly incentive is divided into three parts:

   i. One part will be awarded through cash.

   ii. One part will be awarded through stock options in order to receive American Depositary Receipts (ADRs), Ordinary Certification Participates (CPOs) or any other instrument whose underlying values represent Maxcom's capital stock (exercise price $0.01).

   iii. One part will be awarded through stock options in order to receive ADR's, CPO's or any other instrument whose underlying values represent Maxcom's capital stock (exercise price average of the last 30 days).

On January, 2010, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders compensation awarded to the Directors and Committee members of the Company's different committees. In this case a portion of the payments is awarded through shares, as described below:

- Compensation for Directors and Committee members.

  a. Directors and Committee members will receive each year options to purchase up to $120 in the form of CPOs, with the exception of the Chairman of the Board who will receive each year options to purchase up to $240 in the form of CPOs.

  b. The Chairman of the Committee will receive each year options to purchase up to $180 in the form of CPOs.

The fair value of options for services rendered was determined using a binomial valuation model applying the Black & Scholes method.

The cost for the years ended December 31, 2013 and 2012 was of $1,812, and $3,592, respectively. The compensation cost of the stock option for Directors and options for executives are recognized in shorter periods, because it corresponds to the payment of emoluments and performance bonds and its "fair value" is 0.12 dollars.

The breakdown of the options granted and their vesting periods for the year ended December 31, 2013 and 2012 are described below:

	December 31, 2013			December 31, 2012		
	New option plans for employees	Options to counselors and executive plans	Total	New option plans for employees	Options to counselors and executive plans	Total
Options granted past years	16,044,015	6,792,963	22,836,978	3,056,460	9,520,524	12,576,984
Granted during the year	-	962,400	962,400	15,009,315	2,900,400	17,909,715
Options exercised in year	(15,122,265)	(4,798,833)	(19,921,098)	(1,886,400)	-	(1,886,400)
Options cancelled	(921,750)	(2,956,530)	(3,878,280)	(2,021,760)	(5,627,961)	(7,649,721)
Total options granted	-	-	-	14,157,615	6,792,963	20,950,578

	December 31, 2013	December 31, 2012
Options authorized	$ -	$ 38,830,459
Options granted	-	(20,950,578)
Options available	$ -	$ 17,879,881

As of December 31, 2013 and 2012 changes in additional paid-in capital were as follows:

	December 31, 2013	December 31, 2012
Stock option plan cost	$ 1,812	$ 3,592

Note 22 - Costs and expenses by nature:

	2013	2012	2011
Interconnection	$ 936,198	$ 593,101	$ 571,577
Circuit leases	38,263	38,558	54,256
Voice	22,139	24,111	16,594
	996,600	655,770	642,427
Depreciation and amortization	585,789	559,268	648,595
Impairment (note 11)	560,132	-	-
Maintenance	48,981	53,359	32,204
Services - energy and water	43,880	37,696	36,445
Sites leases	36,923	36,597	36,735
Other	13,158	18,888	11,509
Disconnection cost	3,597	9,776	10,937
	$ 2,289,060	$ 1,371,354	$ 1,418,852

	2013	2012	2011
Selling, general and administrative expenses:			
Wages and salaries	$ 500,034	$ 466,381	$ 500,225
Fees	83,704	69,299	62,591
Allowance for doubtful accounts	129,301	65,824	153,888
Leases	39,790	46,316	38,692
Depreciation and amortization	15,732	17,297	20,060
Impairment (note 11)	18,125	-	-
Services - Energy and water	27,972	22,190	17,537
Others	93,246	29,601	22,611
	$ 907,904	$ 716,908	$ 815,604
Other expenses:			
Loss in disposal of telephone network systems and equipment and intangible assets	$ 277,479	$ 59,625	$ 72,477
Legal contingencies	44,715	23,999	22,732
Debt restructuring charges (note 3)	212,017	5,899	8,129
Labor contingencies (note 13)	12,363	-	-
Other	(6,539)	87,655	28,552
	$ 540,035	$ 177,178	$ 131,890

Note 23 - Finance costs:

	2013	2012	2011
Interest expense:			
- Step-up senior notes (note 15)	$ (6,200)	$ -	$ -
- Senior notes (note 15)	(197,383)	(309,501)	(301,239)
- Other interest	(9,603)	(29,450)	(17,193)
- Finance lease liabilities	(1,151)	(884)	(771)
- Loss on valuation of financial instruments (note 16)	(9,341)	(49,500)	95,174
- Foreign exchange losses	(46,570)	-	(320,854)
Total finance costs	(270,248)	(389,335)	(544,883)
Less: amounts capitalized on qualifying assets (note 11)	-	9,444	4,513
Finance cost net	(270,248)	(379,891)	(540,370)
Interest income:			
- Interest income on short-term bank deposits	18,340	5,779	2,748
- Gain on extinguishment debt	248,515	-	-
- Gain on repurchase of senior notes (note 15)	-	97,845	-
- Foreign exchange gain	-	219,927	-
Finance income net	266,855	323,551	2,748
Net finance costs	$ (3,393)	$ (56,340)	$ (537,622)

Note 24 - Earnings per share:

a Basic:

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Basic earnings per share is calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

	2013	2012	2011
Net loss and comprehensive loss for the year	$ (1,250,729)	$ (136,088)	$ (513,137)
Weighted average basic shares (thousands)	1,127,528	789,819	789,819
Loss and comprehensive loss per share:			
Basic loss per common share (pesos)	(1.11)	(0.17)	(0.65)

b Diluted:

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Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debt and share options. The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2013	2012	2011
Net loss and comprehensive loss for the year	$ (1,250,729)	$ (136,088)	$ (513,137)
Weighted average diluted shares (thousands)	1,127,528	799,013	812,882
Loss and comprehensive loss per share:			
Diluted loss per common share (pesos)	(1.11)	(0.17)	(0.63)

In January, 2014, the General Ordinary Shareholders meeting approved a capital stock increase (note 25).

Note 25 - Commitments and contingencies:

As of December 2013, the Company has the following commitments:

Commitments:

a. Operating lease agreements:

The Company maintains operating leases on buildings, sites, poles and office equipment. The Company recorded leasing expenses of $54,097, $82,898 and $81,109 for the years ended December 2013, 2012 and 2011, respectively. In the case of leases of some sites the contracts are agreed in dollars, the remainder are agreed in pesos.

The schedule for estimated future minimum operating lease payments is as follows:

2014	$ 62,493
2015	53,587
2016	43,218
2017	36,850
2018	8,761

b. Lease agreement for the building currently housing the Company's corporate offices.

On January 1, 2013, the Company renewed its corporate lease agreement with maturity date on December 31, 2017. The surface leased is 7,586 square meters. The Company recorded a lease expense of $33,685, $40,866 and $38,300 for the years ended December 31, 2013, 2012 and 2011, respectively. These contract are agreed in dollar.

The schedule for estimated future minimum lease agreement is as follows:

2014	$ 35,450
2015	36,863
2016	38,314
2017	39,831

c. Geographic expansion commitment:

The agreement amending the national concession agreement to install and operate a public telecommunications network in Mexico, entered into on December 2, 2004, sets forth a capacity installation program to handle a certain number of lines by the end of 2006, and sets forth a geographic expansion commitment up until 2014.

In order for the concession to remain in effect, the Company is required to comply with the capacity installation and geographic expansion commitment discussed above, among other conditions.

As of the date of issuance of the financial statements, said commitment was fully covered, with no future commitments remaining.

d. Commitment related to frequency rights:

As of December 31, 2013, the Company complied with its obligation to submit to the SCT the renewal of the surety bonds for the fiscal year 2012, as per the commitments and obligations set forth in the concessions.

e. Commitment pertaining to the sale of capacity:

i. In October 2003, the Company signed a contract for the sale of fiber optic capacity with Axtel, SA de C.V. in the amount of $36 million, of which $13.5 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $22.5 million as deferred income generated by the outstanding services provided. The amortization begins in January 2004 when the carrier begins to use the service; the term of this contract is 13 years. December 31, 2013 and 2012, deferred revenue amounted to $5.2 and $6.9 million respectively.

ii. In November 2007, the Company signed a contract for the sale of fiber optic capacity with Grupo de Telecomunicaciones Mexicanas in the amount of $23.9 million, of which $10.3 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $13.6 million as deferred income generated by the outstanding services provided. The amortization begins in October 2008 when the carrier begins to use the service; the term of this contract is 5 years. As of December 31, 2013 has not recognized deferred income and as of December 31, 2012, deferred revenue amounted to $2 million.

iii. In December 2008, the Company signed a contract for the sale of fiber optic capacity with Megacable in the amount of $36.2 million, of which $10.5 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $25.6 million as deferred income generated by the outstanding services provided. The amortization begins in April 2009 when the carrier begins to use the service; the term of this contract is 10 years. December 31, 2013 and 2012, deferred revenue amounted to $ 13.4 and $ 16 million respectively.

iv. In September 2009, the Company signed a contract for the sale of fiber optic capacity with Cablevision in the amount of $8.6 million, of which $ 2.3 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $ 6.3 million as deferred income generated by the outstanding services provided. The amortization begins in November 2009 when the carrier begins to use the service; the term of this contract is 10 years. December 31, 2013 and 2012, deferred revenue amounted to $ 3.6 and $ 4.2 million respectively.

v. In September 2013, the Company signed a contract for the sale of fiber optic capacity with Grupo de Telecomunicaciones Mexicanas in the amount of $24.9 million, of which $7.9 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $17 million as deferred income generated by the outstanding services provided by, amortization begins in November 2013 for the period of implementation; the term of this contract is 10 years. December 31, 2013, deferred revenue amounted to $16.7 million.

vi. In October 2013, the Company signed a contract for the sale of fiber optic capacity with Cablevision in the amount of $11.8 million, of which $7.3 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $4.5 million as deferred income generated by the outstanding services provided. The amortization begins in November 2013 when the carrier begins to use the service; the term of this contract is 10 years. December 31, 2013, deferred revenue amounted to $4.4 million.

vii. In June 2004, the Company signed a contract for the sale of fiber optic capacity with Mexico Red de Telecomunicaciones in the amount of $10.2 million, of which $ 3.3 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $ 6.9 million as deferred income generated by the outstanding services provided. The amortization begins in June and July 2013 when the carrier begins to use the service; the term of this contract is 9 years. December 31, 2013 and 2012, deferred revenue amounted to $ 0 and $ .447 million respectivelyviii In January 2007, the Company signed a contract for the sale of fiber optic capacity with Mexico Red de Telecomunicaciones in the amount of $ 1.8 million, of which $ .781 million were recognized at the time of sale as a prepaid for the implementation of infrastructure and $ 4.5 million as deferred income generated by the outstanding services provided. The amortization begins in January 2007 when the carrier begins to use the service; the term of this contract is 10 years. December 31, 2013 and 2012, deferred revenue amounted to $ .312 and $.416 million respectively.

viii. In January 2007, the Company signed a contract for the sale of fiber optic capacity with Operadora Cable de Occidente in the amount of $2.1 million, and $2.1 million as deferred income generated by the outstanding services provided. The amortization begins in January 2007; the term of this contract is 10 years. December 31, 2013 and 2012, deferred revenue amounted to $0.635 and $0.846 million respectively.

	Carrier	Amount of sales agreement	Prepaid charge	Revenue to been defer	Deferred revenue as of December 31, 2012	2013
i.	Axtel, S. A. de C. V.	36.0	13.5	22.5	6.9	5.2
ii.	Grupo de Telecomunicaciones Mexicanas	23.9	10.3	13.6	2.0	-
iii.	Megacable	36.2	10.6	25.6	16.0	13.5
iv.	Cablevision	8.6	2.4	6.3	4.3	3.7
v.	Grupo de Telecomunicaciones Mexicanas	25.0	7.9	17.0	-	16.8
vi.	Cablevision	11.8	7.4	4.5	-	4.4
vii.	Mexico Red de Telecomunicaciones	6.9	2.3	4.6	0.3	-
viii.	Mexico Red de Telecomunicaciones	3.4	1.1	2.3	0.1	-
viii.	Mexico Red de Telecomunicaciones	1.8	0.8	1.0	0.4	0.3
ix.	Operadora Cable de Occidente	2.1	-	2.1	0.8	0.6
	Total	155.7	56.3	99.5	30.8	44.5

Contingencies:

f. The Company is involved in a number of lawsuits and claims arising in the normal course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position and results of operations.

g. In accordance with Mexican tax law, the tax authorities are entitled to examine transactions carried out during the five years prior to the most recent income tax return filed.

h. In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

i. Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

j. The tax authorities are conducting a direct examination of certain Company operations. At December 31, 2013, this examination is still in progress. Management of the Company and their legal counsel do not anticipate that this examination will result in significant additional assessments.

k. The company is involved in some legal claims out of the normal course of business. A provision was recognized in the amount $44,715 and includes: a) commercial claim with the vendor Telred, S.A., and b) professional fees already provided with some law firms related to tax, labor and public telephony matters.

Note 26 - Subsequent events:

Impact of Foreign Currency Fluctuations

The peso–to–dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar–denominated obligations, including the notes due 2020. In order to diminish the negative effects of a peso devaluation, in January and March 2014, we entered into currency swap transactions with Morgan Stanley (France) SAA to minimize the exchange rate risks related to the coupon payments with respect to U.S.$99 million aggregate principal amount of the notes due 2020.

Capital Stock increase

In connection with the capital increase approved by the General Ordinary Shareholders Meeting dated October 2, 2013, during January 2014 the Chairman of the Board authorized the issuance of 51,722,031 Series "A" shares at a subscription price of $0.983333 Pesos per share representing a total of $50,860.

Sale of capacity

In January 2014, the Company signed a contract for the sale of the right of capacity use with Pegaso PCS, S.A. de C.V. in the amount of $134.5 million. The term of this contract is 4.5 years.

Telecom Reform

In March the new IFT issued rulings declaring America Movil and Grupo Televisa and certain of the subsidiaries of both companies as preponderant economic agents in the telecommunications and broadcasting industries, respectively and imposing both companies with specific asymmetrical regulations. It is still uncertain to determine the impact of such asymmetrical regulations in the telecommunications and broadcasting industries.

On March 24, 2014, the Mexican President submitted to the Mexican Congress a proposed telecommunications and broadcasting law that will implement the changes to the Mexican Constitution. This bill is under discussion in the Mexican Congress. It is still uncertain to determine the impact of such proposed bill to the telecommunications and broadcasting industries.

Note 27 - New accouting principles:

a. New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Company has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after January 1, 2013.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The Company has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to the IFRS 7, have been applied retrospectively. As the Company does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011), Separate Financial Statements and IAS 28 (as revised in 2011), Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Company has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is applicable only to separate financial statements of the Company.

The impact of the application of these standards is set out below:

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Company.

The application of the IFRS 10 has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The application of the IFRS 12 has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

IFRS 13, Fair Value Measurement

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2, Share-based Payment, leasing transactions that are within the scope of IAS 17, Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from January 1, 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Company has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IAS 19 Employee Benefits (as revised in 2011)

The Company applied IAS 19 Employee Benefits (as revised in 2011) since January 1, 2011 (date of transition).

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the ‘corridor approach’ permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a ‘net interest’ amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognized in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

b. New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

IFRS 9, Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7, Mandatory Effective Date of IFRS 9 and Transition Disclosures[2]
Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities[1]
Amendments to IAS 32, - Offsetting Financial Assets and Financial Liabilities[1]

[1] Effective for annual periods beginning on or after January 1, 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9, Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The Company's management anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The Company's management does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Company's consolidated financial statements.

México, D.F., a 20 de abril de 2016

INFORME DEL PRESIDENTE DEL COMITÉ DE AUDITORÍA

Al Consejo de Administración de
Maxcom Telecomunicaciones, S.A.B. de C.V.

P r e s e n t e

Estimados señores Consejeros:

De conformidad con lo establecido en el artículo 43 de la Ley del Mercado de Valores y demás relativos de los estatutos sociales, el suscrito me permito presentarles el informe anual del comité de auditoría (el "Comité") de Maxcom Telecomunicaciones, S.A.B. de C.V., ("Maxcom" o la "Sociedad", indistintamente) por el ejercicio social concluido el 31 de diciembre de 2015.

Para la elaboración del presente informe se tomó en consideración la opinión de auditoría interna, así como el dictamen del auditor externo.

Durante el ejercicio social 2015, el Comité celebró cuatro sesiones que permitieron asegurar adecuado seguimiento de los acuerdos adoptados en el ejercicio de sus funciones. Asimismo, los miembros del Comité tuvieron una activa participación y han estado atentos al seguimiento de los acuerdos de las asambleas de accionistas y del consejo de administración, principalmente, a través de los informes y asuntos que se tratan en las sesiones del consejo y en las del Comité.

Las actividades y trabajos del Comité quedaron debidamente documentados en las actas que se levantaron con motivo de cada sesión, las cuales fueron revisadas y aprobadas oportunamente por los miembros del Comité.

Asimismo, durante el ejercicio social 2015 el Comité realizó, de manera enunciativa más no limitativa, las siguientes actividades:

a. Estado que guarda el sistema de control interno y auditoría interna de la sociedad y personas morales que ésta control.

Maxcom cuenta con un área de auditoría interna que reporta directamente al Comité, quien reviso y aprobó su programa de trabajo para el año 2015 y conoció los informes periódicos sobre las actividades de ésta área. El sistema de control interno y el área de auditoría interna cumplen con lo necesario para que Maxcom desarrolle sus actividades en un ambiente de control.

Durante el ejercicio 2015, se llevaron a cabo revisiones de seguimiento a los hallazgos de auditorías anteriores, los cuales abarcan los principales procesos de las áreas operativas y de tecnologías de la información ("TI"), sin encontrar desviaciones considerables que pongan en riesgo la operación y continuidad del negocio.

b. Medidas preventivas y correctivas implementadas relacionadas con el incumplimiento a los lineamientos y políticas de operación y de registro contable.

Durante el ejercicio 2015, no se presentaron casos de incumplimiento a los lineamientos y políticas de operación y de registro contable.

c. Evaluación del desempeño de la persona moral que otorgue los servicios de auditoría externa, así como del auditor externo encargado de ésta.

El Comité considera que la firma PricewaterhouseCoopers, S.C. ("PWC"), así como el auditor externo a cargo de la auditoría, durante el ejercicio social 2015 cumplieron con los requisitos necesarios de calidad profesional y cuentan con la independencia requerida conforme a las disposiciones legales aplicables

d. La descripción y valoración de los servicios adicionales o complementarios que, en su caso, proporcione la persona moral encargada de realizar la auditoría externa, así como los que otorguen los expertos independientes.

Durante el ejercicio 2015, no se proporcionaron servicios adicionales o complementarios por PWC ni por expertos independientes.

e. Principales resultados de las revisiones a los estados financieros de las Sociedad.

Durante 2015, el Comité revisó los estados financieros trimestrales no auditados de la Sociedad.

Asimismo, después de haber escuchado los comentarios del Auditor externo, quien es responsable de expresar su opinión sobre la razonabilidad de los estados financieros consolidados de la Sociedad y su conformidad con la aplicación de la normatividad aplicables, se recomendó al consejo de administración la aprobación de los estados financieros consolidados dictaminados de la Sociedad por el ejercicio social 2015.

f. Descripción y efectos de las modificaciones a las políticas contables aprobadas durante el periodo que cubra el informe.

Durante el ejercicio 2015, no se llevaron a cabo modificaciones a las políticas contables.

g. Medidas adoptadas con motivo de las observaciones que consideren relevantes, formuladas por accionistas, consejeros, directivos relevantes, empleados y, en general, de cualquier tercero, respecto de la contabilidad, controles internos y temas relacionados con la auditoría interna o externa.

Durante el ejercicio social 2015, no se recibieron observaciones formuladas por los accionistas, consejeros, directivos relevantes, empleados o terceros, respecto de la contabilidad, y temas de la auditoria interna o externa, ni se presentaron denuncias por irregularidades en la administración.

h. Seguimiento de los acuerdos de las asambleas de accionistas y del consejo de administración

Se dio seguimiento a los acuerdos de la asamblea de accionistas y del consejo de administración.

El Comité se ha cerciorado que la información financiera pública, tal como la que fue presentada trimestralmente al mercado de valores, se prepara siguiendo los mismos principios, procedimientos, criterios y prácticas contables empleados en la elaboración de la información anual. En todo momento tomamos en cuenta la opinión y observaciones que emitieron los auditores externos.

Con base en las revisiones y comentarios antes realizados el comité recomendó al consejo de administración de la Sociedad que los estados financieros auditados de Maxcom Telecomunicaciones, S.A.B. de C.V., por el ejercicio social concluido el 31 de diciembre de 2015 se sometan a la consideración de los accionistas de la Sociedad para su debida aprobación.

Atentamente,

Sr. Carlos Muriel Gaxiola
Presidente del Comité de Auditoría
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México, D.F., a 22 de abril de 2015

INFORME DEL PRESIDENTE DEL COMITÉ DE AUDITORÍA

Al Consejo de Administración de
Maxcom Telecomunicaciones, S.A.B. de C.V.

P r e s e n t e

Estimados señores Consejeros:

De conformidad con lo establecido en el artículo 43 de la Ley del Mercado de Valores y demás relativos de los estatutos sociales, el suscrito me permito presentarles el informe anual del comité de auditoría (el "Comité") de Maxcom Telecomunicaciones, S.A.B. de C.V., ("Maxcom" o la "Sociedad", indistintamente) por el ejercicio social concluido el 31 de diciembre de 2014.

Para la elaboración del presente informe se tomó en consideración la opinión de auditoría interna, así como el dictamen del auditor externo.

Durante el ejercicio social 2014, el Comité celebró cuatro sesiones que permitieron asegurar adecuado seguimiento de los acuerdos adoptados en el ejercicio de sus funciones. Asimismo, los miembros del Comité tuvieron una activa participación y han estado atentos al seguimiento de los acuerdos de las asambleas de accionistas y del consejo de administración, principalmente, a través de los informes y asuntos que se tratan en las sesiones del consejo y en las del Comité.

Las actividades y trabajos del Comité quedaron debidamente documentados en las actas que se levantaron con motivo de cada sesión, las cuales fueron revisadas y aprobadas oportunamente por los miembros del Comité.

Asimismo, durante el ejercicio social 2014 el Comité realizó, de manera enunciativa más no limitativa, las siguientes actividades:

a. Estado que guarda el sistema de control interno y auditoría interna de la sociedad y personas morales que ésta control.

Maxcom cuenta con un área de auditoría interna que reporta directamente al Comité, quien reviso y aprobó su programa de trabajo para el año 2014 y conoció los informes periódicos sobre las actividades de ésta área. El sistema de control interno y el área de auditoría interna cumplen con lo necesario para que Maxcom desarrolle sus actividades en un ambiente de control.

Durante el ejercicio 2014, se llevaron a cabo revisiones de seguimiento a los hallazgos de auditorías anteriores, los cuales abarcan los principales procesos de las áreas operativas y

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de tecnologías de la información ("TI"), sin encontrar desviaciones considerables que pongan en riesgo la operación y continuidad del negocio.

Durante el 2014, se trabajó en un plan de remediación basado en controles manuales, que permitió finalizar el año con un ambiente de control adecuado que mitiga razonablemente los riesgos relacionados a la debilidad material en el control interno sobre la información financiera notificada en el 2013.

b. Medidas preventivas y correctivas implementadas relacionadas con el incumplimiento a los lineamientos y políticas de operación y de registro contable.

Durante el ejercicio 2014, no se presentaron casos de incumplimiento a los lineamientos y políticas de operación y de registro contable.

c. Evaluación del desempeño de la persona moral que otorgue los servicios de auditoría externa, así como del auditor externo encargado de ésta.

El Comité considera que la firma PricewaterhouseCoopers, S.C. ("PWC"), así como el auditor externo a cargo de la auditoria, durante el ejercicio social 2014 cumplieron con los requisitos necesarios de calidad profesional y cuentan con la independencia requerida conforme a las disposiciones legales aplicables

d. La descripción y valoración de los servicios adicionales o complementarios que, en su caso, proporcione la persona moral encargada de realizar la auditoría externa, así como los que otorguen los expertos independientes.

Durante el ejercicio 2014, no se proporcionaron servicios adicionales o complementarios por PWC ni por expertos independientes.

e. Principales resultados de las revisiones a los estados financieros de las Sociedad.

Durante 2014, el Comité revisó los estados financieros trimestrales no auditados de la Sociedad.

Asimismo, después de haber escuchado los comentarios del Auditor externo, quien es responsable de expresar su opinión sobre la razonabilidad de los estados financieros consolidados de la Sociedad y su conformidad con la aplicación de la normatividad aplicables, se recomendó al consejo de administración la aprobación de los estados financieros consolidados dictaminados de la Sociedad por el ejercicio social 2014.

f. Descripción y efectos de las modificaciones a las políticas contables aprobadas durante el periodo que cubra el informe.

Durante el ejercicio 2014, no se llevaron a cabo modificaciones a las políticas contables.

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g. Medidas adoptadas con motivo de las observaciones que consideren relevantes, formuladas por accionistas, consejeros, directivos relevantes, empleados y, en general, de cualquier tercero, respecto de la contabilidad, controles internos y temas relacionados con la auditoría interna o externa.

Durante el ejercicio social 2014, no se recibieron observaciones formuladas por los accionistas, consejeros, directivos relevantes, empleados o terceros, respecto de la contabilidad, y temas de la auditoria interna o externa, ni se presentaron denuncias por irregularidades en la administración.

h. Seguimiento de los acuerdos de las asambleas de accionistas y del consejo de administración

Se dio seguimiento a los acuerdos de la asamblea de accionistas y del consejo de administración.

El Comité se ha cerciorado que la información financiera pública, tal como la que fue presentada trimestralmente al mercado de valores, se prepara siguiendo los mismos principios, procedimientos, criterios y prácticas contables empleados en la elaboración de la información anual. En todo momento tomamos en cuenta la opinión y observaciones que emitieron los auditores externos.

Con base en las revisiones y comentarios antes realizados el comité recomendó al consejo de administración de la Sociedad que los estados financieros auditados de Maxcom Telecomunicaciones, S.A.B. de C.V., por el ejercicio social concluido el 31 de diciembre de 2014 se sometan a la consideración de los accionistas de la Sociedad para su debida aprobación.

Atentamente,

Sr. Carlos Muriel Gaxiola
Presidente del Comité de Auditoría
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INFORME DEL
COMITÉ DE AUDITORÍA

Al Consejo de Administración de
Maxcom Telecomunicaciones, S.A.B. de C.V.

P r e s e n t e

Estimados señores Consejeros:

De conformidad con lo establecido en el artículo 43 de la Ley del Mercado de Valores y demás relativos de los Estatutos Sociales, el suscrito me permito someter a su consideración el presente informe de operaciones y actividades realizadas por el comité de auditoría ("Comité") de Maxcom Telecomunicaciones, S.A.B. de C.V., ("Maxcom" o la "Sociedad", indistintamente) durante el ejercicio social concluido el 31 de diciembre de 2013.

Como es de su conocimiento, en octubre de 2013, se conluyo (i) la oferta pública de adquisición realizada tanto en México como en Estados Unidos, con lo cual un grupo de inversionistas asesorados por Ventura Capital Privado, S.A. de C.V., adquieren el 44.69% de las acciones de Maxcom, (ii) el procedimiento concursal voluntario al amparo del Capitulo 11 de la Ley de Quiebras de los Estados Unidos de América (Chapter 11) de Maxcom y (iii) la reestructura de la deuda de la Sociedad.

Derivado de lo anterior, se llevaron a cabo los siguientes eventos corporativos en Maxcom:

- Se aprobó un aumento de capital por la cantidad de Ps.2,999 millones representados por 3,102,540,883 acciones Serie "A" Clase II. Derivado de este ejercicio, se suscribieron y pagaron 2,306,587,085 acciones Serie "A" Clase II, representando Ps.2,230 millones de aportación de capital.

- Se designó a Dr. Enrique Ibarra Anaya como nuevo Director General.

- Se designó a los nuevos miembros del consejo de administración.

- Se designó a los nuevos miembros del comité de auditoria y del comité de prácticas societarias.

- Se designó a PricewaterhouseCoopers, S.C., como auditor externo.

De acuerdo a la información que nos fue proporcionada por los anteriores miembros del Comité respecto de los tres primeros trimestres del 2013, y las actividades realizadas por los actuales miembros del Comité en el último trimestre de 2013, se informa lo siguiente:

Durante el ejercicio social 2013 se llevaron a cabo las siguientes actividades:

a) La administración nos informo que identificó una debilidad material en el control interno de Maxcom sobre la información financiera relativa a ciertos aspectos de los procesos de ingresos y de interconexión, tales como el control en el acceso a los sistemas, procedimientos de respaldo y capacidad de sistemas y las políticas y procedimientos de seguridad, que podrían tener un efecto material adverso en la Sociedad. La administración nos informó que ha puesto en marcha un plan de remediación diseñado para abordar esta debilidad material.

b) Se revisó en conjunto con el auditor externo, PricewaterhouseCoopers, S.C. ("PWC"), los estados financieros consolidados auditados de la Sociedad correspondientes al ejercicio social concluido el 31 de diciembre de 2013. Dicha revisión incluyó el análisis y la aprobación de políticas, procedimientos y prácticas contables de la Sociedad y sus subsidiarias, incluyendo los mecanismos, internos y externos, que garanticen el cumplimiento con las leyes y reglamentos que le son aplicables a la Sociedad, así como el cumplimiento a las diversas condiciones derivadas de los títulos de concesión con los que cuenta ésta.

c) Se evaluó el desempeño del auditor externo de la Sociedad, quien es responsable de expresar su opinión sobre la razonabilidad de los estados financieros de la Sociedad, la conformidad de éstos con las Normas de Información Financiera aplicables en México o NIFs y se consideró que el auditor externo, responsable de la auditoría de Maxcom, cumple con los requisitos necesarios de calidad profesional y cuenta con la independencia de acción, intelectual y económica, requerida para realizar la función que le ha sido encomendada.

d) Se revisaron los servicios adicionales o complementarios al de auditoría prestados por los auditores externos y al efecto nos aseguramos que dichos servicios no constituyeran un impedimento a su independencia o conflicto de interés, en función de la relevancia que el resultado del servicio prestado pudiera tener en los estados financieros al 31 de diciembre de 2013.

e) Se verifico la adecuada elaboración y presentación de la información financiera de la Sociedad, corroborando que la misma fue clara, precisa y en cumplimiento de las Normas de Información Financiera aplicables en México o NIFs que resultan aplicables.

f) Después de haber escuchado los comentarios del Auditor externo, quien es responsable de expresar su opinión sobre la razonabilidad de los estados financieros consolidados de la Sociedad y su conformidad con la aplicación de la normatividad aplicables, se recomendó la aprobación de los estados financieros consolidados de la Sociedad por el ejercicio social 2013.

g) No se recibieron observaciones formuladas por los accionistas, consejeros, directivos relevantes, empleados o terceros, respecto de la contabilidad, y temas de la auditoria interna o externa, ni se presentaron denuncias por irregularidades en la administración.

h) Se dio seguimiento a los acuerdos de la asamblea de accionistas y del consejo de administración.

El Comité se ha cerciorado que la información financiera pública, tal como la que fue presentada trimestralmente a los mercados de valores tanto nacionales como internacionales, se prepara siguiendo los mismos principios, procedimientos, criterios y prácticas contables empleados en la elaboración de la información anual. En todo momento tomamos en cuenta la opinión y observaciones que emitieron los auditores externos.

Con base en las revisiones y comentarios antes realizados el comité recomendó al consejo de administración de la Sociedad que los estados financieros auditados de Maxcom Telecomunicaciones, S.A.B. de C.V. y subsidiarias por el ejercicio social concluido el 31 de diciembre de 2013 se sometan a la consideración de los accionistas de la Sociedad para su debida aprobación.

Atentamente,

Sr. Carlos Muriel Gaxiola
Presidente del
Comité de Auditoria

***

20 años maxcom

BOLSA MEXICANA DE VALORES
PRESENTE

Asunto: Entrega de Reporte Anual de Maxcom Telecomunicaciones, S.A.B. de C.V.

ARMANDO JORGE RIVERO LAING, en nombre y representación de **MAXCOM TELECOMUNICACIONES, S.A.B. DE C.V.,** personalidad que tengo debidamente ante esa Bolsa Mexicana de Valores, señalando como domicilio para oír y recibir toda clase de notificaciones el ubicado en G. González Camarena No. 2000, Col. Santa Fe Centro Ciudad, C.P. 01376 en la Ciudad de México, teléfono 4770-1882 y 4770-1006, y autorizando para efectuar los trámites que sean necesarios con relación al presente asunto, así como para oír y recibir toda clase de notificaciones y documentos a los señores Rodrigo Wright Castro, Yoshio Nagamatsu López, Erika Pintos Gutiérrez y Sofía Carstens Carstens, respetuosamente comparecemos y exponemos:

En cumplimiento con lo dispuesto en la Ley del Mercado de Valores y en las Disposiciones de Carácter General Aplicables a Emisoras de Valores y a Otros Participantes del Mercado de Valores, nos permitimos adjuntar al presente escrito el Reporte Anual de Maxcom Telecomunicaciones, S.A.B. de C.V. por el año 2015.

Por lo anteriormente expuesto a esa Bolsa Mexicana de Valores, atentamente solicitamos se sirva:

UNICO. Tener por presentado en tiempo y forma el Reporte Anual de Maxcom Telecomunicaciones, S.A.B. de C.V., por el año 2015.

Ciudad de México, a 29 de abril de 2016.
MAXCOM TELECOMUNICACIONES, S.A.B. DE C.V.

Nombre: Armando Jorge Rivero Laing
Cargo: Apoderado

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