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

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December 31, 2015 and 2014

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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

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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

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*Net from deferred tax.

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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, 2015	%	December 31, 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	Telecommunications 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	Telecommunications 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				
Cost	Frequency rights	Software licenses	Use rights	Pipes rights	Fiber rights	Brand rights	Total
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				
Accumulated amortization and impairment losses	Frequency rights	Software licenses	Use rights	Pipes rights	Fiber rights	Brand rights	Total
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	Deferred revenue as of December 31, 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.

2018

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

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VP of Finance