MEGACABLE®

CONECTIVITY SOLUTIONS ON THE DIGITAL ERA

ANNUAL REPORT

2015

CONTENTS

RELEVANT DATA

Consolidated Financial Statements (at December 31)	2013	2014	2015	2014 vs 2015
Income	10,279	11,476	14,557	27%
Cost of Service	2,979	3,355	4,805	43%
Operating Expenses	4,295	4,980	5,836	
EBITDA	4,350	4,807	5,836	21%
EBITDA Margin	43.2%	41.9%	40.1%	
Adjusted EBITDA	4,217	4,569	5,461	20%
Adjusted EBITDA Margin	44.3%	44.0%	44.5%	
Net Profit	1,941	2,478	3,124	26%
Total Assets	22,096	25,354	29,010	14%
Cash and cash equivalents	2,607	4,007	2,804	-30%
Total Liabilities	6,615	7,327	8,710	19%
Total Stockholders' equity	15,481	18,026	20,180	12%

Operating Results (At December 31, 2015)	2013	2014	2015	2014 vs 2015
Homes Passed	6,573,832	7,174,272	7,487,165	4.4%
Network Kilometers	46,958	49,107	51,509	4.9%
Two-way Network Percentage	97%	98%	98%	
Cable Television Subscribers	2,143,773	2,406,050	2,834,151	17.8%
Digital Cable Subscribers	1,324,096	1,648,599	2,042,579	23.9%
Penetration Rate of Households/Homes Passed	32.6%	33.5%	37.9%	
HSD Broadband Subscribers	950,705	1,330,614	1,830,966	37.6%
Penetration Rate/Cable Television Subscribers	44.30%	55.30%	64.60%	
Telephony Subscribers	577,539	721,442	896,316	24.2%
Penetration Rate/Cable Television Subscribers	26.9%	30.0%	31.6%	
Unique Subscribers	2,250,484	2,560,273	3,050,322	19.1%
Revenue Generating Units	3,672,017	4,458,106	5,561,433	24.7%
RGUs per Unique Subscriber	1.63	1.74	1.82	4.6%

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS TO THE GENERAL OR DINARY STOCKHOLDERS' MEETING

2015 was a year of great challenges for our country and the sector in which we operate. The Telecommunications Reform has enabled greater and better competition. At **Megacable**, we have known how to take advantage of this opportunity and thus accelerate our **growth and profitability** and consolidate ourselves as the best option in fixed telecommunications.

Throughout the year, and in order to maintain excellent levels of efficiency in the operation, we invested more than **Ps. 3,765 million** in our network expansion and modernization process.

At **Megacable**, we know how to get ahead of our customers' needs and requirements. Now we offer products that meet their needs at the right price and with a service quality that makes ours the offer that adds the **greatest value in the market**.

Our income and revenue generating units (**RGUs**) once again recorded double-digit **growth**. We are certain that this trend will continue and the Company will go on strengthening its operation in the different segments. Our Internet segment also maintained extraordinary growth rates. The offer of service, speed and price are the main characteristics that keep us as one of the main players in the market.

In terms of **Pay-TV**, **"Next Generation Video"** is our main innovation venture in cable television services. It offers television in multiple devices with set time space or places to watch your favorite programs. Megacable may offer its customers options other those existing, thus achieving greater interactivity and the satisfaction of particular needs.

In the telephony caption, we launched an app to **make and receive call from your fixed line on your cell phone** with the same infrastructure and services already enjoyed by customers. This results in savings on cell phone lines for local and long-distance calls, increased subscribers' comfort and convenience by being able to use a single terminal for all their telephony.

In the business segment, we also maintained a **firm and accelerated growth** through **MetroCarrier**, **MCM**, **Ho1a and PCTV**. We see significant growth in the small- and medium-sized business (**PYMES**) and micro-business segments. The governmental bids wons in **2015** have enabled us to increase our revenue volumes and position ourselves as a leader in the sector. The business segment continues to grow significantly and currently represents **18%** of our revenue.

It is also important to mention that the operating and financial results achieved during the year have brought with them a satisfactory share performance. At year-end **2015**, the **CPO** closed at at a price of **Ps. 64.19**, a figure that represents annual performance of **12%**,

Moreover, at **Megacable**, we are committed to society. By promoting and driving, through **sponsorships**, technological, cultural, sports and recreation activities in all the communities where we operate, the Company fosters outdoor exercise and **family sharing** in various pastimes such as cycling, marathons, baseball and football tournaments, to mention a few. We also maintain links with the Mexican Social Security Institute (IMSS) to run vaccination campaigns and health brigades that implement preventive actions for diabetes, obesity and other conditions.

Our commitment to the environment represents another of the areas covered by our corporate social responsibility. The assurance of the final disposal of obsolete equipment and the **treatment of "electronic trash"**. We have also adopted different practices that help to reduce carbon dioxide emissions, reductions in paper use, increased care of water and the correct disposal of waste, among other measures. Some of the initiatives we are currently implementing are: **The Paperless process policy**, the use of energy-saving light bulbs, the replacement of air conditioning equipment for more efficient units and the renewal and maintenance of our fleet of vehicles to reduce its environmental impact.

Another priority social aspect for our organization is the improvement of the working conditions for our employee, thereby increasing productivity and thus enabling better-paid jobs that will result in lower turnover rates and a more productive workforce, generating a virtuous circle. In this regard, the Company is continually improving its training programs and implementing new technological tools to make the performance of their functions agile.

Also and with the purpose of improving and maintaining the quality of life for our employees, the Company offers benefits over and above the legal minimums. As part of its talent attraction process, the Company exercises **non-discrimination policies in terms of gender, religion, socio-economic level or any other factor**. Internally, the Company offers equal opportunities to employees for their professional development and growth.

Monthly, **Megacable** holds informative meetings with its operative staff in order to **communicate projects, plans, operating results, performance and seniority awards, etc**. **Megacable** constantly circulates its Business **Values** and **Practices**, such as : Honesty, Transparency Service Attitude, Collaboration and Respect.

Finally, I would like to comment that at **Megacable** we will continue to invest and innovate in new products of the highest quality, which is an element of the greatest value for our customers. We have the **talent, financial strength and commitment** to maintain our rhythm of investment and growth to continue being the best option in telecommunications for our customers and the market in general.

Once again I thank you the trust you have placed in **Megacable**. I am fully convinced that the future will continue to bring **extraordinary results** for all.

Sincerely,

Francisco Javier R. Bours Castelo
Chairman of the Board of Directors

Manuel Urquijo Beltran
Secretary of the Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT TO THE ORDINARY GENERAL STOCKHOLDERS' MEETING OF MEGACABLE HOLDINGS S.A.B. DE C.V.

Dear Shareholders and Members of the Board of Directors:

2015 was an extraordinary period for **Megacable**; therefore, I take this opportunity to present to you the steps taken and the results obtained during this cycle.

All our services reflected performance above average in the industry. In **2015** alone, the number of Internet subscribers grew by **38%** en subscribers, whereas video and telephony users increased by **18%** and **24%**, respectively. These indicators reaffirm the clear upward trend we have been reporting in recent years and that allows us to be one of the three main competitors in the Mexican market.

The **RGU** (**revenue generating units**) continue to show a positive trend. We achieved an increase of **25%** in **RGUs**, which translates into **5,561,433.** Our subscribers alone registered a **19%** increase and their respective RGUs increased from **1.74** to **1.82**, which represents a **5%** improvement.

In order to improve our customer satisfaction indicators, in **2015** we implemented a change in the structure of this area, which also underwent a review and modification process of its procedures to simplify them, as well as to achieve a greater identification with and approach towards customers. In this regard, we engaged an consulting firm expert in quality issues, with which we completed a customer service transformation project focused entirely on direct contact areas. We implemented this effort in **18 of the Company' most important cities of operation**. Our commitment for **2016** is to replicate this model in all our operations locations.

In addition to these great actions and results, I must also mention the Operating Results by business unit:

VIDEO

In **2016**, we will launch our most innovative product: **Next Generation Video** that includes three interactive services.

Our **Video** segment has maintained double-digit annual growth, which is above market. In **2015**, the segment achieved a total of **2,834,151 subscribers**, which represents an increase of **18%** in comparison with **2014**. The average revenue per user **(ARPU)** was **Ps. 222.6.** Our revenue in this business unit increased by **11%** in the period.

The digitalization process continues to reflect healthy growth: in **2015**, it increased by **24%**; i.e., **393,980 more subscribers than in 2014**. At the end of the year, a total of **2 million** main digital decoders and approximately **2.3 million** additional boxes were installed.

Our goal for **2016** is to install **one million more** boxes and thus continue with the migration of our **SD**-channel users to **HD.** We currently offer **80 High Definition channels**; **10 more** in comparison with **2014**.

In **2016**, we will give a greater impetus to the digital video strategy with our most innovative product: **Next Generation Video**, which includes the **HD** channels and three interactive television services that provide better and greater interactivity, as well as being able to watch all the channels on any device at home, computer, tablet or cell phone.

INTERNET

Our objective in our **Internet** service is to provide the best offer in terms of speed and price. This characteristic has positioned us as one of the best providers with **1,830,966 subscribers**, **38%** more than last year, which means an increase in the segment's revenue of **39%** and an average income per subscriber of **Ps. 183.1.**

This business segment has been a driver in the contracting of most of our packages because this is the product in telecommunications industry that has grown the most in the market in recent years, not to mention the **price** and **stability** in the service we offer, which reflects the **experience** we have acquired over time.

The growth figures achieved in **2014** and **2015** were historical in the Internet market. In the coming year, we must continue to reflect net additions of similar subscribers.

TELEPHONY

Thanks to our sales strategy, **Megacable**'s telephony service has grown by **24%** in comparison with the prior year by reaching an total of **896,316 subscribers**. In this caption, we **increased** our revenues by **8%** and we increased our market share in telephony to **19%**, even though the industry in Mexico has only grown by **6%**.

Next year, we are betting on a similar growth in this segment with a new promotion that will meet the needs of our subscribers by attractively integrating the three services.

BUSINESS AND CORPORATE SEGMENT

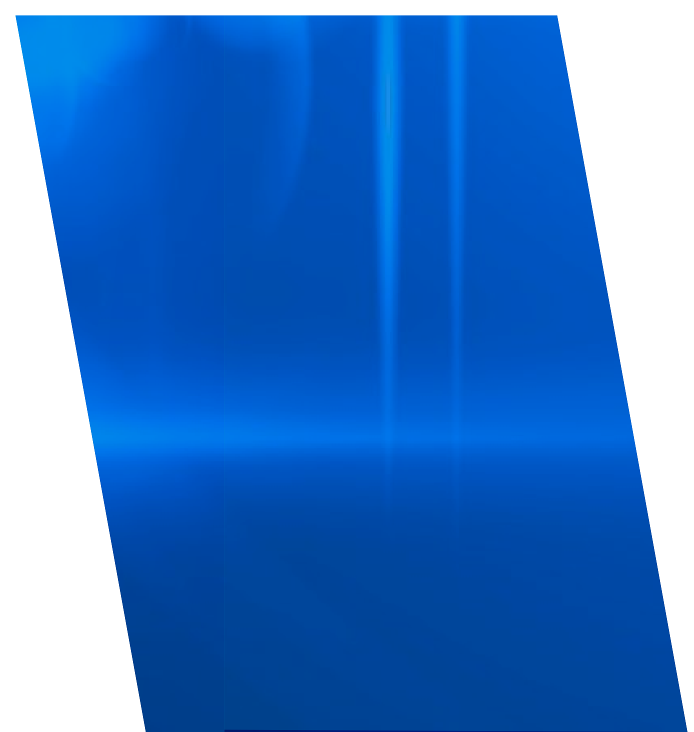
In the corporate market, we posted income of **Ps. 2,672 million** in the year; a **100%** growth. With these figures, we have achieved that this business unit currently represents **18%** of our total revenues. Micro-businesses represent a potential market in which we can grow even more. That is why we have implemented a special sales structure, the first results of which we will report in the coming quarters.

This year also represented an important change for MetroCarrier because it renewed its corporate image as part of its strategy to be recognized as a more state-of-the-art, innovative and dynamic company. Today it offers connectivity in **25 States of the Mexican Republic** through more than **71 thousand kilometers of fiber optic** and **coaxial cable** that forms a network with the latest-generation technology. In **2015**, it achieved a revenue growth of 60%, one of its most outstanding projects being with the Federal Government (**"Mexico Connected"**) that gained more than **30 thousand Internet sites**. New telecommunications solutions have also been developed and implemented, which will enable MetroCarrier to reach new business areas and customers, as well as to continue expanding its network and infrastructure.

INCOME

Thanks to the implementation of new strategies focused on customer service and the quality of the services we offered in **2015**, we achieved a growth of **27%** compared to **2014**, which represents income of **Ps. 14,557 million for services.**

Due to efficient management and administration of the Company's expenses, in terms of cable operations, the **EBITDA** margin was **44.5%**, whereas the Consolidated **EBITDA** margin was **40.1%,** reaching the amount of **Ps. 5,836 million**.



NET INCOME

Net income increased by **26%**, to reach the amount of **Ps. 3,124 million**. These results were achieved thanks to the improvements in our operation, the high level of acceptance of our Internet product, the significant growth of the corporate segment and the effects gained from the **Reform to the Telecommunications Law.**

BALANCE SHEET

Megacable's balance sheet shows great strength. In **2015**, we achieved an increase of **12%** in current assets, while total assets reached **Ps. 29,010 million**, which represented in increase of **14%**, due mainly to the increase in our investments both in our network and equipment for subscribers.

Short-term liabilities amounted to **Ps. 5,370 million**, **121%** above the figure reported in **2014**. This was due to the recognition of the syndicated loan, the increase of supplier leverage, and the Federal Electricity Commission (**CFE**) project.

Total liabilities closed at **Ps. 8,710 million**; i.e., **19%** more than the prior period. This increase is due to the acquisition of new bank loans applied mainly to the Federal Electricity Commission (**CFE**) project.

The Company's stockholders' equity showed satisfactory results. It achieved a growth of **13%**, resulting from the increase in retained earnings in the amount of **Ps. 2,130 million** or an increase of **15%.**

CAPITAL INVESTMENTS

In **2015**, our **CAPEX** investment recorded an increase of **60%** compared to the prior year, to reach an amount of **Ps. 3,765 million**. This investment has been allocated mainly to the construction of kilometers of network, the acquisition of terminal equipment for subscribers, both for the digitalization project and for the growth of Internet/telephony subscribers and the modernization of the Company's cable network.

The strategies have been changing in the same manner as the market. Today, our priority is greater investment in open, user-friendly technologies focused on providing services based on our subscribers' needs, which has made us more competitive in the market.

Our network currently covers more than **seven million homes** with and extension of **52 thousand kilometers**; figures that represent an increase of **4%** in terms of homes compared to the figures reported in **2014**. Even so, our capital investment ratio against the revenues in one of the lowest in the industry. On average, over the last three years this figure has been **22%,** which demonstrates our efficiency and enables us to generate a greater free cash flow.

STOCK MARKET PERFORMANCE

At December 31, 2015, the **CPO** price was **Ps. 64.19.** Earnings per share reached **Ps. 0.87**, equivalent to **Ps. 1.75 per CPO**, which represents an increase of **24%** compared to the figure reported in **2014.**

Megacable has a total of **1,721 million series "A" shares**, of which **1,719** are o**utstanding at December 31, 2015.**

Megacable has a free float of **35%** because the general investing public holds **600 million shares** through **300 million CPOs** (2 shares each).

OUR PEOPLE

For **Megacable**, it is of the utmost important to foster the personnel and professional development of all our employees because we know that their work is fundamental to the growth of the Company.

We have annual training, life and career plans that allow our human capital to grow in terms of knowledge, category and in turn, income. This year we achieved that our human and technical capital **increased** its **productivity** considerably by **10%,** which helped us to meet our objectives in **2015**. We ended the year with a total of **16,010 employees** and the creation of **1,533 new jobs.**

The quality of our services and on-going improvements to customer service have contributed to our growth. Today, we are one of the main players in the field of telecommunications in the country by creating value for our customers, suppliers and stockholders.

Sincerely,

Francisco Javier R. Bours Castelo
Chairman of the Board of Directors

Manuel Urquijo Beltran
Secretary of the Board of Directors

CORPORATE INFORMATION

Mission

To provide entertainment, telecommunications, logistical solutions, business and residential services that exceed customers' expectations.

Vision

To be the best telecommunications company in the country.

Values

- Honesty
- Commitment to work
- A Service Attitude
- Respect for people
- Efficiency in the Use of Resources
- Loyalty

OPERATIVE SCHEME

MEGACABLE

MCM TELECOM

ho1a

PCTV

METROCARRIER
COMUNICAMOS TU EMPRESA

BOARD OF DIRECTORS AND MANAGEMENT TEAM

The General Stockholders' Meeting appoints the members of the Board of Directors, which is currently composed of eleven members, 27% of whom are independent.

- **Francisco Javier Robinson Bours Castelo**
  Chairman of the Board
- **Enrique Yamuni Robles**
  Chief Executive Officer
- **Manuel Urquijo Beltran**
  Board Secretary
- **Sergio Jesus Mazon Rubio**
  Member
- **Jesus Enrique Robinson Bours Muñoz**
  Member
- **Juan Bours Martínez**
  Member
- **Arturo Bours Griffith**
  Member
- **Jose Gerardo Robinson Bours Castelo**
  Member
- **Mario Laborin Gomez**
  Independent Member
- **Nicolas Olea Osuna**
  Independent Member
- **Pablo Rion Santisteban**
  Independendet Member

BOARD OF DIRECTORS' COMMITTEES

The Company's Board of Directors has two committees:

BEST CORPORATE PRACTICES COMMITTEE

Composed of three independent members:

- **Nicolas Olea Osuna**
  Chairman
- **Mario Laborin Gomez**
  Member
- **Pablo Rion Santisteban**
  Member

AUDIT COMMITTEE

Composed of three independent members:

- **Pablo Rion Santisteban**
  Chairman
- **Mario Laborin Gomez**
  Member
- **Nicolas Olea Osuna**
  Member

MANAGEMENT TEAM

- **Enrique Yamuni Robles**
  Chief Executive Officer
- **Raymundo Fernandez Pendones**
  Joint General Director
- **Luis Antonio Zetter Zermeño**
  Administration and Finance Director

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

CONTENTS.

INDEPENDENT AUDITORS' REPORT

To the stockholders of Megacable Holdings, S. A. B. de C. V. and subsidiaries

We have audited the accompanying consolidated financial statements of Megacable Holdings, S. A. B. de C. V. and subsidiaries, which comprise the consolidated statement of financial position at December 31, 2015 and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management of the Company and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS, see note 2) and for the internal control structure considered by Management to be necessary to allow for ensuring that the consolidated financial statements are free of material misstatement due to fraud or errors.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in 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 internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Megacable Holdings, S. A. B. de C. V. and subsidiaries at December 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

C.P.C. F. Javier Alonso Rodríguez
Audit partner

Guadalajara, Jalisco, April 28, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

(Figures in thousands of pesos)	Note	At December 31 2015	At December 31 2014
CURRENT ASSETS:			
Cash and cash equivalents	2.5 and 5	$ 2,803,889	$ 4,006,989
Accounts receivable, net	2.7 and 6	1,715,710	739,073
Recoverable income tax		119,024	2,714
Value added tax and others		932,285	502,726
Inventories	2.11 and 7	465,357	154,273
Total current assets		**6,036,265**	**5,405,775**
Properties, networks and equipment, net	2.12 and 9	17,649,831	14,398,758
Goodwill	2.13 and10	4,378,397	4,378,397
Other intangible assets, net	2.13 and 11	62,838	165,709
Related parties	24	635,776	660,757
Investments in shares of joint business	2.2 and 8	-	-
Deferred taxes on profits	2.18 and 19	172,044	265,653
Other assets		75,228	77,753
Total noncurrent assets		**22,974,114**	**19,947,027**
		$ 29,010,379	**$ 25,352,802**
Liabilities and stockholders' equity			
CURRENT LIABILITIES:			
Short-term portion of long-term notes payable		$ 15,994	$ 27,505
Bank loans	2.16 and 13	2,172,026	605,488
Suppliers	2.15	1,502,731	934,681
Related parties	24	130,459	113,740
Income taxes	2.18 and 19	606,829	-
Other accounts payable	2.15 and 14	942,407	704,222
Total current liabilities		**5,370,446**	**2,385,636**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	(Figures in thousands of pesos) Note	At December 31 2015	2014
LONG-TERM LIABILITIES			
Long-term documents payable		28,915	4,501
Bank loans	2.16 and 13	1,015,858	2,181,693
Related parties	24	660,010	644,711
Employee benefits	2.19 and 15	193,482	159,847
Income taxes	2.18 and 19	-	606,829
Deferred taxes on profits	2.18 and 19	1,441,604	1,343,427
Total long term liabilities		**3,339,869**	**4,941,008**
Total liabilities		**8,710,315**	**7,326,644**
STOCKHOLDERS' EQUITY			
Capital stock	2.20 and 17	910,244	910,244
Net premium on placement of shares	2.20 and 17	2,117,560	2,117,560
Retained earnings	2.20 and 17	15,728,266	13,583,902
Reserve for the repurchase of shares	2.20 and 17	225,897	257,514
Legal reserve	2.20 and 17	488,832	488,832
Total stockholders' equity - controlling portion		19,470,799	17,358,052
Non-controlling portion		829,265	668,106
Total stockholders' equity		**20,300,064**	**18,026,158**
Total liabilities and stockholders' equity		**$ 29,010,379**	**$ 25,352,802**

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

Lic. Enrique Yamuni Robles
CEO

C.P. Luis Antonio Zetter Zermeño
CFO

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME DECEMBER 31, 2015 AND 2014

	(Figures in thousands of pesos) Note	At December 31 2015	2014
Service income	2.22 and 26	$ 14,556,785	$ 11,475,762
Cost of services	20	6,552,016	4,873,775
Gross profit		8,004,769	6,601,987
Selling expenses	20	3,781,565	3,193,009
Administration expenses	20	306,798	268,263
		4,088,363	3,461,272
Other income - Net	21	152,397	106,772
Operating income		4,068,803	3,247,487
Financial income	22 and 24	164,720	162,943
Financial expenses	22	(242,201)	(200,189)
		(77,481)	(37,246)
Equity in the results of joint business	8	-	-
Profit before income taxes		3,991,322	3,210,241
Income taxes	2.18 and 19	(708,717)	(659,127)
Net profit for the period		3,282,605	2,551,114
Other comprehensive items:			
Items that will not subsequently be reclassified to income			
Actuarial profits and losses, net	15	2,918	(8,404)
Comprehensive income for the year		$ 3,285,523	$ 2,542,710
Comprehensive income attributable to:			
Owners of the controlling company		$ 3,124,364	$ 2,478,002
Owners of the non-controlling company		161,159	64,708
Earnings per basic and diluted share:			
Attributable earnings per common share of the controlling company	2.23 and 18	$ 1.82	$ 1.40
CPO income	2.23 and 18	$ 3.64	$ 2.80

The accompanying notes are an integral part of these financial statements

Lic. Enrique Yamuni Robles
CEO

C.P. Luis Antonio Zetter Zermeño
CFO

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
DECEMBER 31, 2015 AND 2014

(Figures in thousands of pesos)

	Note	Capital stock	Net premium on placement of shares	Reserve for repurchase of shares	Retained earnings	Legal reserve	Total stockholder' equity controlling interest	Npn- controlling interest	Total stockholders' equity
Balance at January 1, 2014		$ 910,244	$ 2,117,560	$ 255,552	$ 11,105,900	$ 488,832	$ 14,878,088	$ 603,398	$ 15,481,486
Transactions with stockholders:									
Net purchases of own shares	17			1,962			1,962		1,962
Total transactions with stockholders		910,244	2,117,560	257,514	11,105,900	488,832	14,880,050	603,398	15,483,448
Net income					2,486,406		2,486,406	64,708	2,551,114
Total other items of comprehensive income for the year					(8,404)		(8,404)		(8,404)
Comprehensive income					2,478,002		2,478,002	64,708	2,542,710
Balances at December 31, 2014		910,244	2,117,560	257,514	13,583,902	488,832	17,358,052	668,106	18,026,158
Transactions with stockholders									
Net sales of own shares	17			(31,617)			(31,617)		(31,617)
Dividends declared	17				(980,000)		(980,000)		(980,000)
Total transactions with stockholders		910,244	2,117,560	225,897	12,603,902	488,832	16,346,435	668,106	17,014,541
Net income					3,121,446		3,121,446	161,159	3,282,605
Total other items of comprehensive income for the year					2,918		2,918		2,918
Comprehensive income					3,124,364		3,124,364	161,159	3,285,523
Balance at December 31, 2015		$ 910,244	$ 2,117,560	$ 225,897	$ 15,728,266	$ 488,832	$ 19,470,799	$ 829,265	$ 20,300,064

The accompanying notes are an integral part of these financial statements

Lic. Enrique Yamuni Robles
CEO

C.P. Luis Antonio Zetter Zermeño
CFO

CONSOLIDATED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2015 AND 2014

(Figures in thousands of pesos)

		At December 31	
	Note	2015	2014
Cash flows from operating activities:			
Profit before income taxes		$ 3,991,322	$ 3,210,241
Cost for the period of employee benefits	15	33,634	30,283
Bad debt reserve	20	8,669	56,892
Depreciation	9	1,795,880	1,429,910
Amortization	11	124,189	236,441
Profit (loss) on the sale of property, systems and equipment	21	26,524	(47,818)
Interest receivable	22	(164,720)	(162,943)
Allowance for obsolete inventories	20	3,112	-
Exchange fluctuation	22	(55,860)	97,597
Interest payable	22	140,518	127,553
		5,903,268	**4,978,156**
Changes in working capital:			
(Increase) decrease in accounts receivable and others	6	(956,122)	475,543
(Increase) decrease in recoverable income tax		(116,308)	42,293
Increase in value added tax and others		(429,559)	(326,821)
Increase (decrease) in related parties	24	103,163	(454,158)
(Increase) decrease in inventories	7	(314,196)	47,296
Decrease (increase) in other assets		2,524	(49,135)
(Decrease) increase in suppliers	2.15	600,060	160,001
Decrease in income tax payable		-	(209,550)
Increase in other accounts payable	14	556,766	207,277
		5,349,596	4,870,902
Paid taxes on profits		(774,112)	(717,322)
Net cash flows from operating activities		**4,575,484**	**4,153,580**

(Figures in thousands of pesos)

		At December 31	
	Note	2015	2014
Cash flows from investment activities:			
Interest collected	22	164,431	136,135
Loan to related parties	24	52,137	114,114
Amounts collected on loans to related parties	24	(76,676)	(132,574)
Acquisition of properties, networks and equipment	9	(5,100,001)	(3,033,557)
Acquisition of intangible assets	11	(27,834)	(31,479)
Acquisition of PCTV en 2014 net of cash acquired	1 y 25	-	(92,377)
Net cash flows used in investing activities		**(4,987,943)**	**(3,039,738)**
Cash flows from financing activities:			
Interest paid	22	(140,808)	(127,553)
Bank loans received	13	1,026,097	620,607
Bank loans paid	13	(637,008)	(52,851)
Financial leasing paid	16	(21,626)	(170,726)
Dividend payment	17	(980,000)	-
Sale of own shares	17	69,270	1,962
Purchase of own shares	17	(100,887)	-
Net cash flows used in (arising from) investing activities		**(784,962)**	**271,439**
(Decrease) increase in cash and cash equivalents		(1,197,421)	1,385,281
Cash and cash equivalents at beginning of year		4,006,989	2,607,164
Exchange fluctuations of cash and cash equivalents		(5,679)	14,544
Cash and cash equivalents at end of year		$ 2,803,889	$ 4,006,989

At December 31, 2013 and 2014, acquisitions totaled $118,899 and $94,275, respectively, related to networks and equipment not requiring the use of cash, as they were acquired through financial leasing.

The accompanying notes are an integral part of these financial statements

Lic. Enrique Yamuni Robles
CEO

C.P. Luis Antonio Zetter Zermeño
CFO

(Figures stated in thousands of pesos, unless otherwise indicated)

NOTE 1 - GROUP REPORTING:

When these notes make reference to Megacable Holdings, S. A. B. de C. V and its subsidiary Mega Cable, S. A. de C. V. (Mega Cable), the term Group is used. The Group is directly controlled by the Mazon family, represented by Mr. Francisco Javier R. Bours Castelo Mazon and the trust managed by Nacional Financiera, S.N.C. Institución de Banca de Desarrollo, which holds 99%. The subsidiary Mega Cable is the holding company for a group of companies engaged in the installation, operation, maintenance and exploitation of telephone, Internet and television cable signal distribution systems, as well as providing business solutions for the business segment. The Group is registered at the Mexican Stock Exchange and is active in more than 25 states in Mexico. The Group has determined that its regular operating cycle is to be from January 1 to December 31 of each year.

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

In 2014, the Group acquired 53% of Productora y Comercializadora de Televisión, S. A. de C. V. (Grupo PCTV), a company engaged in the purchase and sale of domestic and international television signals, the sale of television ads and advertising space, the production and coproduction of programs and the purchase of transmission rights to films, television series and cartoons for its own channels or for sale to cable television systems within Mexico. See Note 25.

The accompanying consolidated financial statements show Group figures (see Note 2.2), including those for joint ventures and associates (see Note 25) at December 31, 2015 and 2014, in which the Company exercises significant influence and control, respectively.

The 2014 Telecommunications amendments

The June 11, 2013 Official Gazette carried the Decree which requires Congress to issue a Legal Ordinance regulating the use and exploitation of the radio-electric spectrum, telecommunications networks and the rendering of radio broadcasting and telecommunications services as well as the rendering of radio broadcasting and telecommunications services.

The Federal Telecommunications Institute was created on September 10, 2013, and the July 14, 2014 Official Gazette carried the decree containing the Federal Telecommunications and Radio Broadcasting Law, which went into effect on August 13, 2014.

At the date of these consolidated financial statements, the most significant effects are the following:

Juridical-Regulatory Framework - Interconnection of networks with other operators 2015

1. Agreement P/IFT/EXT/191214/284 establishes the rates to be determined by the Federal Telecommunications Institute (IFT) for disagreements concerning interconnection between operators in 2015.

That agreement establishes the rates to be determined by the Federal Telecommunications Institute (IFT) for disagreements concerning interconnection between operators in 2015.

Operators other than the Predominant Operator

Item	Rate
For termination of local service to mobile users as per the "the caller pays" modality.	$ 0.2505MXN
For termination of short messages by mobile users	$ 0.0261MXN
For termination of local service used by fixed users	$ 0.004179MXN
In the case of the Predominant Economic Agent	
For organizing local service for fixed users	$ 0.005162MXN
For transit services	$ 0.006246MXN

There were disputes with the Telecomunicaciones operators listed below in 2015; the IFT resolved that the company was entitled to apply the above-mentioned rates.

*TELÉFONOS DE MÉXICO	
*TELÉFONOS DEL NOROESTE	$0.004179 from September 25 to December 31, 2015, by resolution P/IFT/250915/424 dated September 25, 2015.
*TELCEL	$0.004179 from August 12 to December 31, 2015, by resolution P/IFT/120815/374 dated August 12, 2015.
ALESTRA	$0.004179 from October 23 to December 31, 2015, by resolution P/IFT/231015/463 dated October 23, 2015.
AVANTEL	$0.004179 from December 16, 2015 to December 31, 2015, by Resolución IFT P/IFT/161215/598 dated December 16, 2015.
MAXCOM	$0.004179 from October 23, to December 31, 2015, by resolution P/IFT/231015/460 dated October 23, 2015.
NEXTEL	$0.004179 (fixed) and $0.2505 (mobile) from November 25 to December 31, 2015, by resolution P/IFT/251115/543 dated November 25, 2015.
MARCATEL	$0.004179 from September 25, to December 31, 2015, by Resolution P/IFT/250915/423, dated September 25, 2015.

On the basis if the new legal telecommunications framework, it was determined that TELMEX, TELNOR and TELCEL (jointly "The Predominant Agent) will not charge MEGA CABLE for call-ending services on the **Predominant Agent's** network as from August 13, 2014.

JURIDICAL-REGULATORY FRAMEWORK AND PREDOMINANCE.

In the terms of current legislation, TELEVISA and TV AZTECA will charge nothing for rebroadcasting their signals in coverage areas in which they are broadcast.

Under the Federal Telecommunications Law, as from January 1, 2015, there is no charge for long distance calls in Mexico, which now qualify as local calls. That has led to a 76% drop in profits from long-distance calls. However, it should be considered that in 2015 and 2014, that income accounted for 0.3% and 1.9% of overall income, respectively.

TELMEX infrastructure contracts have been signed which allow for the sharing of Posts, Wells, Towers, Ditches, Ducts and Channeling, Rights of Way, Sites, Land, Physical Spaces and special and auxiliary services, if the respective charges are paid. Services not yet available.

A wholesale service agreement has been signed for the leasing of TELMEX high-capacity links, subject to payment of the respective charges. Services not yet available.

TELMEX Interconnection Points (PDICs) have been determined. TELMEX is required to exchange all traffic with any dealer requesting that arrangement, through one or more interconnection points. Those PDICs I located in 198 communities for fixed telephones, 46 communities for mobile service and 11 communities for IP Internet protocol (October 2015 was the deadline for activating IP ports in Guadalajara, Mexico City and Monterrey; The remaining eight communities will be activated in February 2016). Once TELMEX activates IP Interconnection Points for MEGA CABLE, any dealer may request MEGA CABLE to activate ports for that interconnection modality.

JURIDICAL/REGULATORY FRAMEWORK - RELEVANT MATTERS APPLICABLE IN 2016.

The October 1, 2015 Official Gazette contained the rates in effect in 2016 for interconnection disagreements between operators in 2016..

Operators other than the Predominant Operator

Item	Rate
For termination of local service to mobile users as per the "the caller pays" modality.	$ 0.1869 MXN
For termination of short messages by mobile users	$ 0.0189 MXN
For termination of local service used by fixed users	$ 0.003088 MXM
In the case of the Predominant Economic Agent	
For organizing local service for fixed users	$ 0.003816 MXN
For transit services	$ 0.004608 MXN

According to the law, by July 15 of each year, dealers may request the IFT to issue interconnection rates applicable to the immediately following year.

The operators that have requested the IFT to issue interconnection rates for 2016 with MEGA CABLE are:

(i)TELMEX/TELNOR. (ii) TELCEL (iii) ALESTRA (iv) AXTEL (v) AVANTEL (vi) GTM (vii) PEGASO (viii) IUSACELL (ix) NEXTEL (x) MARCATEL.

The IFT is expected to determine the sole concession title, applicable throughout Mexico, effective for a term of up to 30 years, empowering holders to render any kind of technically feasible telecommunications service of which its infrastructure is capable (with the exception of those requiring the use of the radio electric spectrum) anywhere in Mexico. The model will establish the respective obligations, such as: Registering the services to be rendered, the information pertaining to passive and active infrastructure, transmission media and rights-of-way, coverage programs, investment, quality and coverage commitments, no discrimination; establishing and publishing its Code of Commercial Practices; refraining from transmitting information/programs affecting the sound development of children and teenagers; providing the IFT with information and allowing inspection of its facilities; submitting audited financial statements.

The IFT is also expected to issue guidelines on the protection of the rights of audiences.

The benefit received by the Group as a result of the amendments to the Telecommunications Law ar a decrease in cost in the "Call Traffic" account (see note 20), where TELMEX, the predominant supplier, no longer charges for its services, which accounted for a decrease of approximately 53%. That item represented 0.37% and 1% of overall costs for 2015 and 2014, respectively. In subsequent complete years, the benefit is expected to be approximately 55%. None of the other reforms had any particular impact in the 2015 period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

2.1 Bases for preparation

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

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

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

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2.1.1 Changes in accounting policies and disclosures

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

The following standards have been adopted for the first time by the Group for the period starting on January 1, 2015 and had no material effects on the Group's information:

- IFRS revisions - 2010-2012 and 2011-2013 cycles
- Defined benefit plans: Contributions - Amendments to IAS 19

Adoption of amendments made in the 2012-2014 cycle has required additional disclosures within our note on segments. Other than that, adoption of these amendments has had no impact in the current period or any preceding period and is unlikely to affect any future periods.

b. New standards, amendments to standards and interpretations there of issued but not yet mandatory thatwere not adopted by the Group.

A number of new rules, amendments and interpretations are effective for annual periods beginning as from January 1, 2015, and have not been applied when preparing these consolidated financial statements. None are expected to have a significant impact on the consolidated financial statements of the Group, with the exception of IFRS 15, the possible impact of which is now being considered by the Group.

Item	Key requirements	Effective date
Amendments to IFRS 11, "Joint agreements" with respect to the acquisition of an interest in a joint operation	The amendments to IFRS 11 explain accounting for the acquisition of an interest in joint businesses, where the operations qualify as a business. Investors are required to apply the accounting principles for business combinations when they acquire an interest in a joint business qualifying as a business This includes: • Mesouring assets and liabilities whose fair value can be determined • Recording acquisition costs in expenses. • Recognizing deferred tax and • Recognizing the residual as goodwill and conducting annual impairment tests. Existing interest in joint businesses is not remeasured upon acquisition of additional interest, as control is considered to be maintained. Amendments also apply when a joint business is created and an existing business is contributed.	January 1, 2016

Item	Key requirements	Effective date
Amendment to IFRS 9 Financial instruments	IFRS 9 replaces the classification and measurement models of IAS 39 "Financial instruments: Measurement and recognition" with a single model, which initially involves two classification categories: Amortized cost and fair value Debt assets are classified on the basis of the entity's business model for managing financial assets and the features of financial asset contractual cash flows. A debt instrument is measured at amortized cost if: a) the purpose of the business model is to maintain the financial asset for generating contractual cash flows, and b) the instrument's contractual cash flows merely represent payment of principal and interest. All other debt and capital instruments, including investments in complex debt and capital instruments, must be recorded at fair value. All movements in financial assets must be recorded in the statement of income, with the exception of capital instruments not held for sale, which may be recorded in the statement of income or under reserves (but may not be recycled to the statement of income). For financial liabilities measured at fair value, entities must record part of the changes in fair value arising from changes in the credit risk under other comprehensive income rather than in the statement of income. The new accounting rules for coverage (issued in December 2013) align accounting for coverage with common risk management practices. As a general rule, accounting for coverage will be easier to apply. The new rule also contains requirements for additional disclosures and changes in presentation. In December 2014, the IASB made additional changes to measurement and classification rules and introduced a new impairment model. With those amendments, the IFRS is now complete. The changes introduce:	January 1, 2018
Amendment to IFRS 15 "Revenue from contracts with clients"	• A third measurement category (fair value through OCI) for certain financial assets qualifying as capital instruments. • A new model of expected credit losses involving a three-stage focus, which means that financial assets go through all three stages when their credit rating changes. Stages specify how an entity measures impairment losses and applies the effective interest rate method. A simplified method is allowed for financial assets without a significant financial component (such as accounts receivable). In initial recognition, entities must record losses on day one, as well as expected credit losses over a period of 12 months (or the lifetime of expected credit losses on the accounts receivable), unless assets are considered to be impaired. The IASB issued a new rule for recognition of income. That rule replaces IAS 18, which covers product and service contracts and IAS 11, which covers construction contracts..	January 1, 2018

Item	Key requirements	Effective date
Amendment to IFRS 15 "Revenue from contracts with clients"	The new rule is based on the principle that income is recorded when control over the product or service is transferred to the client, which means that the concept of control replaces the current concept of risks and benefits. A five-step process must be applied before income can be recognized: • Contracts with clients must be identified. • The separate performance obligation must be identified. • The transaction price must be specified in the contract. • The price of the transactions involved in each performance obligation must be assigned and • Income must be recorded when each performance obligation is complied with. Key changes from current practices: • Any distinguishable package product or service must be separately recorded, and any discount or price reduction in the contract must be assigned to its particular element. • Income may be recorded prior to the current rules if the consideration varies for any reason (such as: incentives, reductions, performance charges, royalties, success results, etc.). Minimum amounts must be recorded if not at risk of reversal. • The point at which income can be recorded may vary. A portion of the income currently recorded at one point in time upon conclusion of a contract may have been recorded throughout the term of the contract and vice a versa. • There are specific rules for licenses, guarantees, non-reimbursable prepayments, consignment agreements, just to name a few. • As with any new rule, additional disclosures are required. Those accounting changes may affect business practices as concerns systems, processes and controls, bonus and compensation plans, contracts, tax planning and communication with investors. Entities may opt for full retroactive application or prospective application with additional disclosures. The Group is analyzing the possible impact of that rule.	January 1, 2018
Annual IFRS revisions to the 2012-2014 cycle	The most recent revisions explain the following: • IFRS 5 - When an asset (or group of available assets) is reclassified from "held for sale" to "held for distribution" or vice versa, that does not constitute a change in the sale or distribution plan and must not be accounted for as such. • IFRS 7 - Specific guidelines for transferred financial assets to assist management to determine whether the terms of the service agreement involve "continuous involvement" and the asset therefore qualifies for disposal. • IFRS 7 - Additional disclosures concerning compensation of financial assets and liabilities must only be included in interim periods if required by IAS 34. • NIC 19 - The currency to be used when determining the discount rate for post-employment benefit obligations is the currency in which liabilities are denominated, rather than the currency of the country in which they are generated. • IAS 34 - Explains the matter referred to as "information disclosed in another portion of the intermediate financial report" and requires the intermediate financial statements to be matched to the original location of that information.	January 1, 2016

Item	Key requirements	Effective date
Proposed disclosures Amendments to IAS 1	Amendments to IAS 1 "Presentation of the financial statements" are made in the context of IASB proposed disclosures, which deal with how financial statement disclosures can be improved. The amendments contain explanations of different problems, including: • Materiality - An entity must not join or set out information in such a way that it overshadows useful information. When items are material, sufficient information must be provided to explain the impact on the financial position or on performance. • Breakdowns and subtotals - The items mentioned in IAS 1 should perhaps be listed where they are relevant for an understanding of the entity's financial position or performance. There are also new guidelines on the use of subtotals. • Notes - It is confirmed that the notes need not be shown in any particular order. • OCI arising from investments accounted for under the equity method - The participation of OCI arising from investments accounted for under capital is grouped depending on whether or not the items are to be reclassified to income. Each group must be shown on on individual line in the statement of other comprehensive income. According to the transitory provisions, no disclosures in IAS 8 as concerns the adoption of new accounting rules/policies are required for these amendments.	January 1, 2016
Investments inentities: Applying the consolidation exception - Modifications to IFRS 10, IFRS 12 and IAS 28	The modifications to IFRS 10, "Consolidated financial statements" and IAS 28 "Investments in associates and joint businesses" explain that: • The exception concerning the requirement to prepare consolidated financial statements is also allowed for intermediate controlling companies that are subsidiaries of investment entities. • An investment entity must consolidate a subsidiary that is not an investment entity but is mainly engaged in rendering services in support of the investment operations of the investment entity. • Entities that are not investment entities but have an interest in an associate or joint business that is an investment entity have a policy option when applying the equity method. The fair value applied by the associate investment entity or joint business may be retained, or the associate or joint business can be consolidated, after which measurement of fair value would be adjusted. Early adoption of this standard is permitted.	1 de enero de 2016

Item	Key requirements	Effective date
IFRS 16 – Leases	• Leasing is an important financial solution used by many organizations, as it allows companies to make use of property, plant and equipment without the need for major cash outflow. • According to current rules, generally speaking, lessees record leasing transactions as operating leases (outside to the statement of financial position) or as financial leasing (in the statement of financial position). • The new rule requires all lessees to record almost all leases in the statement of financial position, which reflects the right to make use of an asset over a particular length of time and the liability pertaining to lease payments.	January 1, 2019

There are no other IFRS or IFRIC interpretations that are not yet in force and that are expected to have a material impact on the Group.

2.2 Consolidation

a) Subsidiary companies

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

Subsidiaries consolidate from the date on which the Group assumes control over them and cease to consolidate when said control is lost. The Group consolidates four companies in which it holds a 51% interest, which gives it control over those companies.

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

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

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

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

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

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

Company	Shareholding % At December 31, 2015	2014	Business purpose
Mega Cable	100.00	100.00	Holding company and leasing of infrastructure to subsidiaries..
Telefonía por Cable	99.99	99.99	Operations in the Sinaloa, Sonora, Occidente, Centro, Golfo, Chiapas, Comarca, Estado de México, León, Los Cabos systems, among others.
MCM Holding	99.99	99.99	Local telephone services in Mexico City, Guadalajara and Monterrey.
Liderazgo Empresarial en Tecnologías de la Información	51.00	51.00	Holding company - this company and its subsidiaries are engaged in the purchase and sale of communications services in Mexico City, Guadalajara, Monterrey and Cancun.
Productora y Comercializadora de Televisión	80.80	80.80	The purchase and sale of domestic and international television signals, the sale of ads and advertising space on television, and the production and co-production of programs.

Company	Shareholding % At December 31, 2015	2014	Business purpose
Myc Red	51.00	51.00	Operations in the Sahuayo and Jiquilpan, Michoacán cable systems
Tenedora Visión de México [1]	99.99	99.99	Holding Company
TV Cable del Golfo	99.99	99.99	Technical personnel service
Servicios Técnicos de Visión por Cable	99.99	99.99	Technical personnel service
Mega Ventas	99.99	99.99	Sales personnel service
Servicios de Administración y Operación	99.00	99.00	Administrative personnel services
Tele Asesores	99.00	99.00	Administrative personnel services
Entretenimiento Satelital	95.00	95.00	Operating of the "video rola" channel
Servicios Especiales Turandot	96.69	96.69	Leasing of equipment and infrastructure for providing telephone services.
Werther Administración Integral	96.69	96.69	Leasing of equipment and infrastructure for providing telephone services.
Corporativo de Comunicación y Redes de GDL	51.00	51.00	Leasing of equipment and infrastructure for providing cable, internet and telephone services.
Servicio y Equipo en Telefonía, Internet y Televisión	51.00	51.00	Holds the rights of subscribers of the Michoacán and Zacatecas systems, among others.

[1] Tenedora Visión de Mexico was incorporated on January 20, 2014 for an indefinite period and is engaged in holding the shares of the subsidiary Enlace Administrativo Asgard, S. A. de C. V., which holds fixed assets.

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

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

c) Disposal of subsidiaries

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

d) Joint agreements

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

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

Unrealized gains from transactions carried out between companies of the Group and their joint businesses are eliminated in proportion to the Group's interest in the joint business. Unrealized losses are also eliminated, unless the respective transaction provides evidence of impairment in the transferred assets. The accounting policies of the joint businesses have been modified to the extent necessary to ensure consistency with the policies adopted by the Group.

The Group, as well as Televisa and Telefónica, jointly invested in Grupo de Comunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC), to participate in the invitation to bids of the Federal Electricity Commission for the use and accessory use of a pair of dark optic fiber lines. See Note 24.

2.3 Financial information by segments

Operating segments are classified from the point of view of the information presented internally to the highest decision-making authority (Board of Directors) comprised of the CEO and other Directors (based at the Guadajara facilities), responsible for assigning resources and ensuring the performance of the operating segments. With respect to the periods shown in these consolidated financial statements, the Group has operated in the following four business segments: cable, Internet, digital telephony and others.

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

2.4 Foreing currency transactions and balances

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

The functional and the recording currency

In light of the fact that the posting, functional and reporting currency of the Company and its subsidiaries and associates are all the Mexican peso, no conversion was required.

2.5 Cash and cash equivalents

In the consolidated statement of cash flow, cash and cash equivalents include available cash, demand bank deposits, and other highly liquid short-term investments maturing at three months or sooner. In the (consolidated) statement of financial position, bank overdrafts are shown as loans under current liabilities. Short-term investments are made through banking institutions, which consist of low-risk, moderate-yield government debt instruments such as Treasury Certificates (CETES). At December 31, 2015 and 2014, these investments mature at 28 and 90 days. See Note 5.

2.6 Advanced payments:

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

2.7 Accounts receivable:

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

Accounts receivable are initially recognized at fair value and subsequently measured at their amortized cost,using the effective interest rate method, less the impairment reserve, if applicable. An impairment reserve is recognized when there is evidence that the Group will be unable to collect the total amount as per the original terms of the service agreement. The amount of the impairment reserve is the difference between the recognized book value and the estimated amount to be recovered. See Note 6.

2.8 Financial Assets

2.8.1 Classification

All the Group's financial assets are classified as loans and accounts receivable. Management classifies its financial assets in those categories at the time of initial recording, considering the purpose for which they were acquired.

Loans and accounts receivable are non-derivative financial assets allowing for fixed or determinable payments, which are not quoted in an active market. They are shown as current assets, except for those maturing in over 12 months as from the closing date of the period reported, which are classified as non-current assets. Loans and accounts receivable are shown in the following captions of the statement of financial position: "In cash and cash equivalents" (Note 2.5), "Accounts receivable, net" (Note 2.7) and "Related parties" (Note 24).

2.8.2 Recognition and measurement

The purchase and sale of financial assets is recorded on the negotiation date, which is the date on which the Group agrees to purchase or sell the asset. Financial assets are initially recognized at their fair value, plus related transaction costs. Financial assets are canceled when the right to receive the respective cash flows expires or is transferred and the Group has substantially transferred all the risks and benefits inherent in ownership. Loans and accounts receivable are subsequently recognized at amortized cost using the effective interest rate method.

2.9 Compensation of financial instruments

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

2.10 Impairment of financial assets valued at amortized cost.

At the end of every reporting year, the Group determines whether or not there is objective evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized only if there is objective evidence of impairment resulting from one or more events occurring after initial recognition of the asset (a "loss event") and provided the loss event or events have an impact on the estimated future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.

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

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

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

2.11 Inventories

Inventories are mainly comprised of consumable operating materials and certain spare parts used to ensure proper maintenance of the cable signal system (network) in the normal course of operations. The most important spare parts and permanent maintenance equipment the Group expects to use over more than one period and which can only be used in connection with a fixed asset component are recognized as part of property, networks and equipment.

Inventory is recorded at the lower of their acquisition cost and net realization value. The cost is determined by the average cost method. The net realization value is the selling price estimated in the normal course of operations, less the corresponding variable selling costs. See Note 7.

2.12 Property, networks and equipment:

Property, networks and equipment are stated at historical costs less depreciation. Historical cost includes expenses directly attributable to the acquisition of those items as well as the profit or loss arising from coverage of cash flows in foreign-currency due to the future acquisition of property, networks and equipment, which was recorded under other comprehensive income. See Note 9.

Costs related to an item incurred subsequent to initial recognition are capitalized as part of said item or a separate item, as applicable, only when they are likely to generate future economic benefits for the Group and the cost can be measured reliably. It should be mentioned that the Group builds some of its cable system networks and installations; internal costs, such as labor costs in construction projects, dismantling expenses, and directly related redistribution and adaptation expenses for the asset to be at a place and in the necessary operating conditions are capitalized, provided they generate future economic benefits. The book value of replaced components is canceled. Maintenance and repair expenses related to daily property, system and equipment servicing are recognized in the consolidated statement of income in the period in which they are incurred.

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

Description of Asset	Depreciation rate at 31-Dec-15	Depreciation rate at 31-Dec-14	Estimated useful life at 31-Dec-15	Estimated useful life at 31-Dec-14
Land	N/A	N/A	-	-
Buildings	2.5%	2.5%	40	40
Network and technical equipment for signal distribution				
Networks:	6.64%	6.64%	15	15
Converters	10.00%	10.00%	10	10
Equipment	6.65%	6.65%	15	15

Description of Asset	Depreciation rate at 31-Dec-15	Depreciation rate at 31-Dec-14	Estimated useful life at 31-Dec-15	Estimated useful life at 31-Dec-14
Cable modems	10.00%	10.00%	10	10
Laboratory equipment	7.11%	7.11%	14	14
Office furniture and equipment	5.67%	5.67%	18	18
Computer equipment	12.50%	12.50%	8	8
Transportation equipment	11.11%	11.11%	9	9
Leasehold improvements	5.67%	5.67%	18	18
Telecommunications equipment	5.67%	5.67%	18	18
Others				
Tools and equipment	8.33%	8.33%	12	12

At December 31, 2015 and 2014, there are no significant components requiring depreciation on a separate basis.

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

The value of property, networks and equipment is reviewed when there are signs of impairment in the value of said assets. When the recovery value, which is the greater between the selling price and the value in use (the present value of future cash flows) is below the net book value, the difference is recognized as an impairment loss. In the years ended at December 31, 2015 and 2014, there was no indication of impairment. See Note 2.14.

2.13 Intangible Assets

a) Goodwill

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

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

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

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

At December 31, 2015 and 2014, no impairment losses were recognized in goodwill. See Note 10.

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b) Customer base

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

c) Trademarks and patents

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

2.14 Impairment of non-financial assets

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

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

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

2.15 Suppliers and other accounts payable

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

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

2.16 Loans

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

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

2.17 Provisions

Provisions are recognized when the Group has a legal obligation, present or assumed, as a result of past events, when the use of cash flows will probably be required to settle the obligation and when the amount can be reliably estimated. At December 31, 2015 and 2014, there are no provisions.

2.18 Current and deferred taxes on income

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

The current charge for taxes on income is calculated on the basis of the tax laws in force or partially approved at the date of the consolidated statement of financial position. Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company subsequently recognizes the necessary provisions on the basis of the amounts it expects to pay to the tax authorities.

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

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

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

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

2.19 Employee benefits

a) Seniority premium

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

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

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

Past-service costs are immediately applied to income, unless the changes in the pension plan are subject to the employee continuing in service for a determined period of time (the period giving rise to the right). In that case, past-service costs are amortized by the straight-line method during the period giving rise to the right.

a) Defined benefit plans

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

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

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

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

Past service costs are recorded immediately in the statement of income

b) Pension plan

Defined contribution plan:

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

d) Employee's statutory profit sharing and bonuses

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

2.20 Capital stock

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

Common shares are classified as equity.

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

a) Net premium on the placement of shares

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

b) Legal reserve

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

c) The reserve for repurchase of shares

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

d) Option to buy associated companies

Once the Group had acquired 51% of the shares of some of the associated companies, a purchase option was established where minority shareholders are entitled to sell their shareholding in a term of ten years.

2.21 Leases

Leasing, in which a significant portion of the risks and benefits pertaining to ownership are retained by the lessor, is classified as operating leasing. Payments made under operating leasing (net of any incentive received from the lessor) are charged to the statement of income by the straight line method over the leasing period. At December 31, 2015 and 2014, the Group's operating leases correspond to commercial space used to provide the service, as well as to the rights to use the pole line (cabling) owned by the Federal Electricity Commission.

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

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

At December 31, 2015 and 2014, the Group's financial leasing mainly corresponds to the use of the optic fiber network on which payments are made to GTAC, a related party. See Note 16, point b.

2.22 Revenue recognition

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

Cable television signal services

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

Internet services

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

Digital telephone service

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

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

Income from the sale of communications systems is recorded in income when the income and benefits arising from the systems have been transferred to the purchaser and no significant control over those systems is retained.

Interconnections

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

Installation and reconnection

The Group recognizes income per main installation and reconnection based on the useful life of the subscriber, which is four years. However, the Group records that income on the basis of cash flows; it its impact is evaluated at each closing. At December 31, 2015 and 2014, the impact of recognition are not representative. Initial non-reimbursable income from installation and activation is recognized once the new subscriber has been activated.

Service income

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

The Group renders equipment supply services. The sales price of those services is determined as a fixed price agreed by the parties. Compliance terms for the parties involved in those contracts are shown in Note 6.

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

Interest

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

2.23 Earnings per share

Net earnings per share are calculated by dividing the net profit for the year attributable to the controlling interest by the weighted average of shares outstanding during the year. At December 31, 2015 and 2014, there are no components of diluted earnings; therefore, the profit per diluted share is neither calculated nor disclosed, as that is the same figure as the profit per share

2.24 Dividents declared

Dividends paid to Group shareholders are recorded in the consolidated financial statements as a liability for the period in which they are approved by the stockholders of the Group.

Note 3 - Financial risk management:

3.1 Financial risk factors

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

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

3.1.1. Market risk

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

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

i) Exchange risk

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

Management has established a policy requiring the Group's companies to manage the exchange risk in respect of the functional currency. Group companies must hedge their exposure to exchange risks through the Group's Treasury. The exchange risk arises when future commercial and financing transactions and the assets and liabilities recognized are entered into in a currency other than the entity's functional currency. At December 31, 2015 and 2014, the Group had contracted no hedging instruments against exchange risks.

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

If at December 31, 2015, the Mexican peso had revalued/devalued 10% in respect of the US dollar, the other variables would have remained constant and income for the year after taxes would have been $10,395 ($7,263 in 2014) higher/lower, mainly as a result of the gains/losses on conversion of bank loans and accounts payable to suppliers denominated in US dollars.

ii) Price risk

The Group is not exposed to price risks associated with the costs of the services it provides, as they are not subject to market indexes. In addition, prices of production materials acquired for providing the service in 2015 and 2014 showed no significant changes.

iii) Cash flow risk related to interest rates

For the Group, the interest rate risk arises from its long-term loans. Loans at variable rates expose the Group to the interest rate risk on cash flows, which is partially offset with cash held at variable rates.

The Group analyzes its exposure to interest rate risk dynamically. A number of different situations are simulated, taking into account positions in respect to financing, renewal of existing positions, alternative financing and hedging.

Based on these scenarios, the Group calculates the impact on the profit or loss arising from a defined movement in interest rates. In each simulation, the same defined movement is used in interest rates for all currencies. These simulations are conducted only in the case of obligations that represent the main interest-generating positions.

Based on the simulations performed, the after-tax impact on income of a 1% movement would generate a maximum increase of $25,262 ($21,291 in 2014) or a decrease of $26,491 ($20,866 in 2014), respectively. Simulations are prepared on a quarterly basis to verify that the maximum potential loss is within the limit established by Management.

3.1.2.Credit risk

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

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

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

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

Credit standing of financial assets	At December 31,	
	2015	2014
Accounts receivable		
Group 1	$ 1,540,644	$ 540,518
Group 2	14,220	75,740
Total accounts receivable from customers	**$ 1,554,864**	**$ 616,258**
Related parties		
Group 1	$ -	$ -
Group 2	635,776	660,757
Total related parties	**$ 635,776**	**$ 660,757**

Group 1 - New customers - existing customers/related parties (under six months).
Group 2 - Existing customers/related parties (over six months) with some defaults in the past.

Cash in banks and bank deposits Current:		
AAA	$ 2,803,889	$ 4,006,989

3.1.3. Liquidity risk

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

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

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

At December 31, 2015	Less than 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years
Documents payable	$ 15,527	$ 28,915	$	$
Interest on documents payable	467			
Bank loans	2,172,026	1,015,858		
Interest on bank loans	80,757	67,197		
Suppliers	1,502,731			
Related parties	130,459	132,782	448,088	79,140
Related-party interest		13,493	131,219	26,102
Other accounts payable	942,407			
	$ 4,844,374	**$ 1,258,245**	**$ 579,307**	**$ 105,242**

At December 31, 2015	Less than 1 year	From 1 to 2 years	From 2 to 5 years	More than 5 years
Documents payable	$ 27,505	$ 4,501	$	$
Interest on documents payable	1,364	446		
Bank loans	653,173	2,134,008		
Interest on bank loans	88,941	147,487		
Suppliers	934,681			
Related parties	113,740	134,503	483,982	169,692
Related-party interest		13,493	75,619	54,354
Other accounts payable	704,222			
	$ 2,523,626	**$ 2,434,438**	**$ 559,601**	**$ 224,046**

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

3.2.Capital risk management

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

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

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

In 2015, Group strategy, which remained unchanged since 2014, was to keep the leveraging ratio within the range of 0 to 3.00.

The credit rating in respect of the Group's ability to comply with its financial obligations has been maintained throughout the period. The leveraging ratio at December 31, 2015 and 2014 is as follows:

		At December 31,	
	Note	2015	2014
Total liabilities	13	$ 8,710,315	$ 7,326,644
Total stockholders' equity		20,300,064	18,026,158
Ratio (Note 13)		0.43	0.41

3.3. Estimation of fair value

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)..
- Assets and liabilities measured at fair value within this hierarchy are related parties receivable and payable and bank loans.
- Information other than quotation prices included in level 1 that can be confirmed for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices) (level 2).
- Information on the asset or liability not based on data that can be confirmed in active markets (unobservable information) (level 3).

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

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

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

Specific financial instrument valuation techniques include:

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

Assets and liabilities valued at amortized cost at December 31, 2015 and 2014 closely resemble fair value because their realization period is less than a year, except for those shown as long term, described in Notes 12, 13 and 24.

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

Note 4 - Critical accounting estimates and judgments:

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

4.1. Critical accounting estimates and judgments

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

4.1.1. Goverment concessions

The above-mentioned services are rendered via free concessions granted by the competent authorities in the regions mentioned in Note 26.3 mostly in a term of 30 years; there are also certain minor concessions for renewable 10-year terms.

At December 31, 2015 and 2014, some of the Group subsidiaries hold concessions for the installation and operation of the public telecommunications network for terms of approximately 30 and 10-years, renewable for similar periods on an indefinite basis, provided they are operated by the Group. Any concessions that have expired have been renewed. The entities holding concessions are: Mega Cable, Megacable Comunicaciones de México, Servicio y Equipo en Telefonía, Internet y TV and Myc Red. For accounting purposes, the Group has determined that those concessions do not fall within the scope of IFRIC 12, "Service concession agreements" because, among other aspects, the Government is regulating the rates and there is no residual value to be returned to the government.

The main features of the concessions are:

a. Generals

Purpose and services: The licensee is required to install, operate and exploit the Network and provide the services specified in the concession.

The services must be rendered through affiliates or subsidiaries, provided it can be demonstrated to the satisfaction of the authorities that said companies meet all financial, legal and technical requirements for providing the services.

The subscription or sale of shares: a list of its main stockholders and respective shareholding percentages must be presented to the SCT by April 30 each year.

A technical and legal representative must be appointed.

b. Provisions applicable to the services

Quality of the services: refers to the rendering of the services on an on-going and efficient basis.

Measurement and quality-control equipment: the licensee must make every effort to ensure the measuring accuracy and reliability of the equipment.

Code of commercial practices: the licensee must prepare a description of the services to be provided and the methodology for billing and applying the respective rates.

Emergency services: the licensee must submit an action plan to prevent the interruption of the services in the event of acts of God or force majeure.

Network modernization: the licensee must keep the network up to date by ensuring that the most recent technological advances are implemented.

c. Verification of information

Information: the licensee is required to deliver its company's audited financial statements within 150 calendar days following the close of the respective period.

Information on network installation: The licensee must report quarterly on progress made on the installation of the network.

Accounting information: the licensee is required to provide accounting information per service, region, function and the components of its network.

d. Commitments

For the first three or five years, the licensee agrees to use its own infrastructure to install each of the stages of the coverage program indicated in the concession title.

Term for service startup: the licensee must begin rendering the service referred to in the concession no later than 365 calendar days following the date on which the concession is issued; an extension is available for half of that period.

e. Renewal

According to the Company's concession titles for the installation, operation and exploitation of the network and providing telecommunications services, the term is 30 years as from the date on which the title is signed, but can be extended as per article 113 of the Federal Telecommunications Law ,which establishes that concessions for public telecommunications networks are granted for terms of up to 30 years and can be extended up to terms equal to those originally stipulated. In order for a concession term to be extended, the concessionaire must have complied with all the conditions set down in the concession to be extended, must request the extension before the beginning of the last fifth portion of the concession, and must accept the new conditions established by the Authorities in accordance with this Law and other applicable provisions. The IFT must resolve all pertinent matters within a term of 180 calendar days.

In this regard, at December 31, 2015, the Group's management intends to continue to renew its concessions as it has to date.

f. Guarantees

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

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

4.1.2. Impairment of estimated goodwill

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

In 2015 and 2014, none of the CGUs showed signs of impairment and the most sensitive variables in the calculations are the discount rate and the gross operating margin.

If the estimated cost of capital used to determine the before-tax discount rate for calculating the value in use had been 10% above the figure estimated, the group would not have recognized additional impairment of goodwill amounting to $679,799.

4.1.3. Taxes on income

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

Based on the simulations performed, the impact of a 5% movement on income after taxes would generate a maximum increase or decrease of $35,436 in 2015 ($32,956 in 2014). Simulations are run periodically to verify that the maximum potential loss is within the limit established by Management.

Determination of the final tax could be uncertain due to the complexity of certain transactions and the judgment required to handle them. When the final result of these situations differs from the amounts initially recorded, the differences impact the current or deferred income tax asset and liability in the period in which that fact is determined. At the 2015 and 2014 year-end closing, the Group has no significant uncertain tax positions.

4.1.4. Estimation for impairment of accounts receivable

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

If at December 31, 2015 and 2014, the impairment provision for accounts receivable had changed by 10% above or below that estimated by Management, the Group would have increased and/or decreased said provision by $20,743 and $19,875, respectively and operating income would have been affected and/or benefited by the same amount

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

The Company estimates the useful lies of its properties, networks and equipment in order to determine depreciation expense to be recorded during any reporting period. The useful life of an asset is calculated when the asset is acquired, based on past experience with similar assets, considering expected technological changes or changes of any other nature. If technological changes occur more quickly than expected or in a different manner than expected, the useful lives assigned to those assets might need to be shortened. This would make it necessary to recognize a greater depreciation and amortization expense in future periods. On the other hand, that type of technological change could result in recognition of a charge for impairment to reflect the drop in value of the assets. The Company reviews assets on an annual basis in order to determine whether they show signs of impairment, or when certain events or circumstances indicate that the book value may not be recovered throughout the remaining lifetime of the assets. If there are signs of impairment, the Company conducts a study to determine the value and use of those assets. At December 31, 2015 and 2014, there were no signs of impairment.

4.1.6. Pension plan benefits

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

The Group determines the best discount rate at the end of each year. The interest rate used to determine the present value of estimated future cash outflows expected to be required to settle pension plan obligations. At December 31, 2015 and 2014, the Group used the zero coupon government bond curve of 6.75% and 6.44%, respectively, as a reference for the discount rate

If the discount rate used at December 31, 2015 and 2014 had differed by 1% from that estimated by Management, the book value of pension plan obligations would have approximated $25,900 and $21,531, respectively.

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

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

Management considers that the Group exercises control with 51% of the voting shares. The Company is the majority stockholder with 51% of the shares, while other stockholders individually hold no more than 40% of the capital. There is no history of stockholders forming a group in order to exercise their vote jointly. The overall non-controlled interest for the period is $161,159.

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

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

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

The Board of Directors is mostly comprised of Group members and the remaining stockholders, for a 50% interest in that body. Likewise, the Group appoints the Chairman of the Board and the Treasurer. However, at stockholders' meetings, it continues to hold a majority of the votes (51%), which puts it in a position to decide on relevant operations of the subsidiaries without the need for the consent of the other parties. Decisions made at a stockholders' meeting are definitive and require no additional or subsequent approval of the Board of Directors, provided the percentage of interest remains unchanged.

Relevant totals of assets, liabilities and income consolidated by these subsidiaries are detailed in Note 8.

Note 5 - Cash and cash equivalents:

Cash and cash equivalents are described as follows:

	At December 31,	
	2015	**2014**
Cash on hand and in banks	$ 1,705,567	$ 2,485,404
Highly liquid investments	1,098,322	1,521,585
Total	**$ 2,803,889**	**$ 4,006,989**

At December 31, 2015 and 2014, the Group had no cash and cash equivalents subject to availability restrictions.

Note 6 - Accounts receivable - Net:

Accounts receivable are comprised as follows:

	At December 31, 2015	2014
Clients	$ 1,762,290	$ 815,015
Sundry debtors	65,707	45,246
	95,139	77,569
	1,923,136	937,830
Allowance for doubtful accounts receivable from costumers	(207,426)	(198,757)
Net Total	**$ 1,715,710**	**$ 739,073**

At December 31, 2015 and 2014, accounts receivable are generally fully in compliance with contractual terms

On December 23, 2014, one of the subsidiaries signed a contract with the Federal Electricity Commission (the CFE) for the installation of gauges in Mexico City (which involves withdrawal, supply and installation). At December 31, 2015, there is a $893,392 account receivable.

a) Following are the dates and values of the phases:

Phase	Starting date	Ending date	Contract value	% of installation at Dec 31-15
Phase # 6	December 23,2014	July 29-2016	USD$105,941,935	43%
Phase # 1	January 22, 2015	January 16, 2016	USD$4,577,435	90%
Phase # 5	January 21, 2015	January 15, 2016	USD$8,585,882	81%

b) Principal events of noncompliance and the contractor's contract rescission rights

- Suspending or abandoning installation for a period of more than 30 days.
- Failing to achieve any critical event in a period of 60 days
- Declaring bankruptcy
- Failing to handle installations as specified in the contract.
- Assigning collection rights stemming from the contract.

c) Critical events that can be penalized

- Suspending or abandoning installation for a period of more than 30 days.
- Failing to achieve any critical event in a period of 60 days.
- Declaring bankruptcy
- Failing to handle installations as specified in the contract.
- Assigning collection rights stemming from the contract.

d) If the Contractor fails to achieve any of the critical events subject to penalization within a period of 30 (hirty) days following the established date and/or fails to comply with any phase of a Measurement Assurance contract following the scheduled conclusion date as per the agreed execution schedule for reasons attributable to the Contractor, where noncompliance or delays do not arise from any act or omission of the CFE, from a CFE event of noncompliance or from acts of God or force majeure, the Parties agree that the Contractor is required to pay the CFE a conventional fine calculated as follows:

- Per critical event, the Contractor is required to pay the CFE a conventional fine, i.e., the amounts arrived at by multiplying the portion of the Contract Price of the Work in question by 0.5%, on the understanding that the maximum amount payable as per the clause concerning noncompliance with critical events is 2% of the Contract Price of the Work in question.
- For delays in completing Works, the Contractor is required to pay an amount in proportion to the number of days of delay in achieving conclusion of each of the Measurement Assurance Works.

At the date of issuance of the financial statements, phases 1 and 5 have been fully concluded and 52% of phase 6 has been installed at February 28, 2016.

Past-due but not impaired accounts receivable are related to a number of independent customers with no recent history of default. The aging analysis of accounts receivable balances is as follows:

	At December 31, 2015	2014
90 to 120 days	$ 41,145	$ 40,591
120 to 150 days	26,705	35,149
Total	**$ 67,850**	**$ 75,740**

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

Impaired accounts receivable correspond to customers facing an unexpected difficult economic situation or whose credit history has shown default. Estimates show that only a small portion of these accounts receivable will be recovered. Aging of those accounts receivable is as follows:

	At December 31, 2015	2014
Total (Over 180 days)	**$ 207,426**	**$ 198,757**

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

	At December 31, 2015	2014
Balance at beginning of year	$ 198,757	$ 141,865
Increase	8,669	56,892
Applications	-	-
Ending balance for the year	**$ 207,426**	**$ 198,757**

The increase in the estimation for doubtful accounts is included in operating expenses under "selling expenses" in the comprehensive statement of income (Note 20). Amounts charged to the provision are usually written off when there are no expectations of recovery of additional cash.

Other items of accounts receivable and other accounts receivable are not impaired

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

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

	At December 31, 2015	2014
US dollar (thousands)	**$ 7,951**	**$ 2,806**

Note 7 - Inventories:

Inventories are analyzed as follows:

	At December 31, 2015	2014
Operating materials and equipment	$ 421,078	$ 112,124
Inventory in transit	10,489	19,612
Advances to suppliers	33,790	22,537
	$ 465,357	**$ 154,273**

The cost of inventories recognized as expenses and included in "cost of services" totals $489,044 in 2015 ($369,621 in 2014).

Note 8 - Investment in shares of joint businesses and subsidiary companies:

The investment in shares of joint businesses and associated companies is comprised of the following companies:

Company	At December 31, 2015	2014	Business purpose
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (negocio conjunto)	33.33%	33.33%	Holds lincese to operate the dark fiber owned by Federal Electricity Commission

The capital stock of the following joint business consists only of ordinary shares, held directly by the Group.

The nature of the investment in joint businesses at December 31, 2015 and 2014.

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

Condensed statement of financial position

	Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. At December 31, 2015	2014
Current		
Cash and cash equivalents	$ 53,863	$ 97,606
Other current assets	192,076	78,983
Total current assets	245,939	176,589
Other current liabilities (including accounts Payable)	247,651	115,546
Total current liabilities	**247,651**	**115,546**
Long-term		
Assets	1,689,066	1,735,802
Other liabilities - Total liabilities	1,910,168	1,957,237
Net assets (liabilities)	($ 221,102)	($ 221,435)

Condensed statement of comprehensive income:

	At December 31, 2015	At December 31, 2014
Income	$ 160,643	$ 147,405
Depreciation and amortization	(1,574)	(1,597)
Expenses	(156,358)	(145,413)
Financial revenue	51,002	47,187
Financial expenses	(116,135)	(115,926)
Result of continuous operations	(62,422)	(68,344)
Taxes on income	-	14,393
Total comprehensive income	**($ 62,422)**	**($ 53,951)**
Dividends received	$ -	$ -

At December 31, 2015 and 2014, the result of recording the Group's joint business losses was that its investment was valued at zero. Unrecognized losses on its interest in GTAC at December 31, 2015 and 2014 totaled $20,599 and $17,804, respectively, and unrecognized accrued losses totaled $107,049 at December 31, 2015.

The principal subsidiaries with a 51% shareholding

The Group has the following subsidiaries (all S.A. de C. V., except Liderazgo Empresarial en Tecnologías de la Información, S. A.P. I. de C.V.) at December 31, 2015 and 2014.

Name	Country of incorporation and place of business	Type of business	Percentage of ordinary shares held by the holders	Percentage of ordinary shares held by the group	Percentage of ordinary shares held by by the noncontrolling portion(%)	Porcentage of preferential hares held by the Group (%)
Myc Red	Mexico	Cable system operator	51%	51%	49%	-
Servicio y Equipo en Telefonia, Internet y Television	Mexico	Cable system operator	51%	51%	49%	-
Corporativo de Comunicación y Redes de GDL	Mexico	Leasing for fixed assets	51%	51%	49%	-
Liderazgo Empresarial en Tecnologias de la Informacion	Mexico	Telephony communication system	51%	51%	49%	-

All subsidiary companies are included in the consolidation. The percentage of voting rights in the subsidiary companies held directly by the holding company is the same as the percentage of ordinary shares held.

Management considers that the Group holds control with 51% of the voting shares. The Company is the majority stockholder with 51% of the shares, while other stockholders individually hold no more than 40% of the capital. There is no history of stockholders forming a group in order to exercise their votes jointly. The overall non-controlling interest in 2015 and 2014 is $161,159 and $64,708, respectively.

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

Condensed statement of financial position

Name	Myc Red, S. A. de C.V. For the year ended December 31 2015	2014	Servicio y Equipo en Telefonía, Internet y Televisión, S.A. de C.V. For the year ended December 31 2015	2014
Short term				
Assets		$ 4,092	$ 74,894	$ 126,251
Liabilities	(9,288)	(8,926)	(594,878)	(563,546)
Total net short-term	(4,631)	(4,834)	(519,984)	(437,295)
Long term				
Assets	36,817	32,527	374,249	218,243
Liabilities	-	-	-	-
Total long-term net assets	36,817	32,527	374,249	218,243
Assets, net	**$ 32,186**	**$ 27,693**	**($ 145,735)**	**($ 219,052)**

Name	Corporativo de Comunicación Redes de GDL, S. A. de C.V. For the year ended December 31 2015	2014	Liderazgo Empresarial en Tecnologías de la Información, S.A.P.I. de C.V. For the year ended December 31 2015	2014
Short term				
Assets	$ 544,589	$ 444,194	$ 1,715,578	$ 312,143
Liabilities	-	-	(696,407)	(263,579)
Total net short-term assets	544,589	444,194	1,019,171	48,564

Name	Corporativo de Comunicación Redes de GDL, S. A. de C.V. For the year ended December 31 2015	2014	Liderazgo Empresarial en Tecnologías de la Información, S.A.P.I. de C.V. For the year ended December 31 2015	2014
Long term				
Assets	345,707	375,646	159,755	184,031
Liabilities	(63,451)	(49,003)	(1,046,810)	(148,665)
Total long-term net assets	282,256	326,643	(887,055)	35,366
Assets, net	**$ 826,845**	**$ 770,837**	**$ 132,116**	**$ 83,930**

Condensed statement of comprehensive income:

Name	Myc Red, S. A. de C.V. For the year ended December 31 2015	2014	Servicio y Equipo en Telefonía, Internet y Televisión, S.A. de C.V. For the year ended December 31 2015	2014
Income	$ 47,259	$ 44,690	$ 532,529	$ 513,901
Profit (loss) before taxes	5,081	(1,706)	103,277	13,012
Taxes on income (expense)	(588)	217	(31,897)	(3,695)
Total comprehensive income	**$ 4,493**	**($ 1,489)**	**$ 71,380**	**$ 9,317**

Name	Corporativo de Comunicación Redes de GDL, S. A. de C.V. For the year ended December 31 2015	2014	Liderazgo Empresarial en Tecnologías de la Información, S.A.P.I. de C.V. For the year ended December 31 2015	2014
Income	$ 96,000	$ 94,000	$ 1,229,617	$ 447,746
Pre-tax profits	70,456	67,179	71,356	3,153
Taxes on income expense	14,449	(14,061)	(23,171)	(1,845)
Total comprehensive income	**$ 56,007**	**$ 53,118**	**$ 45,186**	**$ 1,308**

Condensed statement of cash flow

Name	Myc Red, S. A. de C.V. For the year ended December 31 2015	2014	Servicio y Equipo en Telefonía, Internet y Televisión, S.A. de C.V. For the year ended December 31 2015	2014
Cash flows from operating activities				
Interest paid	$ 572	$ 765	$ 8,666	$ -
Taxes on income paid	-	-	(23,487)	(12,661)
Net cash arising from operating activities	9,103	(2,343)	169,044	235,947
Net cash used in investment activities	(8,480)	1,970	(181,421)	(65,361)
Net cash used in investment activities	54			(165,000)
Net increases (decreases) in cash and cash equivalents	677	(373)	(12,377)	5,586
Cash and cash equivalents at beginning of year	1,431	1,804	31,802	26,216
Cash and cash equivalents at end of year	**$ 2,108**	**$ 1,431**	**$ 19,425**	**$ 31,802**

Name	Corporativo de Comunicación Redes de GDL, S. A. de C.V. For the year ended December 31 2015	2014	Liderazgo Empresarial en Tecnologías de la Información, S.A.P.I. de C.V. For the year ended December 31 2015	2014
Cash flows from operating activities				
Interest paid	$ -	$ -	$ 13,958	$ 9,471
Taxes on income paid	-	-	(27,076)	(12,647)
Net cash arising from operating activities	(17,030)	(15,958)	(1,289,347)	(20,835)
Net cash used in investing activities	4,681	6,322	22,718	(9,991)
Cash used in investing activities			1,353,945	38,113

Name	Corporativo de Comunicación Redes de GDL, S. A. de C.V. For the year ended December 31		Liderazgo Empresarial en Tecnologías de la Información, S.A.P.I. de C.V. For the year ended December 31	
	2015	2014	2015	2014
Net (decreases)/increases in cash and cash equivalents	(12,349)	(9,636)	87,316	7,287
Cash and cash equivalents at beginning of year	124,039	133,675	7,626	339
Cash and cash equivalents at end of year	**$ 111,690**	**$ 124,039**	**$ 94,942**	**$ 7,626**

The above figures are prior to intercompany eliminations.

At December 31, 2015 and 2014, none of these subsidiaries had any contingent commitments or liabilities that could affect the figures.

Note 9 - Property, networks and equipment:

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

At December 31, 2015	Land	Buildings	Network & technical equip. for dist. and signal	Computer equipment office furniture & equipment	Transportation equipment	Leasehold improvements	Communic. equipment	Tools and equipment	Total
Net opening book balance	$ 89,777	$ 101,715	$ 12,890,453	$ 371,252	$ 322,473	$ 76,280	$ 12,345	$ 534,463	$ 14,398,758
AdditionsLeasing Financial (Note 16)			118,899						118,899
Additions	14,915	16,026	3,541,619	41,794	94,438	40,148	16,019	1,210,784	4,975,743
Disposals	(28)	(136)		(17)	(785)			(46,723)	(47,689)
Depreciation charge		(6,777)	(1,660,359)	(58,876)	(21,739)	(33,660)	(1,310)	(13,159)	(1,795,880)
Net closing book balance	**$ 104,664**	**$ 110,828**	**$ 14,890,612**	**$ 354,153**	**$ 394,387**	**$ 82,768**	**$ 27,054**	**$ 1,685,365**	**$ 17,649,831**
Cost	$ 104,664	$ 158,810	$ 24,393,992	$ 1,050,472	$ 611,195	$ 292,016	$ 40,808	$ 1,967,536	$ 28,619,493
Accumulated depreciation	-	(47,982)	(9,503,380)	(696,319)	(216,808)	(209,248)	(13,754)	(282,171)	(10,969,662)
Net book value	**$ 104,664**	**$ 110,828**	**$ 14,890,612**	**$ 354,153**	**$ 394,387**	**$ 82,768**	**$ 27,054**	**$ 1,685,365**	**$ 17,649,831**

At December 31, 2014	Land	Buildings	Network & technical equip. for dist. and signal	Computer equipment office furniture & equipment	Transportation equipment	Leasehold improvements	Communic. equipment	Tools and equipment	Total
Net opening book balance	$ 49,876	$ 84,728	$ 11,752,295	$ 165,868	$ 246,271	$ 70,640	$ 13,517	$ 102,710	$ 12,485,905
Business acquisitions (Note 25)	22,966	17,042	18,045	4,996	4,676	3,077		65,079	135,881
Acquisitions via financial Leasing (Note16)			94,275						94,275
Additions	16,935	28,863	2,242,571	293,239	132,134	26,751	161	392,929	3,133,583
Disposals					(20,976)				(20,976)
Depreciation charge		(28,918)	(1,216,733)	(92,851)	(39,632)	(24,188)	(1,333)	(26,255)	(1,429,910)
Net closing book balance	**$ 89,777**	**$ 101,715**	**$ 12,890,453**	**$ 371,252**	**$ 322,473**	**$ 76,280**	**$ 12,345**	**$ 534,463**	**$ 14,398,758**
Cost	$ 89,777	$ 142,920	$ 21,196,037	$ 1,008,695	$ 517,541	$ 251,868	$ 24,789	$ 615,090	$ 23,846,717
Accumulated depreciation	-	(41,205)	(8,305,584)	(637,443)	(195,068)	(175,588)	(12,444)	(80,627)	(9,447,959)
Net book value	**$ 89,777**	**$ 101,715**	**$ 12,890,453**	**$ 371,252**	**$ 322,473**	**$ 76,280**	**$ 12,345**	**$ 534,463**	**$ 14,398,758**

b.Depreciation expense for the periods ended December 31, 2015 totaled $1,795,880 ($1,429,910 in 2014), of which $1,623,013 ($1,262,444 in 2014) was recorded in cost of services and a $172,867 complement ($167,466 in 2014) was recorded under selling and administration expenses.

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

	At December 31,	
	2015	**2014**
Network and technical equipment for the distribution of signals, net	$ 969,645	$ 758,451

Note 10 - Goodwill:

Balance at Dec. 31, 2015:	Acotel [1]	TCO [2]	IMATEL	IRA	SIGETEL	Otros[3]	Total
Initial net balance	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1,073,402	$ 4,378,397
Ending net balance	**$ 2,296,815**	**$ 381,098**	**$ 331,811**	**$ 240,378**	**$ 54,893**	**$ 1,073,402**	**$ 4,378,397**
Cost	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1,073,402	$ 4,378,397
Accumulated Impairment	-	-	-	-	-	-	-
Net book value	**$ 2,296,815**	**$ 381,098**	**$ 331,811**	**$ 240,378**	**$ 54,893**	**$ 1,073,402**	**$ 4,378,397**

Balance at Dec. 31, 2014:	Acotel [1]	TCO [2]	IMATEL	IRA	SIGETEL	Otros[3]	Total
Initial net balance	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1,073,402	$ 4,378,397
Ending net balance	**$ 2,296,815**	**$ 381,098**	**$ 331,811**	**$ 240,378**	**$ 54,893**	**$ 1,073,402**	**$ 4,378,397**
Cost	$ 2,296,815	$ 381,098	$ 331,811	$ 240,378	$ 54,893	$ 1,073,402	$ 4,378,397
Accumulated impairment	-	-	-	-	-	-	-
Net book value	**$ 2,296,815**	**$ 381,098**	**$ 331,811**	**$ 240,378**	**$ 54,893**	**$ 1,073,402**	**$ 4,378,397**

[1] On August 7, 2007, the Group signed a purchase agreement for the $256 million US dollar acquisition of 100% of the capital stock of Acotel, S. A. de C. V. and subsidiaries, a company engaged in cable operations. With that transaction, the Group acquired, among other assets, the market to operate in 28 towns in six states in Mexico.

[2] On November 21, 2007, the Group signed a share purchase agreement to acquire 51% of the capital stock of Tele Cable Centro Occidente, S. A. de C. V. (TCO) for $39.2 million U.S. dollars. That company is engaged in operating cable and Internet services in Morelia, Pátzcuaro and other minor neighboring locations.

[3] In August 2013, the Group signed a contract for the acquisition of 51% interest in Liderazgo Empresarial en Tecnologías de la Información, S. A.P. I. de C.V. and Fidelizar S.A. de C.V. amounti ng to $89.4 million dollars. With those acquisitions, The Group has strengthened its position in the business and corporate markets and in the public sector by widening the range of telecommunications and data solutions and the handling of information (Metrocarrier) in Mexico City, Guadalajara, Monterey and Cancun.

Goodwill impairment testing:

Management reviews business performance based on geography and type of business. The Mexican states where the Group operates have been determined. The Group provides cable, telephone and Internet service in all geographic areas. Goodwill is analyzed by management at the geographic zone level. Following is a summary of the allocation of goodwill to each geographic segment:

At December 31, 2015	Beg. balance	Additions	Ending balance
North	$ 95,006	$ -	$ 95,006
West	315,478	-	315,478
Pacific	417,625	-	417,625
Southeast	224,452	-	224,452
TCO	318,640	-	318,640
Bajio	1,001,963	-	1,001,963
Center	1,810,829	-	1,810,829
The Gulf	93,331	-	93,331
Metrocarriers	101,073	-	101,073
Total	**$ 4,378,397**	**$ -**	**$ 4,378,397**

At December 31, 2014	Beg. balance	Additions	Ending balance
North	$ 95,006	$ -	95,006
West	315,478	-	315,478
Pacific	417,625	-	417,625
Southeast	224,452	-	224,452
TCO	318,640	-	318,640
Bajio	1,001,963	-	1,001,963
Cente	1,810,829	-	1,810,829
The Gulf	93,331	-	93,331
Metrocarriers	101,073	-	101,073
Total	**$ 4,378,397**	**$ -**	**$ 4,378,397**

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

The recovery value of each CGU are as follows:

	Ammount
North	$ 3,187,290
West	11,022,088
Pacific	12,041,828
Southeast	6,685,419
TCO	2,319,750
Bajio	8,347,703
Center	4,788,456
The Gulf	4,635,215
Metrocarriers	1,163,673

The key assumptions used in calculating the value in use for 2015 are as follows (global, as they include all segments):

2015	Gross margin	Growth rate	Discount rate
North	44.2%	13.3%	12.14%
West	50.9%	13.5%	12.14%
Pacific	49.4%	12.5%	12.14%
Southeast	49.2%	13.9%	12.14%
TCO	47.5%	14.1%	12.14%
Bajio	53.9%	16.4%	12.14%
Center	51.8%	15.6%	12.14%
The Gulf	50.0%	13.2%	12.14%
Metrocarriers	15.6%	20.3%	12.14%

The key assumptions used in calculating the value in use for 2014 are as follows (global, as they ¬include all segments):

2015	Gross margin	Growth rate	Discount rate
North	46.8%	13.3%	11.36%
West	55.3%	13.7%	11.36%
Pacificif	52.9%	12.5%	11.36%
Southeast	52.3%	14.0%	11.36%
TCO	54.8%	13.4%	11.36%
Bajio	59.5%	16.6%	11.36%

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

Management determined the budgeted gross margins based on past results and its expectations of market development.

Weighted average growth rates used are consistent with the projections contained in industry reports. The discount rates used are pretax and reflect the specific risks related to relevant operating segments.

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

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

Note 11 - Other intangible assets, net:

Intangible assets are comprised as follows:

	At December 31, 2015	2014
With a defined lifetime		
Customer base [1]	$ 1,535,467	$ 1,507,633
Accumulated amortization	(1,506,181)	(1,381,992)
	29,286	125,641
With a defined lifetime [2]:		
Licenses and software, net	7,500	7,449
Brands and patents, net	26,052	32,619
Total	**$ 62,838**	**$ 165,709**

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

Customer base, net:	
At January 1, 2014	$ 284,586
Additions [i]	77,496
Amortization	(236,441)
At December 31, 2014	$ 125,641
Additions [ii]	27,834
Amortization	(124,189)
At December 31, 2015	**$ 29,286**

[i] In 2014, the subsidiary Telefonía por Cable acquired intangible assets worth $31,496. Additionally, with the acquisition of Grupo PCTV, they were recorded as intangible assets amounting to $46,000 (see Note 25).

[ii] In 2015, the subsidiary Telefonia por Cable acquired intangible assets worth $27,834.

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

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

Brands and patents	
At January 1, 2014	$ 6,619
Additions (see Note 25)	26,000
At December 31, 2014	32,619
Disposals, net	(6,567)
At December 31, 2015	$ 26,052

Amortization is calculated by the straight-line method, taking into account the estimated lifetime of assets (4 years).

At December 31, 2015 and 2014, cost of services recorded was $124,189 and $236,441, respectively.

Note 12 - Financial instruments by category:

a) Per category

	At December 31, 2015
	Loans and accounts receivable
Assets according to statement of financial position	
Accounts receivable, net, excluding of advance payments	$ 1,620,571
Related parties	635,776
Cash and cash equivalents	2,803,889
Total	**$ 5,060,236**
	Amortization cost for financial liabilities
Liabilities according to statement of financial position	
Bank loans	$ 3,187,884
Suppliers	1,502,731
Related parties	790,469
Notes payable	44,909
Other accounts payable excluding non-financial liabilities	942,407
Total	**$ 6,468,400**

	At December 31, 2014
	Loans and accounts receivable
Assets according to statement of financial position	
Accounts receivable, net, excluding advance payments	$ 661,504
Related parties	660,757
Cash and cash equivalents	4,006,989
Total	**$ 5,329,250**
	Amortization cost for financial liabilities
Liabilities according to statement of financial position	
Bank loans	$ 2,787,181
Suppliers	934,681
Related parties	758,451
Notes payable	32,006
Other accounts payable, excluding Non-financial liabilities	704,222
Total	**$ 5,216,541**

Note 13 - Bank loans:

Bank loans are comprised as follows:

	At December 31, 2015	At December 31, 2014
Plain loan of $2,100,000 (nominal) maturing on August 20, 2013, renewed on July 31, 2013 and maturing on July 31, 2016, subject to monthly interest at the TIIE rate plus a margin of 0.49% upon maturity [1].	$ 2,085,368	$ 2,085,231
Plain loan for USD$103 million from Santander, subject to 1.8% annual interest plus TIIE, maturing on February 31, 2017. The effective rate determined at December 31, 2015 was 2.03%.	985,247	
A $58,000,000 loan from Banamex payable on April 16, 2017, subject to 1.6% annual interest plus TIIE plus an applicable margin. The effective rates determined at December 31, 2015 and 2014 were 1.22% and 1.24%, respectively.	29,059	48,333
A $40,000 (nominal) from Banamex, maturing on June 6, 2017, subject to monthly interest at the TIIE rate plus a margin of 0.49% at maturity. The effective rates determined at December 31, 2015 and 2014 were 1.31% and 1.26%, respectively.	20,068	33,333
Current account credit lines from Santander S:A. of up to $6,000 and $2,850, automatically renewable, maturing in 12 and 8 months, respectively, subject to interest at the TIIE rate +2.50 percentage points per month. The effective rates determined at December 31, 2015 and 2014 were 2.13% and 0.88%, respectively.	8,432	8,009
A $3,500 loan from Banamex payable on December 11, 2018, subject to 1.6% annual interest plus TIIE plus an applicable margin. The effective rate determined at December 31, 2015 was 1.15%.	3,508	
Current account credit lines from Banamex S.A. for a maximum of $50,000, for a term of 180 days, subject to interest at the TIIE rate, plus 2.50 percentage points per year. The effective rate determined at December 31, 2015 was 49%.	44,260	-
Plain revolving loan of USD $40 million from Santander, subject to 0.45% annual interest. Settled in January 2015	-	589,192
Plain loans of up to $20,000 pesos from BBVA Bancomer, S.A., maturing in July 2015, subject to monthly interest at the TIIE rate +1.1 points. The effective rate determined at December 31, 2014 was 1.50%.	-	5,000
Plain loans of up to $30,000 pesos from Scotiabank Inverlat, maturing in December 2015, subject to monthly interest at the TIIE rate 2.5 points. The effective rate determined at December 31, 2014 was 1.50%.	-	3,333
Current account credit line of up to USD $1.1 million from Santander S.A., subject to annual interest at a rate of from 3% to 5%, maturing in February 2016. The effective rate determined at December 31, 2014 was 0.88%. Settled in April 2015.	-	14,750
Contract for a $30,000 loan from Scotiabank Inverlat, S. A, for the acquisition of assets o February 18, 2015. A second drawdown of $14,060 was made on that loan on July 28, 2015 for a term of 34 months, maturing on May 22, 2018, subject to interest at the TIIE rate, plus 2.50 base points.	11,942	-
Total bank loans	**3,187,884**	**2,787,181**
Less: Short-term portion of long-term bank loans	(2,172,026)	(605,488)
Bank loans maturing at a term of over one year.	**$ 1,015,858**	**$ 2,181,693**

[(1)] On July 31, 2013, Mega Cable (an accredited subsidiary) and Telefonía por Cable S.A. de C.V. as well as Servicios Especiales Turandot y Werther Administración Integral, both SAPI de C.V. subsidiaries (joint obligors), renewed the loan agreements with Banco Nacional de México, S.A. (Banamex) for $900,000, BBVA Bancomer, S.A. for $900,000 and Grupo Financiero Santander Serfin, S.A. for $300,000, as creditors, and Banamex acting as administrative agent. Matures on July 31, 2016.

At December 31, 2015 and 2014, with respect of the most significant loan of $2,100,000 (nominal) mentioned above, the Group determined an effective interest rate in 2015 and 2014 of o.97% and 1.05%, respectively, based on which it recorded the financial cost of said loan; in addition, the fair value at those dates, amounting to $2,092,958 and $1,971,289, respectively, were determined using the market rate discount rate.

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

At December 31, 2015 and 2014, the Company has complied with all its obligations

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

	2015	2014
Less than 6 months	$ 8,432	$ 589,146
From 6 to 12 months	2,163,594	16,342
From more than a year to five years	1,015,858	2,181,693
	$ 3,187,884	**$ 2,787,181**

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

	Book value		Fair value	
	2015	2014	2015	2014
Borrowings	**$ 1,015,858**	**$ 2,181,693**	**$ 3,193,102**	**$ 2,664,669**

Except for the most significant loan of $2,100,000, the fair value of other short-term loans approximate book value, as the discount value is not significant.

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

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

	2015	2014
US dollar (thousands)	**$ 56,820**	**$ 39,995**

Note 14 - Other accounts payable:

	At December 31,	
	2015	2014
Benefits payable	$ 66,465	$ 39,420
Sundry creditors	850,102	641,890
Employees'Statutory Profit Sharing	25,840	22,912
Total	**$ 942,407**	**$ 704,222**

The fair value of accounts payable to sundry creditors approximates book value, as the discount value is not significant.

Note 15 - Employee benefits:

The value of benefit obligations acquired is as shown below:

	At December 31,	
	2015	2014
Seniority premium	$ 114,814	$ 102,609
Retirement benefits	78,668	57,238
	$ 193,482	**$ 159,847**

The net cost for the period for the years ended December 31, 2015 and 2014 is as follows:

	At December 31,	
	2015	2014
Seniority premium	$ 12,205	$ 19,647
Retirement benefits	21,429	10,636
	$ 33,634	**$ 30,283**

a) Seniority premium

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

	At December 31,	
	2015	2014
Discount rate	6.75%	6.50%
Inflation rate	3.50%	3.50%
Salary increase rate	4.50%	4.50%

The net cost for the period is as follows:

	At December 31,	
	2015	2014
Labor cost	$ 6,003	$ 14,171
Financial cost	6,202	5,476
Net cost for the period	**$ 12,205**	**$ 19,647**

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

	At December 31,	
	2015	2014
Defined benefit obligations	$ 114,814	$ 102,609
Plan assets	-	-
Liability in the consolidated statement of financial position	**$ 114,814**	**$ 102,609**

Defined benefit obligation movements were as follows:

	2015	2014
Beginning balance for the year	$ 102,609	$ 81,470
Labor cost	6,003	14,171
Financial cost	6,202	5,476
Remediation:(Profits) losses for experience	-	1,492
Ending balance at December 31	**$ 114,814**	**$ 102,609**

b) Retirement benefits

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

	At December 31,	
	2015	2014
Discount rate	6.75%	6.50%
flation rate	3.50%	3.50%
Salary increase rate	4.50%	4.50%

The net cost for the period is as follows:

	At December 31,	
	2015	2014
Labor cost	$ 16,796	$ 5,802
Improvements or modifications to the plan	1,037	-
Financial cost	3,597	4,834
Net cost for the period	**$ 21,430**	**$ 10,636**

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

	At December 31,	
	2015	2014
Obligations for defined benefits	$ 78,668	$ 57,238
Plan assets	-	-
Liabilities in the consolidated statement of financial position	**$ 78,668**	**$ 57,238**

Defined benefit obligation movements were as follows::

	At December 31,	
	2015	2014
Beginning balance at January 1	$ 57,238	$ 58,885
Labor cost	16,796	5,802
Financial cost	3,597	4,834
Remediations:		
Experience losses (profits)	1,037	(12,283)
Ending balance at December 31	**$ 78,668**	**$ 57,238**

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

	Impact on defined benefit obligation	
	Change in assumption	Change in obligation
Discount rate	1%	Reduced by 7%
Salary increase rate	1%	An increase of 10%
Minimum wage increase	1%	Increases by 1%

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

c) Pension plan

As concerns the pension plan, management has implemented an annual ten-year contributions plan. Those contributions are handled through the Sura Investment Management México investment account. Annual contributions made during the 2015 and 2014 periods were $9,944 and $10,010, respectively.

According to the plan, all employees are eligible if they: are employees with an individual contract for an indefinite period, our executive level employees with three years or more of pensionable service at the date of plan in implementation, remain with the company for a minimum of three years following the date of plan implementation, determine the percentage of savings to be placed in the long-term savings vehicle, and designate contingent beneficiaries for the delivery of benefits. The pensionable service period is considered in complete years and months of uninterrupted service from the date of hiring to the date of retirement, death or declaration of total or permanent incapacity. The date of retirement is the first day of the month immediately following the date on which the employee turns 65. The defined contribution must be a minimum of the equivalent of 1% of the defined salary. The company will make contributions in the same amount as the employee. According to the plan, provided the committee issues authorization, an employee may request early retirement (at 60) or continue to work after the age of 65. Benefits are granted in the form of a lifetime pension with a 20 year guarantee.

Note 16 - Leases:

a) Operating leases

The Company has entered into a number of agreements for straight leasing of the buildings that house some of its offices and warehouses. The terms stipulated in said contracts fluctuate from one to five years and the minimum amounts payable are adjusted applying factors derived from the National Consumer Price Index. Minimum future payments for each of the five following years are summarized as follows:

	December 31,	
	2015	2014
Up to 1 year	$ 115,398	$ 91,795
More than a year to 5 years	166,977	213,904
	$ 282,375	**$ 305,699**

The amount charged to income for straight leasing (property) totaled $357,585 in 2015 and $296,921 in 2014. Leasing expense is recorded by the straight-line method in the period in which the leasing contract is in effect.

b) Financial leasing

On August 1, 2012, the subsidiary Mega Cable, S.A. de C.V. (MEGA) signed a high-capacity telecommunications service agreement with Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. (GTAC) to which the Department of Communications and Transport issued a number of 20-year concessions in 2010 through the Federal Electricity Commission (CFE) that can be wholly or partially renewed.

Those concessions cover the Pacific, Center and Gulf areas of Mexico. Mega will be making advance annual payments of $41,400 from July 2013 to 2020 for use of the trunk capacity up to the year 2027, in order for GTAC to be able to provide maintenance and repair services to the public network.

Future minimum payments are summarized as follows:

	December 31,	
	2015	2014
Up to 1 year	$ 126,890	$ 106,579
More than a year to 5 years	671,771	636,842
Over 5 years	84,546	24,491
	$ 883,207	**$ 767,912**

Following is the reconciliation of payments:

Total financial leases:		
At January 1	$ 758,451	$ 844,363
Increases	146,382	94,275
Payments	(21,626)	(170,726)
At December 31	**$ 883,207**	**$ 767,912**

Note 17 - Stockholders' equity:

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

	Series "A" shares	
	Variable	Ammount
Capital stock at December 31, 2015 and 2014	**$ 1,721,355,673**	**$ 910,244**

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

At December 31, 2015 and 2014, 1,721,355,673 shares were issued as a result of the conversion of obligations.

Series A shares have voting rights only at ordinary stockholders' meetings and hold preference in the distribution of Company profits.

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

2015	Ordinary Shares	Preferential Shares
At January 1	1,717,935,789	-
Shares issued during the year, net purchases (i)	1,086,962	
At December 31	**1,719,022,751**	-

2014	Ordinary Shares	Preferential Shares
At January 1	1,718,087,173	-
Shares issued during the year, net sales (i)	(151,384)	
At December 31	**1,717,935,789**	-

At December 31, 2015 and 2014, the Company holds 2,332,922 and 3,419,884 shares issued, respectively (treasury shares).

In the periods ended on December 31, 2015 and 2014, no share issuance, placement or registration expenses were incurred.

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

i.In the period ended on December 31, 2015, the company purchased 1,709,942 CPOs, equivalent to 3,419,884 shares of the variable portion of series A shares.

In the period ended December 31, 2015, the Company sold 1,166,461 CPOs, equivalent to 2,332,922 shares pertaining to the variable portion of series A shares. These operations represented .13% of the total.

In the period ended December 31, 2015, the Group made net purchases of 543,481 CPOs, equivalent to 1,086,962 shares pertaining to the variable portion of series A shares. These operations represented .006% of total shares.

ii. In the period ended on December 31, 2014, the company purchased 1,634,250 CPOs, equivalent to 3,268,500 shares of the variable portion of series A shares.

In the period ended December 31, 2014, the Company sold 1,709,942 CPOs, equivalent to 3,419,884 shares pertaining to the variable portion of series A shares. These operations represented .19% of the total.

In the period ended December 31, 2014, the Group made net sales of 75,692 CPOs, equivalent to 151,384 shares pertaining to the variable portion of series A shares. These operations epresented 004% pf total shares.

At the Ordinary Stockholders' Meetings held in 2015, the stockholders agreed to decree dividends for a net total of $980,000. The dividend per share was $0.57 per series A share and $1.14 per CPO series (which are the equivalent of two series A shares).

b. The balances of the stockholders' equity tax accounts are:

	December 31, 2015	December 31, 2014
Capital contributions account (CUCA)	24,104,099	$ 21,839,736
The after-tax earnings account (CUFIN)	3,547,384	3,045,242
Total	**$ 27,651,483**	**$ 24,884,978**

c. Tax provisions related to stockholders' equity:

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

In October 2013, Congress approved issuance of a new Income Tax (IT) Law, which came into force on January 1, 2014. Among other things, that Law establishes that for the periods from 2001 to 2013, after-tax earnings must be determined in the terms of the Income Tax Law in effect in the tax period in question, and as from 2014, imposes an additional 10% tax on profits or dividends distributed to parties resident abroad and Mexican individuals. In the Income Act of the Federation published last November 18, 2015 in Article Three of the provisions of temporary validity of the Income Tax Law provides a tax incentive to individuals resident in Mexico subject to the additional 10% tax on dividends or profits distributed.

The incentive is applicable provided said dividends or profits are generated in 2014, 2015 0r 2016 and are reinvested in the entity generating the profits, and consists of a tax credit equivalent to the amount arrived at by applying the percentage for the year of the distribution (see below) to the dividend or profit.

Year of distribution of the dividend or profit	Percentage of application to the dividend or profit distributed.
2017	1%
2018	2%
2019 onward	5%

The tax credit determined can be credited only against the 10% additional income tax required to be withheld and paid by the entity.

For that purpose, the following requirements must be met:

- The entity must specify in its accounting records the records corresponding to profits or dividends generated in 2014, 2015 and 2016, as well as the respective distributions.
- The notes to the financial statements must contain analytical information for the period in which the profits were generated, reinvested or distributed.
- Entities applying this incentive, whose shares are not quoted on the Mexican Stock Exchange, must opt to have their financial statements audited for tax purposes in the terms of article 32-A of the Federal Tax Code.

Entities distributing dividends or profits on shares placed among the general investing public must advise stock brokerage firms, credit institutions, investment operators, the parties distributing the shares of investment entities or any other securities market intermediaries of the period corresponding to the profits on which dividends are being paid, so that said intermediaries can withhold the respective tax.

Dividends are free from income tax if paid from the after-tax earnings account (CUFIN) and are subject to a rate from 4.62% to 7.69% when paid from the reinvested CUFIN (CUNIFRE). Dividends in excess of the CUFIN and CUFINRE are subject to 42.86% tax if paid in 2015. The tax is payable by the Company and may be credited against income tax of the current period or the following two periods. Dividends paid from profits on which income tax has previously been paid are subject to no tax withholding and to no additional tax.

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

Note 18 - Earnings per share:

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

	At December 31, 2015	2014
Net profit of the controlling interest	**$ 3,124,364**	**$ 2,478,002**
Weighted average of the shares	**1,718,479**	**1,717,860**
Profit per ordinary share (pesos)	**$ 1.82**	**$ 1.40**
Profit per CPO	**3.64**	**2.80**

Note 19 - Taxes on income:

Income tax :

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

Furthermore, the 2014 tax amendments pertaining to investors in Real Estate Companies (SIBRAS) makes it likely that income taxes will have to be paid in 2016 on the profit arising from contributions to those entities. For that reason, at December 31, 2013, $606,829 was reclassified as a long-term liability.

1. Taxes on income are comprised as follows:

	At December 31, 2015	2014
IT incurred	($ 516,932)	($ 644,947)
Deferred IT	(191,785)	(14,180)
Total	**($ 708,717)**	**($ 659,127)**

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

	At December 31, 2015	2014
Income before taxes on profits	$ 3,991,322	$ 3,210,241
Rate incurred	30%	30%
IT at the current legal rate	(1,197,397)	(963,072)
Plus (less) effect on IT of the following items:		
Annual adjustment for inflation	5,670	17,609
Cancellation provision	80,000	-
Non-deductible items	(21,254)	(5,169)
Financial leasing of infrastructure	424,264	291,505
	($708,717)	**($659,127)**
Effective rate	18%	21%

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

Deferred income tax asset	At December 31, 2015	2014
Unamortized tax losses	$ 73,063	$ 62,710
Properties, networks and equipment, net	389,400	349,204
Intangible assets	63,918	34,369
Bad debt reserve	84,280	76,422
Labor obligations	56,107	26,435
Provisions	156,412	155,944
	$ 823,180	**$ 705,084**
Deferred income tax liability		
Property, networks and equipment, net	($ 1,909,370)	($ 1,769,019)
nventories	(171,603)	-
Other	(11,767)	(13,839)
	($ 2,092,740)	($ 1,782,858)
Total deferred taxes on incomes	**($ 1,269,560)**	**($ 1,077,774)**

4. Following is an analysis of deferred tax assets and liabilities:

	At December 31, 2015	2014
Deferred tax asset:		
Deferred tax asset recoverable after 12 months	$ 8,483	$ 63,051
Deferred tax asset recoverable within 12 months	163,561	202,602
	172,044	265,653
Deferred tax liability:		
Deferred tax asset to be recovered after 12 months	(314,029)	(215,391)
Deferred tax liability to be recovered within 12 months	(1,127,575)	(1,128,036)
	(1,441,604)	(1,343,427)
Deferred tax liability, net	**($ 1,269,560)**	**($ 1,077,774)**

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

Deferred income tax asset:	Intangible assets	Unamortized tax losses	Property networks and equipement	Reserve for doubful accounts	Labor and other obligations	Total
At January 1, 2014	$ 49,744	$ 275,269	$ 268,937	$ 44,121	$ 147,996	$ 786,067
Charged (credited) to the statement of income	(15,375)	(212,559)	80,267	32,301	34,383	(80,983)
At December 31, 2014	34,369	62,710	349,204	76,422	182,379	705,084
Charged (credited) to the statement of income	29,550	10,353	40,196	7,858	30,138	118,095
At December 31, 2015	**$ 63,919**	**$ 73,063**	**$ 389,400**	**$ 84,280**	**$ 212,517**	**$ 823,179**

Deferred IT liability :	Property networks and equipement net	Inventory and Others	Total
At January 1, 2014	($ 1,824,912)	($ 24,749)	($ 1,849,661)
Charged (credited) to the statement of income	55,893	10,910	66,803
At December 31, 2014	(1,769,019)	(13,839)	(1,782,858)
Charged to the statement of income	(140,352)	(169,528)	(309,880)
At December 31, 2015	**($ 1,909,371)**	**($ 183,367)**	**($ 2,092,738)**

6. At December 31, 2015 and 2014, the Group had accrued consolidated tax losses amounting to $469,361 and $429,576, respectively. The right to amortize those losses against future consolidated profits expires as follows:

At December 31, 2015

Year in wich loss has been generated	Restated figure	Year of expiration
2006	$ 175,492	2016
2007	48,267	2017
2008	90,483	2018
2009	41,715	2019
2010	4,724	2020
2011	3,342	2021
2012	9,722	2022
2013	3,234	2023
2014	63,548	2024
2015	28,834	2025
	$ 469,361	

At December 31, 2015

Year in wich loss has been generated	Restated figure	Año de vencimiento
2006	$ 170,596	2016
2007	46,920	2017
2008	87,959	2018
2009	40,551	2019
2010	4,592	2020
2011	3,248	2021
2012	9,451	2022
2013	3,144	2023
2014	63,115	2024
	$ 429,576	

At December 31, 2015 and 2014, no tax losses were recognized, as there was no certainty of the recoverability of $225,818 and $220,543, respectively.

Note 20 - Costs and expenses classified by type:

Cost of service, sales and administration are analyzed as follows:

	At December 31,	
	2015	**2014**
Cost of services:		
Programming	$ 1,900,794	$ 1,479,595
Depreciation	1,623,013	1,262,444
Electric intake connections	1,239,058	465,113
Labor - technical personnel	760,770	605,611
Advertising and promotion	372,623	295,451
Linkages		157,259
Amortization	124,189	255,969
Sources of power	158,162	157,519
External work	93,164	76,871
Call traffic	39,475	83,367
Other minor	36,647	34,576
Total cost of service	**$6,552,016**	**4,873,775**
Selling expenses		
Labor and benefits	$ 1,987,984	$1,632,079
Maintenance and conservation expenses	469,428	410,545
Leasing	342,230	284,171
Depreciation	160,235	156,655
Sales commissions	122,929	99,249
Electrical power	88,519	86,730
Travel expenses	61,476	48,308
Bank commissions	60,064	44,692
Preparation and delivery of statements of account	57,775	50,237
Stationery and office supplies	48,658	43,054
Transfer of securities	47,348	43,150
nsurance	39,904	28,129
Bad debt reserve	8,669	56,892
Security and hygiene	24,942	38,152

	At December 31,	
	2015	**2014**
Security services	22,516	19,501
Telephones	20,706	20,567
Freight	19,851	12,772
Non-deductible items	70,847	13,967
Training and recruiting	16,985	18,242
Duties and licenses	15,039	16,904
Recovery of equipment	14,827	12,786
Fees	11,651	12,791
Conventions	3,882	2,471
Other expenses	65,100	40,965
Total selling expenses	**$ 3,781,565**	**$3,193,009**
Administration expenses		
Labor and benefits	$ 178,175	$ 152,547
Advisory services	98,669	89,147
Leasing	15,355	12,750
Depreciation	12,632	10,811
Security and hygiene	1,967	3,008
Total administration expenses	**$ 306,798**	**$ 268,263**
Cost of services, selling and administration expenses:		
Programming	$ 1,900,794	$ 1,479,595
Labor and benefits (1)	2,926,929	2,390,237
Depreciation	1,795,880	1,429,910
Electric intake connections	1,239,058	465,113
Maintenance and conservation expenses	469,428	410,545
Amortization		255,969
Leasing	357,585	296,921
Advertising and promotion	372,623	295,451
Linkages	204,121	157,259
Sources of power	158,162	157,519
Sales commissions	122,929	99,249

	At December 31,	
	2015	2014
Advisory services	98,669	89,147
External work	93,164	76,871
Electrical power	88,519	86,730
Travel expenses	61,476	48,308
Bank commissions	60,064	44,692
Preparation and delivery of statements of account	57,775	50,237
Stationery and office supplies	48,658	43,054
Transfer of securities	47,348	43,150
Call traffic	39,475	83,367
Insurance	39,904	28,129
Bad debt reserve	8,669	56,892
Security and hygiene	26,909	41,160
Security services	22,516	19,501
Telephones	20,706	20,567
Non-deductible items	70,847	13,967
Training and recruiting	16,985	18,242
Duties and licenses	15,039	16,904
Fees	11,651	12,791
Recovery of equipment	14,827	12,786
Freight	19,851	12,772
Conventions	3,882	2,471
Other expenses	101,748	75,541
Total	**$ 10,640,380**	**$ 8,335,047**

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

	At December 31	
	2015	2014
Wages, benefits and bonuses	$ 1,838,763	$ 1,503,377
Taxes and duties	493,627	403,041
Commissions	573,091	453,536
	21,448	30,283
	$ 2,926,929	**$ 2,390,237**

Note 21 - Analysis of other income - Net:

	At December 31,	
	2015	2014
Other income:		
Cancellation of provisions	$ 35,885	$ 50,699
Supplier rebates	32,637	-
Sale of fixed assets	26,524	-
Recovery of insurance following claims	12,806	-
Petty cash surpluses	2,595	2,549
Restatement of taxes	199	1,087
Profit on remediation of associate (see Note 25)	-	51,200
Profit on acquisition of PCTV (see Note 25)	-	23,100
Other minor expenses	41,751	37,580
Total other income	**152,397**	**166,215**
Other expenses:		
Fixed asset sales	-	($ 47,818)
Other minor	-	(11,625)
Sale of fixed assets and other minor assets	-	($ 59,443)
Total otros ingresos, neto	**152,397**	**106,772**

Note 22 - Financial income and expenses

	At December 31,	
	2015	2014
Interest expenses:		
-Interest on bank loans	$ 140,518	$127,553
-Exchange loss	Exchange loss	72,636
Financial expenses	242,201	200,189
Financial income:		
-Interest income on short-term bank deposits	$ 131,330	$ 128,247
-Interest income on loans to related parties (Note 24)	33,390	34,696
Financial income	164,720	162,943
Total	**($ 77,481)**	**($ 37,246)**

Note 23 - Commitments and Contingencies: s:

1. Commitments

1.1. Concessions

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

Failure to comply with said obligations could lead to sanctions. In addition, the Group's concessions are subject to rescission for different reasons, including interruption of the service, failure to comply with the obligations or conditions established in the concession titles, the assignment or transfer of concession rights or failure to pay the agreed-upon consideration to the federal government.

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

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

1.2. Contractual

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

At December 31, 2015 and 2014, the Group had complied with all of its contractual commitments.

2. Contingencies

In the event of an audit by the Tax Administration, `the authorities could encounter discrepancies in the criteria applied by the Group in determining its taxes. The Tax Authorities have reported no inconsistencies with the taxes determined and paid by the Group, except for the following instance:

At the date of issuance of these financial statements, notifications have been received from the General Major Taxpayer Office (SAT) containing tax assessments totaling $2,554,739 payable by the subsidiaries Telefonía por Cable, S. A. de C. V. and Mega Cable, S. A. de C. V. covering income tax, flat tax, surcharges and fines for the 2008 and 2009 tax periods. However, the attorneys have stated that there is every likelihood of a judge handing down a favorable resolution in the event that the matter has to be settled in court.

Note 24 - Related parties:

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

			December 31,	
Entity	**Type of relationship**	**Item**	**2015**	**2014**
Long-term accounts receivable:				
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) [(1)]	Joint business	Loan made	$ 621,213	$ 645,432
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) [(2)]	Joint business	Advances	14,563	15,325
Total			**$ 635,776**	**$ 660,757**
Accounts payable by:				
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) [(3)]	Joint business	Lease granted	$ 790,469	$ 758,451
Less short-term accounts payable			(130,459)	(113,740)
Total long-term accounts receivable			**$ 660,010**	**$ 644,711**

[(1)] The long-term account receivable at December 31, 2015 and 2014 pertains to a loan made to the associate GTAC with a credit line of up to $688,217. The loan matures on December 31, 2021 and is subject to monthly interest at the 28-day interbank rate plus 2 percentage points. The effective income tax rate for 2015 and 2014 is 5.40% and 4.69%, respectively. At December 31, 2015 and 2014, the fair value of the account receivable is $654,493 and $434,302, respectively and it is located on level 2 of fair value.

[(2)] The account receivable at December 31, 2015 and 2014 corresponds to advances for network (fiber optics) maintenance provided by the Group to its joint business GTAC.

[(3)] The account payable at December 31, 2015 and 2014 corresponds to the capacity agreement signed with GTAC for telecommunications services. That agreement specifies that over the next 18 years, the Group will make annual payments of $41,400, increasing annually on the basis of the National Consumer Price Index (NCPI). It also establishes that payments for years 10 and 18 may be made in advance. That account payable also corresponds to financial leasing additions acquired by a subsidiary of the Group, which are paid over 10 years, as per present value. There is compliance with the requirements specified in IAS 17 in order to qualify as financial leasing. See Note 16, point b.

The implicit annual interest rate determined for the payments to be made by the Group is the lesser of the TIIE plus 1.22 and 6%. At December 31, 2015 and 2014, the average interest rate was 4.64% and 4.53%, respectively.

Fair value of the account payable at December 31, 2015 and 2014 is $885,350 and $808,037, respectively, based on discounted cash flows using the rate calculated by management and are on level 2 in the hierarchy of fair value.

b) The following operations were conducted during the year:

Entity	Type of relationship	Item	December 31, 2015	2014
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. (GTAC)	Joint business	Maintenance income	**$ 33,390**	**$ 34,696**
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V. (GTAC)	Joint business	Maintenance	**$ 46,000**	**$ 44,000**

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

c) Key personnel compensation

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

Entity	December 31, 2015	2014
Short-term benefits	$ 45,264	$ 36,702
Termination benefits	5,427	3,803
	$ 50,691	**$ 40,505**

d) Loans to related parties

Entity	December 31, 2015	2014
Total loans to related parties [1]:		
At January 1	$ 645,432	$ 689,956
Loans made in the year	52,137	114,114
Loan payments collected	(76,676)	(132,574)
Interest collected	(33,070)	(60,760)
Interest charged	33,390	34,696
At December 31	**$ 621,213**	**$ 645,432**

1) See point a).1) above.

For the years ended December 31, 2015 and 2014, there are no outstanding balances on loans made to key management personnel.

Note 25 - Acquisitions:

a) PCTV

In 2014, the Group acquired the following shares:

In August, November and December 2014, the Group acquired 53% of the potential voting shares of Productora y Comercializadora de Televisión, S. A. de C. V. and subsidiaries (PCTV).

The purchase price of the shares was $92.3 million, which was settled on September 4, October 28 and November 4, respectively, 2014. The valuation method for business acquisitions used was the acquisition method. The subsidiaries consolidate as from that date.

The Group recorded a profit of $51,200 as a result of measuring at fair value its 28% interest in PCTV held prior to the business combination. The profit is included in other income in the Group's statement of comprehensive income.

That profit is expected to have no tax effect, because it arises from indivisible intangible assets.

The following table summarizes the consideration paid by the Group and the fair value of the assets acquired and the liabilities assumed.

	Amount (definitive)
Profit on the investment in associate	$ 51,200
Fair value of the investment in associate (28%)	$ 141,000
Consideration paid	$ 92,300
Recorded amounts of identifiable assets acquired and liabilities assumed	
Net working capital	$ 23,100
Fixed assets (Note 9)	135,800
Brands (included in intangibles) (Note 10)	26,000
Customer portfolio (included in intangibles) (Note 10)	46,000
	230,900
Deferred income tax (Note 19)	(20,700)
Total identifiable net assets	**210,200**
Profit from acquisition at bargain price	**$ 23,100**

Because the consideration paid in that acquisition was less than the identifiable net assets, the Group recorded a profit of $23,100. The profit is included in other income in the Group's consolidated statement of comprehensive income at December 31, 2014. There was previously an investment in the associate, in which control was secured as a result of this purchase.

Income shown in the consolidated statement of comprehensive income since November 4, 2014 contributed by PCTV was $182,105. PCTV also contributed profits of $1,731 in the same period.

Had PCTV been consolidated since January 1, 2014, the consolidated statement of comprehensive income would show income of $12,154,755 and profits of $2,568,350.

Note 26 – Financial information by operating segment:

The Board of Directors is the maximum decision-making authority as concerns Group operations. Consequently, management has determined the operating segments to be reported based on internal management reports reviewed by the Board of Directors when making strategic business decisions.

The Board of Directors analyzes the business from a geographic and product perspective. At December 31, 2015 and 2014, there were no changes arising from this analysis.

The Board of Directors evaluates the performance of the operating segments on the basis of adjusted EBITDA. Determination of the EBITDA excludes nonrecurring expenses of operating segments. The result of interest earned and lost is not assigned to the segments, since that is the responsibility of the treasury, which manages the Group liquidity.

Information by business segment is reported on the basis of the information used by the Operations Committee in making strategic and operating decisions. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis. The income of Group segments is as follows:

Cable

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

Internet

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

Telephony

Although the Telephony segment does not comply with the quantitative limits established for separate reporting, management has done so because it considers that potential growth of this segment means it will contribute significantly to Group revenue in the future. Telephony receives its revenue from fixed digital telephony of the Internet protocol and from services rendered to residential and commercial customers.

Business

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

Other segments

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

Corporate costs are distributed among the different business segments.

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

Income reported by the Group represents income obtained from external customers, as no inter-segment sales are conducted.

26.1.Income and results per segment:

December 31, 2015

	Cable	Internet	Telephony	Business	Other (*)	Total consolidated
Income	6,843,989	3,500,561	1,360,470	2,759,128	92,637	14,556,785
Costs and expenses	4,948,711	2,689,089	1,025,676	1,791,586	185,317	10,640,379
Profit before other income	1,895,278	811,472	334,794	967,542	(92,680)	3,916,406
Other income	(98,479)	(1,136)	43	(17,958)	(34,867)	(152,397)
Operating profit	1,993,757	812,608	334,751	985,500	(57,813)	4,068,803
Financing costs, exchange fluctuation						77,481
Taxes on income						(708,717)
Consolidated net income						3,282,605

December 31, 2014

	Cable	Internet	Telephony	Business	Other (*)	Total consolidated
Income	$ 6,171,447	$ 2,526,765	$ 1,265,114	$ 1,410,129	$ 102,307	$ 11,475,762
Costs and expenses	4,405,897	1,915,579	949,299	898,472	165,800	8,335,047
Profit before other income	1,765,550	611,186	315,815	511,657	(63,493)	3,140,715
Other income	69,380	1,644	1,661	(210,091)	244,178	106,772
Operating profit	1,834,930	612,830	317,476	301,566	180,685	3,247,487
Financing costs, exchange fluctuations and results of associates						(37,246)
Taxes on income						(659,127)
Consolidated net income						2,551,114

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

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

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

26.2 Other information by business segment:

December 31, 2015	Cable	Internet	Digital Telephony	Business	Other	Total Consolidated
Property, networks and equipment per segment	$ 13,192,676	$ 2,587,377	$ 654,918	$ 1,087,781	$ 127,079	$ 17,649,831
Acquisitions for the year of property, networks and equipment	$ 3,613,200	$ 376,293	$ 54,634	$ 348,692	$ 701,823	$ 5,094,642
Depreciation and amortization of fixed assets	$ 1,435,483	$ 133,266	$ 19,683	$ 195,081	$12,367	$ 1,795,880

December 31, 2014	Cable	Internet	Digital Telephony	Business	Others	Total Consolidated
Property, networks and equipment per segment	$ 10,410,232	$ 2,287,724	$ 620,228	$ 875,558	$ 205,016	$ 14,398,758
Acquisitions for the year of property, networks and equipment	$ 2,095,978	$ 475,591	$ 228,961	$ 535,038	$ 28,171	$ 3,363,739
Depreciation and amortization of fixed assets	$ 1,269,705	$ 93,775	$ 9,124	$ 50,792	$ 6,514	$ 1,429,910

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

26.3 Information by geographic location:

a. Analysis of net income by geographic location:

	Total service income At December 31	
State	**2015**	**2014**
Jalisco	$ 1,781,193	$ 1,700,920
Sonora	1,498,208	1,266,944
Sinaloa	1,244,898	1,109,047
Veracruz	1,149,093	887,151
Puebla	1,057,126	926,863
Michoacan	948,031	784,894
Guanajuato	981,181	729,196
Estado de Mexico	908,929	798,145
Durango y Coahuila	757,810	610,491
Mexico, D.F.	2,169,197	963,820
Queretaro	474,001	393,066
Nayarit	317,525	277,418
Chiapas	319,643	261,665
Baja California Sur	192,812	163,545
Oaxaca	165,721	122,063
Colima	146,536	123,258
Zacatecas	139,045	106,971
Morelos	66,579	58,900
Guerrero	49,105	32,007
Chihuahua	35,223	38,838
Nuevo Leon	58,981	27,832
Quintana Roo	38,324	23,424
Hidalgo	18,627	16,575
Tabasco	5,236	4,835
San Luis Potosi	4,816	4,636
Others	28,945	43,258
Total consolidated	**$ 14,556,785**	**$ 11,475,762**

State	Total Assets 2015	Total Assets 2014	Acquisitions of property, networks and equipment At December 31, 2015	Acquisitions of property, networks and equipment At December 31, 2014
Jalisco	5,355,112	$ 4,512,392	$ 2,079,005	$ 1,579,832
Sonora	1,637,060	1,358,298	331,066	217,757
Sinaloa	1,334,708	1,109,563	282,741	195,532
Puebla	1,335,706	1,050,803	354,809	188,700
Veracruz	1,386,773	1,075,216	361,159	215,629
Mexico, D.F.	1,201,697	909,748	340,867	196,433
Guanajuato	1,152,301	854,491	343,980	218,525
Durango y Coahuila	979,515	784,099	254,298	170,434
Michoacan	698,962	515,128	230,384	72,795
Queretaro	665,798	522,344	162,960	74,744
Chiapas	442,229	360,151	96,595	67,574
Colima	251,347	231,124	42,293	26,575
Baja California Sur	290,345	254,335	45,875	41,450
Oaxaca	259,294	223,266	42,252	10,993
Nayarit	216,827	186,458	38,126	21,346
Zacatecas	152,488	129,503	30,263	17,442
Guerrero	111,389	87,388	25,986	11,265
Morelos	74,413	70,379	6,439	5,433
Chihuahua	75,433	59,260	21,847	27,839
Other minors	28,434	104,812	3,697	3,441
Total consolidated	**$ 17,649,831**	**$ 14,398,758**	**$ 5,094,642**	**$ 3,363,739**

b. Analysis of income from services provided to external customers per product:

	31 December, 2015	31 December, 2014
Cable segment		
Basic Cable	$ 3,800,257	$ 3,587,961
Lifeline Cable	1,910,648	1,643,000
Premier Cable	972,194	772,936
Other services	160,890	167,550
Total cable segment	**$ 6,843,989**	**$ 6,171,447**

	31 December, 2015	31 December, 2014
Internet segment		
High-speed residential Internet	$ 3,214,189	$ 2,291,670
High-speed commercial Internet	286,372	235,095
Total Internet segment	**$ 3,500,561**	**$ 2,526,765**
Digital telephony segment		
Residential telephony	$ 1,221,314	$ 1,133,411
Commercial telephony	139,156	131,703
Total digital telephony segment	**$ 1,360,470**	**$ 1,265,114**
Business segment		
Metrocarrier	$ 480,801	$ 323,065
MCM	618,382	534,205
Ho1a	1,201,858	441,923
PCTV	458,087	110,936
Otros	92,637	102,307
Total business segment and others	**$ 2,851,765**	**$ 1,512,436**
Total consolidated	**$ 14,556,785**	**$ 11,475,762**

Note 27 - Authorization to issue consolidated financial statements:

Issuance of the consolidated financial statements and the notes thereto was authorized by Mr. Enrique Yamuni Robles (CEO) and Mr. Luis Antonio Zetter Zermeño (CFO) on April 26, 2016 for approval by the Audit Committee and the Board of Directors. These financial statements will be submitted at a Shareholders' Meeting for approval.

Desing: DDMerc Diseño Integral
Contents: McBride Sustainability

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