

# 2021 Annual Report

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# Megacable at Glance

 **Ps. 24.634** billion Revenues

 **4'153,047** Unique subscribers

**Ps. 3.469** billion  
Net income

**Ps. 3.874** billion  
Corporate Telecom Segment revenues

 **3'833,893**  
Subscribers in the Internet segment

 **3'539,822**  
Subscribers in the Video segment

**10.4 million**  
Revenue Generating Units (RGUs)

 **23,980** Employees

 **3'031,119** Subscribers in the  
Telephony segment





# Message from the Chairman of the Board of Directors

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

## Dear shareholders,

During 2021, we continued operating in a complex macroeconomic and social context; the COVID-19 pandemic continued to change work, study, and entertainment schemes. The new normal requires more and better connectivity services for the entire population; therefore, Megacable remained a strong competitor in the market, providing essential services of the highest quality and connecting more and more Mexicans, in line with our vision of being the best telecommunications company.

*We achieved a 5.6% increase  
in unique subscribers vs 2020.*

Within the current competitive market outlook, at Megacable we took advantage of market opportunities to maintain the loyalty of our subscribers, improve our services and undertake projects to expand our Company to new territories.

During 2021, the demand for our products continued to grow; Mexican families trust Megacable to meet their daily connectivity needs, they expect greater bandwidth, connection and speed. For this reason, we began the Network Evolution project, with which we provide state-of-the-art services through solid and innovative infrastructure. We made significant investments to migrate part of our subscribers to fiber, while increasing the capacity of the territories that remained with HFC technology and further enhancing our value offer, completing 85% of the project by the end of 2021. Likewise, we commenced investments for the expansion to new markets with this technology; the adoption of fiber is an important element for this growth and the future Megacable.

Thus, in order to supplement our value offer, we launched our Xview+ service, which offers a personalized and interactive video experience. This innovative product integrates linear television content with streaming services on a single platform, which facilitates and improves the way users enjoy the video service. Thanks to this new product, we continued to register growth in this service's subscribers throughout 2021.

As one of the largest telecommunications companies by number of subscribers, we have the commitment and responsibility to support social progress, increase economic well-being and contribute to protecting the environment, both in Mexico and in the world. Hence, we continued to increase our processes' efficiency, promoting recycling and the paperless campaign to reduce our consumption, emissions and waste. Likewise, we are an agent of change in the communities where we operate, impacting local economies by generating jobs and, above all, by providing connectivity services to the population, which triggers social development through access to education.

Thanks to our strong foundations and our efforts to exceed customer expectations, we have set ourselves apart from any telecommunications company; our results and metrics prove that we have an experienced team, cost discipline and a strong focus on long-term goals, which makes us a profitable and enduring business. For this reason, we are able to make a difference in the daily life of our subscribers and contribute to the well-being of society.

At Megacable we focused on identifying and taking advantage of opportunities to grow and improve, handling difficult situations in the best possible way. During 2021, we demonstrated our resilience and ability to adapt once again, accomplishing significant progress. Nevertheless, we know that great challenges lie ahead in the coming years as the world continues to battle COVID-19. We begin 2022 with optimism and with a defined strategy to achieve our growth and profitability goals.

The resilience shown this year by our employees, members of the Board and all the people who are part of Megacable was extraordinary; without them, our achievements in the year would not have been possible. I specially thank each one of them.

**Sincerely,**

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

Manuel Urquijo Beltrán  
**Secretary of the Board of Directors**

*We are aware of the  
important role we  
have in our customers'  
lives; therefore, we  
constantly challenge  
ourselves to innovate  
and create the best  
services, products and  
experiences.*



*We maintain a low-cost structure, making important investments with one of the lowest leverages in the industry, and we continue with an attractive dividend policy, creating value for shareholders.*

## Message from the CEO

### Dear shareholders,

During 2021, the Mexican economy showed a slight recovery compared to 2020, with annual GDP growing 5.0%<sup>1</sup> after some of the most difficult months in recent decades due to the COVID-19 pandemic. The country maintained relative financial and fiscal stability<sup>2</sup> during the year; despite the volatility of the Mexican currency, the peso recovered and services have begun to reactivate gradually.

The pandemic confirmed the population needs to have a reliable and robust connectivity service to carry out essential activities from home. Therefore, our Internet service is important for the Company since it is crucial for society. In 2021 we achieved outstanding financial and operating results; although we faced a complicated scenario of production and logistics chains, we took advantage of the opportunities and demonstrated the strength of our business model.

During this period, we achieved a significant increase in all mass market services, Internet, Video and fixed and mobile telephony. We reached 4'153,047 unique subscribers, 5.6% more than in 2020. In addition, RGUs<sup>3</sup> increased 9.0% compared to 2020, surpassing 10.4 million, thus revenue-generating units per unique subscriber maintained the growth trend and reached 2.5.

This year yielded extraordinary figures for Megacable. Total revenues for the year 2021 reached Ps. 24.634 billion, 10.0% higher than in 2020. This growth was mainly achieved by the 14.0% increase in Internet and 27.0% in Telephony, as well as the 13.0% and 12.0% increase in Ho1a and MetroCarrier, respectively. Still, the outstanding results occurred in both the mass and corporate segments, with the latter standing out, which achieved a larger customer portfolio from the public and private sectors, as a result of the reduction in restrictions due to COVID-19.

Consolidated EBITDA in 2021 increased 9.5% compared to 2020, reaching Ps. 12.081 billion, with a margin of 49.0%. Adjusted EBITDA for cable operations was Ps. 11.433 billion, 10.3% increase against 2020 and with a margin of 50.9%.

During the year, we continued the project to evolve our network and migrate subscribers from HFC to fiber, aiming to offer even faster Internet services, of the highest quality and with the latest technology. This project is essential for Megacable's development and expansion since the transition to fiber is vital for the future of our Company. We invested in CAPEX Ps. 9.466 billion, which represents 38.4% of annual revenues. Thanks to these strong investments, we completed 85.0% of the project and migrated a significant number of subscribers to fiber optics.

<sup>1</sup> National Institute of Statistics and Geography (INEGI)

<sup>2</sup> According to financial stability reports from the Bank of Mexico

<sup>3</sup> Revenue Generating Units

Results by business segment

Revenue breakdown by segment

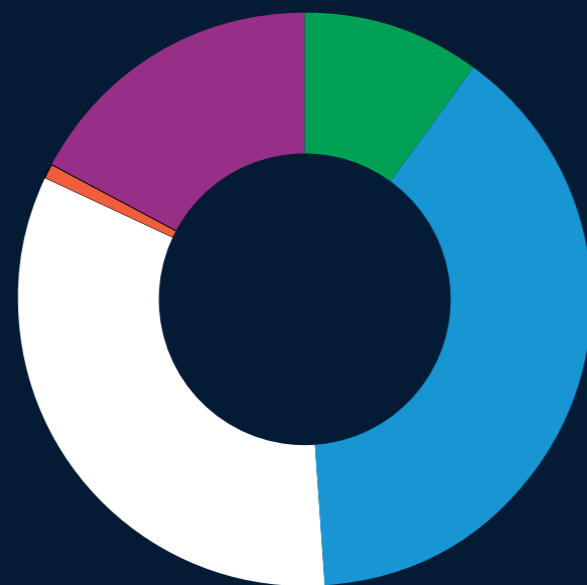


- **17%**  
Corporate Market
- **83%**  
Mass Market

*We are an innovative and cutting-edge company; we offer services of the highest quality and with the best technology to exceed our customers' expectations.*

Revenue breakdown by service

- **1%**  
Mobile services
- **17%**  
Corporate
- **33%**  
Internet



- **10%**  
Telephony
- **39%**  
Video

Internet

We offer high-quality Internet service with connection speeds from 20 megabits per second to 1 gigabyte per second. In addition, thanks to the project to evolve the network to GPON technology, with which we migrated part of our subscriber base to fiber, we now provide a more robust, reliable service with cutting-edge technology.

**3'833,893**

subscribers; +9.2% vs 2020

**Ps. 8.225 billion**

revenues; +14.1% vs 2020

Video

Megacable continues to provide several packages to satisfy the needs of the entire population, with a wide range of content, including linear television and integrated streaming platforms.

**3'539,822**

subscribers; +3.7% vs 2020

**Ps. 9.486 billion**

revenues; +2.5% vs 2020



## Xview+

In February 2021, we launched the Next Generation Video Xview+ platform, which provides a friendly, personalized and interactive experience, merging content from traditional television, streaming platforms and video on demand in a single digital device with the latest technology. Xview+ has interactive functions such as start over –which allows the user to watch a program from the beginning–, reverse EPG –which goes back in time to see the programming of the last 48 hours– and the option to record programs from the wide selection of channels. Furthermore, with the Xview Mobile product, our subscribers can enjoy all the features and content of the traditional platform on their mobile devices.

*The ability of our Xview+ product to integrate all video content on a single platform ensures an exceptional and user-friendly experience for subscribers.*

This service combines traditional content transmission technology with its transmission over the Internet; therefore, the migration from HFC Internet to fiber is very significant for Video subscribers.

# 107.5%

growth

# +1.2 million

Net adds vs. 2020

# 2.4 million

set top boxes in 2021

## Telephony

Our cable telephony service adjusts to the needs of each market segment, offering unlimited local, national and long-distance calls to the United States and Canada, both for the residential sector and for businesses.

# 3'031,119

subscribers; +15.4% vs 2020

# Ps. 2.350 billion

Revenues; +27.3% vs 2020

## Mobile services

During 2021, we consolidated our mobile services offer, reaching 428,000 subscribers and revenues for more than Ps. 313 million.

# 428,000

subscribers; +146.5% vs 2020







### Corporate segment

This segment's services are based on innovative global trends, with applications to different industries and with a focus on business continuity, increased productivity and a high level of integration in hybrid multi-cloud environments.

The corporate segment was one of the most affected during the pandemic, due to the restrictions of COVID-19 and the migration to home office. However, in 2021 we achieved a significant recovery in the segment.

Revenues from the Corporate Telecom segment grew 8% compared to 2020, driven by a 13% recovery from Ho1a, due to greater dynamism in the government and corporate segments, while MetroCarrier grew 12%, driven by revenues in the connectivity segment.

*The segment's results show a trend of sustainable growth, reaching Ps. 4.198 billion; +7.5% vs 2020.*

We are a responsible company; we are committed to mitigating the impact of our operations, always seeking the satisfaction of our subscribers and other stakeholders. Therefore, we have implemented initiatives to protect the environment, for example, paperless campaigns, recycling of products at the end of their life cycle and use of low energy consumption technologies.

Furthermore, we aim to increase the well-being of Mexicans being an important source of employment. We constantly seek opportunities to improve the quality of life of our employees, thereby positively impacting the communities where we operate.

*Recent years have shown that our services are essential, and we will strive to connect more and more people, providing high quality products at affordable prices for all Mexicans.*

In the coming years, we will continue the expansion strategy to reach more and new markets, with the goal of evolving into a national company, always focused on being an agent of change for communities, as well as maintaining our financial strength and increasing our performance and efficiency levels, creating added value for all our stakeholders.

I am grateful to all our employees, shareholders, members of the Board and customers for their support and dedication, as well as for the continued trust they place in Megacable, which drives us to be the best telecommunications company in Mexico.

Sincerely,

Enrique Yamuni Robles  
Chief Executive Officer





# About Megacable

We are a cutting-edge telecommunication services company with operations in 29 states in Mexico. We provide Internet, video, fixed telephony and mobile services for the mass market, and we offer connectivity solutions, infrastructure services and innovation for the corporate segment.



<sup>4</sup> As of 2021.





During 2021, we built  
**3,426 km**  
of new network.

*We have a 66,674 kilometers-long distribution network –both HFC and FTTH– that provides service to 9,568,600 homes in Mexico.*





# Business Model

We offer telecommunication and entertainment services in two segments:

## Mass segment

### Internet

Through our cutting-edge technology we provide Internet service of the highest quality.

### Video

We have a variety of packages that meet the entertainment needs of subscribers, with a wide range of content and the option of integrating streaming platforms into a single service.

### Telephony

We offer cable telephony service that adjusts to the needs of each market segment.

### Mobile services

As an added value for our subscribers, we provide mobile telephony with an attractive offer.



## Corporate segment

### MetroCarrier

We provide telecommunications services such as managed secure Internet, business telephony, virtual private networks, managed Wi-Fi, among others.

### MCM Telecom

We develop and combine technological platforms with a high level of integration in hybrid multi-cloud environments on secure environments. We provide solutions such as dedicated and virtual private lines, SD-WAN, data center hosting, data protection, recovery services and Cloud solutions, among others.

### Ho1a Innovación

We provide information technology services and implement technical solutions that help solve critical business problems. Some of the solutions we offer are Data Center, Cloud services, and IT managed services.

### PCTV

Producer and marketing company of television that produces five paid television channels: TVC, TVC *Deportes*, *Pánico*, *Platino* and *Cine Mexicano*, which are distributed to cable systems in Mexico and Central America, along with more than 30 news content signals locally distributed. Likewise, we offer teleport services for the upload, download and transportation of television signals and production services.







## Mission

To provide entertainment and telecommunication services as well as logistics, business and residential solutions that exceed the expectations of our customers.

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## Vision

To be the best telecommunications company in Mexico.

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## Values

- Honesty
- Work commitment
- Service attitude
- Respect for individuals
- Efficient resource use
- Loyalty





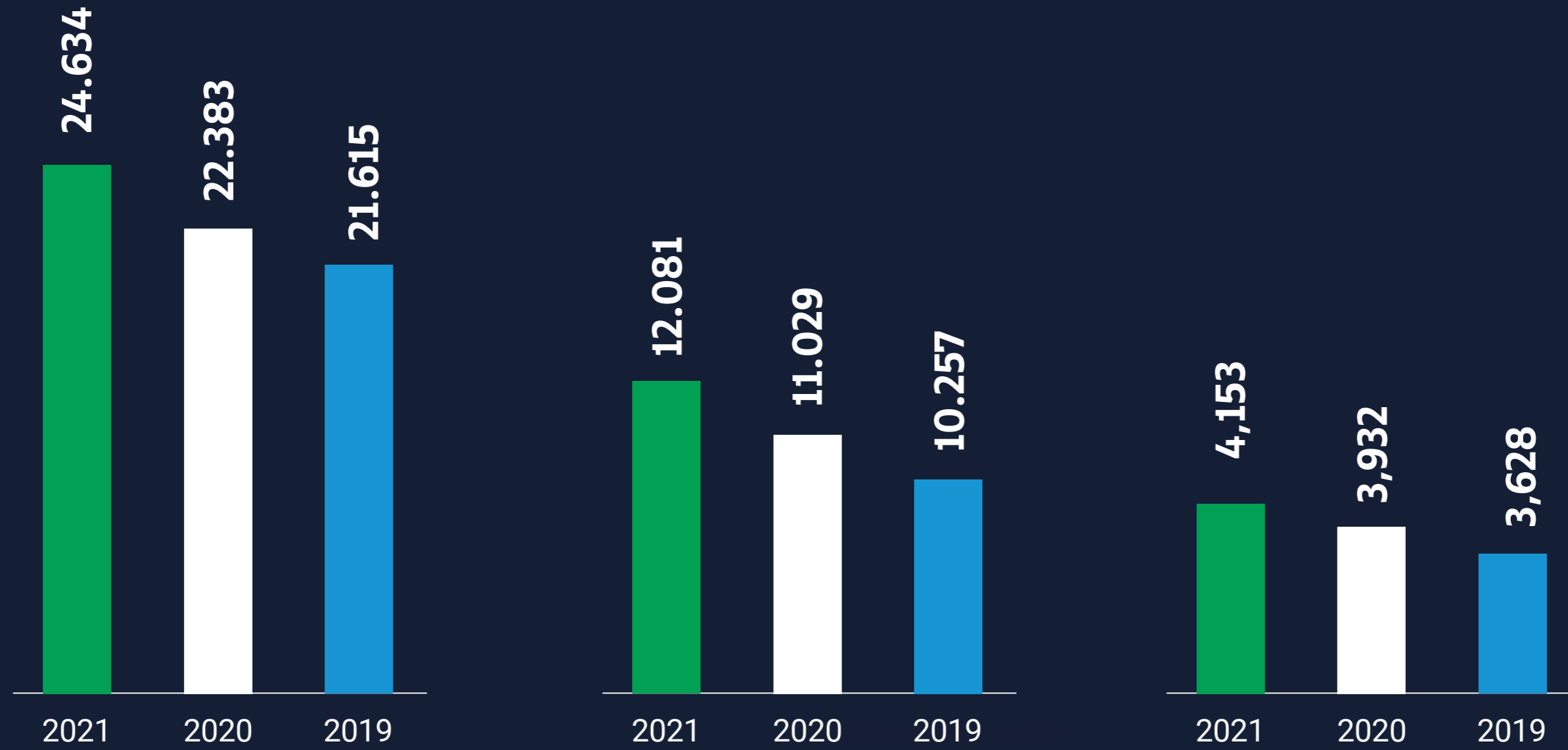
# 2021 Performance

## Consolidated Financial and Operating Results

Audited consolidated financial results			
	2021	2020	2021 vs 2020
Service revenues	24.634	22.383	10%
Service cost	6.461	5.845	11%
OPEX	11.366	10.198	11%
Consolidated EBITDA	12.081	11.029	10%
Consolidated EBITDA margin	49.0%	49.3%	
Adjusted EBITDA for cable operations	11.433	10.370	10%
Adjusted EBITDA margin for cable operations	50.7%	50.9%	
Net profit (controlling interest)	3.469	4.353	(20%)
Total assets	53.645	49.757	8%
Cash and cash equivalents	3.696	4.260	(13%)
Total liabilities	18.638	15.880	17%
Stockholders' equity	35.008	33.877	3%

Operating results			
	2021	2020	2021 vs 2020
Homes passed	9,568,600	8,955,457	6.8%
Network kilometers	66,674	63,248	5.4%
Internet subscribers	3,833,893	3,510,324	9.2%
Internet penetration rate / homes passed	40.1%	39.2%	
Video subscribers	3,539,822	3,412,627	3.7%
Video penetration rate / homes passed	37.0%	38.1%	
Telephony subscribers	3,031,119	2,626,798	15.4%
Telephony penetration rate / homes passed	31.7%	29.3%	
Unique subscribers	4,153,047	3,932,609	5.6%
Revenue Generating Units	10,404,834	9,549,748	9.0%
RGUs per unique subscriber	2.51	2.43	3.3%

\*Figures in billion pesos as of December 31, 2021



Revenues<sup>1</sup>

Consolidated EBITDA<sup>1</sup>

Unique subscribers<sup>2</sup>

<sup>1</sup>Figures in billions

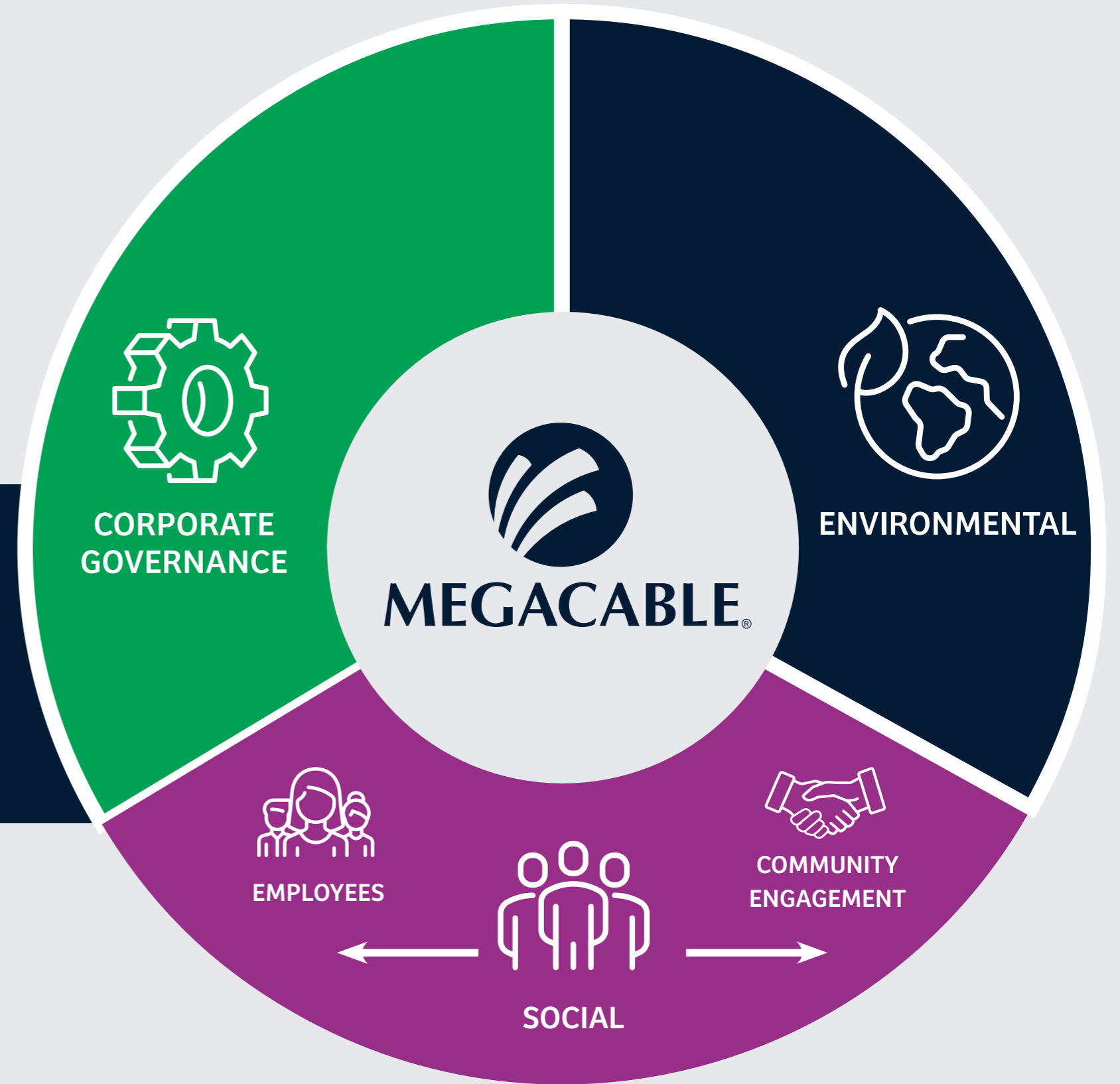
<sup>2</sup>Thousands of unique subscribers



# Value Creation

## ESG Strategy

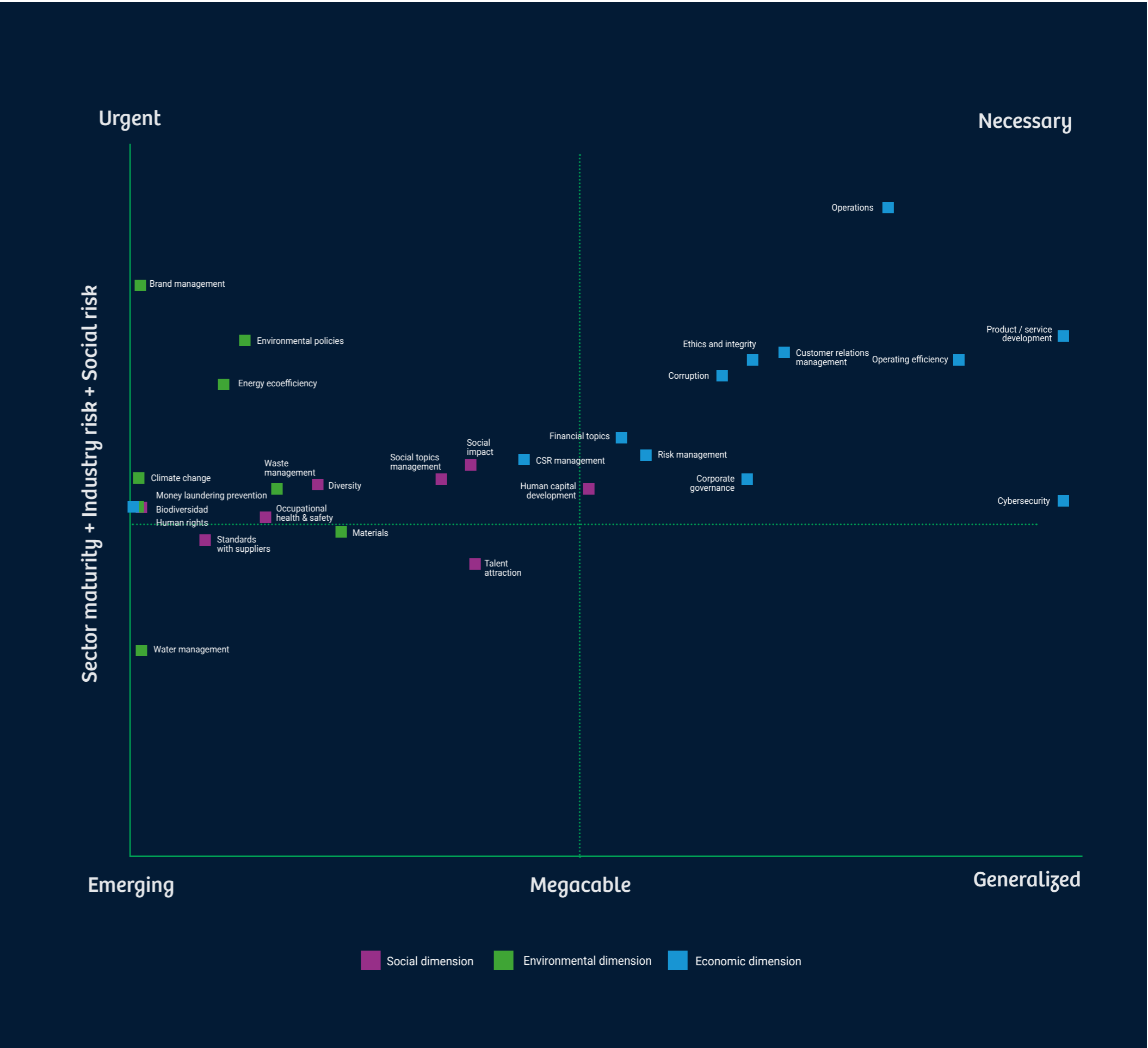
Based on our ESG (Environmental, Social and Governance) practices, we implement several initiatives in order to ensure that our operations and services are sustainable, generating a positive impact in the communities where we operate and protecting the environment.



# Materiality Assessment

In 2021, we carried out our first materiality assessment aiming to determine the material issues we must report, as well as identifying trends, risks and opportunities. We followed the same methodology of a specialized external consultant, as well as the recommendations of the Global Reporting Initiative to obtain comparable results and address areas of opportunity. Thus, we identified relevant issues through a qualitative and quantitative analysis of the maturity of the sector, the industry and the social risk.

During 2022 we will carry out the supplement of this analysis by presenting the material issues to our priority stakeholders in order to obtain their feedback and meet their expectations, as well as to validate the material aspects. Therefore, we will be able to identify risks, opportunities, performance indicators and strategic goals regarding the impact we have within the telecommunications industry.





# Our Team



## Workforce and Quality of Life

At Megacable we strive to create a workspace in which physical and emotional integrity and equal opportunities are guaranteed for all our employees, with the aim of fostering a sense of pride and belonging, as well as attracting and retaining the best talent.

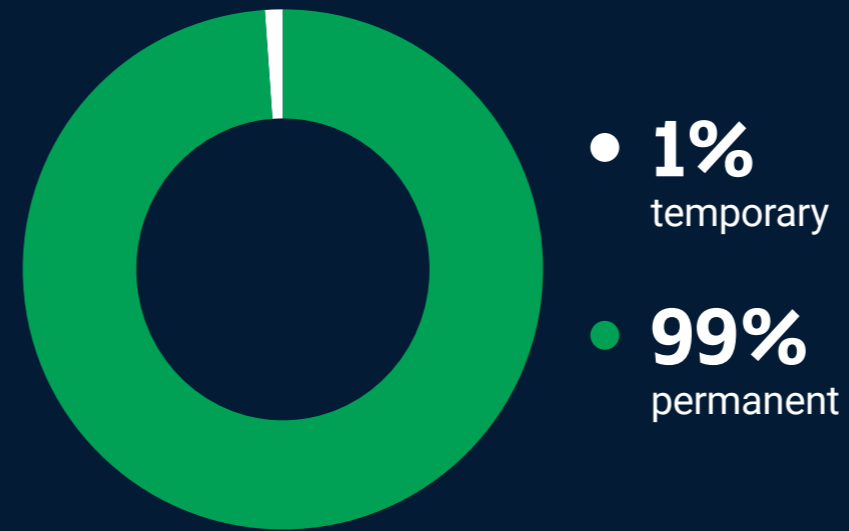
**23,980**  
employees

**61%**  
unionized

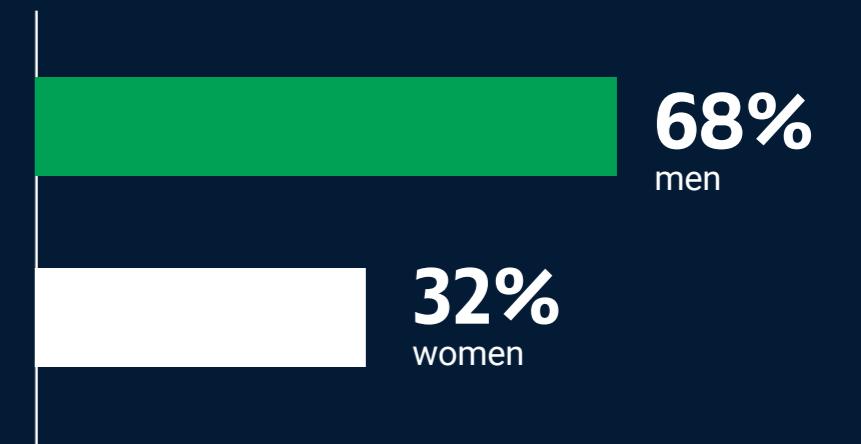
Our strategy to have the best talent and contribute positively to their quality of life is based on four guidelines:

- Attract the best talent
- Increase talent permanence
- Train employees towards a service culture
- Achieve a more efficient organization

Employees breakdown by contract

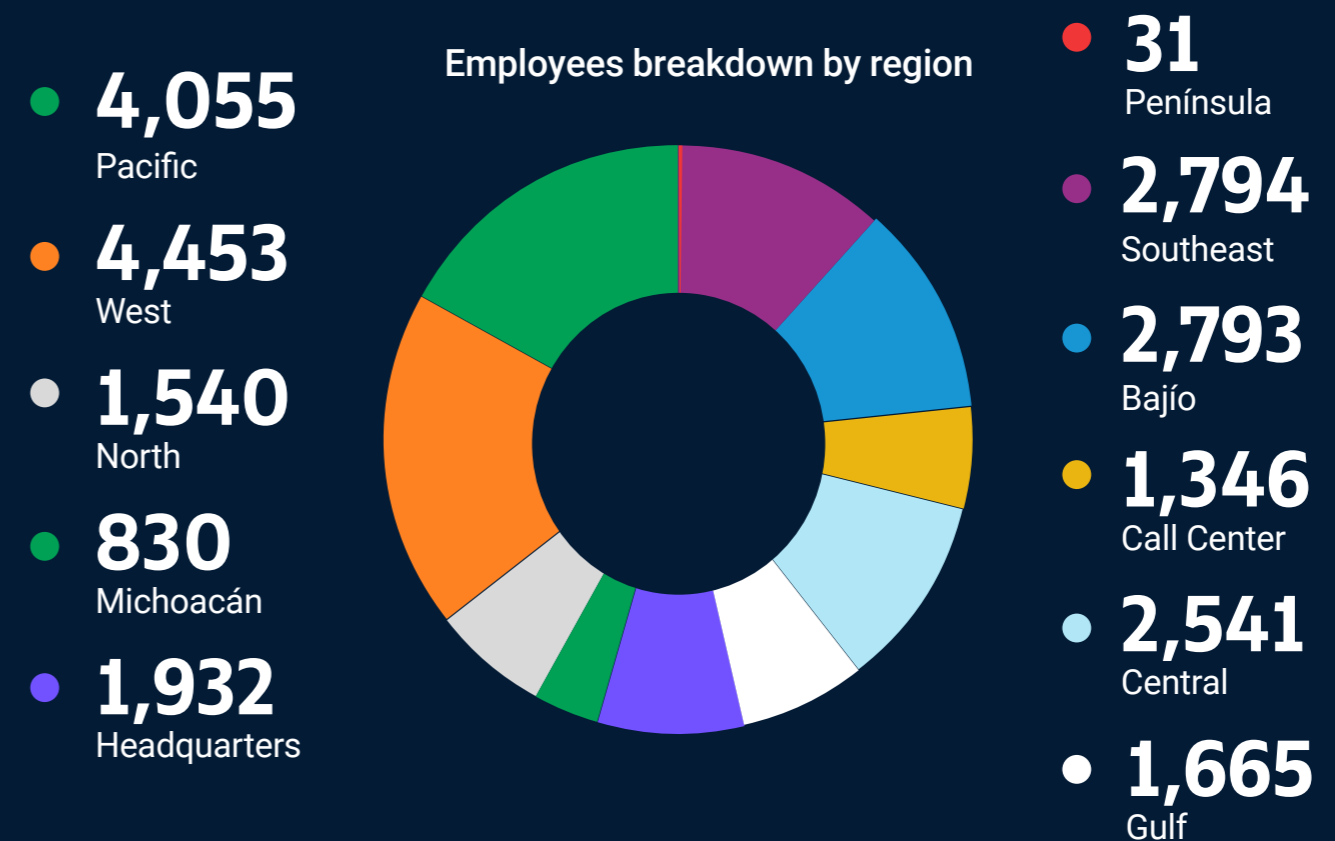


Employees breakdown by gender



\*The percentage of male employees is higher than that of female employees due to the business line.

Employees breakdown by region







All our employees enjoy benefits superior to those established by the Federal Labor Law. In addition, year after year we expand the portfolio of companies that sponsor benefits, services or articles of interest for our employees and their immediate families at prices that are accessible or lower than the market and with payment facilities, through the payroll system. Some of them are: life insurance, medical insurance, clinical laboratories, medical services, car insurance, gyms, transportation companies, airlines, restaurants, price clubs, among others. Moreover, all employees have parental permissions.

*We have 150 active benefit agreements for employees.*

Thanks to the implementation of initiatives to ensure the comprehensive well-being of employees and our efforts to retain talent, turnover in the year was 12.87% for men and 14.24% for women.

For the last three years, we have implemented the Parent School Workshop, which aims to provide employees (and their spouse, if applicable) a space to reflect and act on their relationship with their children, through the exchange of information and experiences that allow them to develop skills to solve and learn about several problems. Furthermore, we provide a space to analyze the basic criteria for family group dynamics, as well as to examine the different stages and problems that a family and the couple go through to favor communication within the family group and in certain contexts.



## Equal Opportunities

At Megacable, we are aware that inclusion and diversity in the telecommunications industry are key factors for the sector's sustainable development. Therefore, we continue to implement initiatives and carry out efforts to ensure equal opportunities and non-discrimination, as established in our Code of Ethics. We promote inclusive and violence-free workspaces, where the professional and personal growth of all employees is ensured. In addition, we require our suppliers to support the eradication of child labor and prohibit any form of labor exploitation.

*The Code of Ethics establishes Megacable's guidelines in favor of equal opportunities and the rejection of discrimination.*

**32%** of Coordination, Direction and Management positions are occupied by women.





# Training

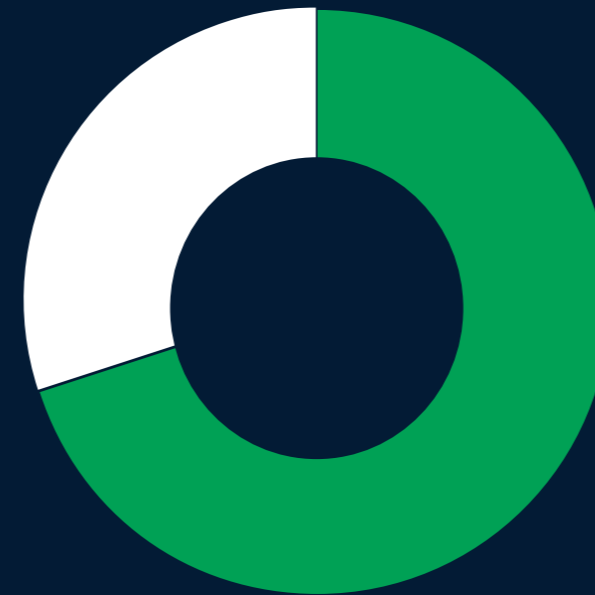
We need to constantly train and update our employees so they can perform their duties with the greatest preparation, professionalism, innovation and alignment with the best practices in the sector.

*Our goal is to constantly improve their skills, knowledge and competencies to ensure our business' sustainability in the future, as well as to improve their quality of life.*

Through our human capital development and training program, we grant certifications in the use of new technologies and provide training aimed primarily at service technicians. In 2021, we trained 16,000 operational employees on a wide variety of topics, such as: sales management, Xview Plus features, Mega Mobile launch, sales coach to increase productivity, comprehensive training for excellent service, basic radio frequency concepts, acquisition and domain of new technologies in telecommunications, among others.

Additionally, we encourage employees to perfect their soft skills, thus, we trained 180 managers and coordinators through the certification programs for leaders with vision in the telecommunications business, as well as the course in strategic sales management, with the support of the *Tecnológico de Estudios Superiores de Monterrey*. For middle-management employees, we imparted the Developing Leaders course to 300 supervisors, and for operational personnel who aspire to be supervisors, we trained 160 employees with the Talent Seedbed program.

## Training hours breakdown by gender



- 31% women
- 69% men

**109**  
courses imparted during 2021

**23,473**  
employees trained

**244,409**  
training hours

In addition, in order to provide the best service, we must have the best talent, which includes aligning our short, medium and long-term objectives with the Company's business and sustainability strategy. Therefore, we have a performance review process that measures and assesses fundamental components to ensure that employees are in ideal conditions to meet their goals. In 2021, we evaluated 100% of the employees who apply to this assessment (technical positions do not receive performance reviews, since they have a direct compensation model based on their performance).



## Occupational Health and Safety

We have an occupational health and safety management system that covers 100% of our employees and has the purpose of maintaining a safe workspace, so all our employees enjoy physical and mental well-being.

*We comply with the NOM-030 standard of the Ministry of Labor to ensure safety and hygiene in the Company; we have an internal program certified by civil protection and we carry out health initiatives for employees.*

The health management system includes programs such as campaigns and health fairs, vaccination campaigns, health and safety training, hygiene advice, medical evaluations, incident prevention program, use of personal protective equipment, and an accident investigation procedure.

In 2021 we continued providing training to mitigate safety risks and ensure the well-being of employees. Some of the topics were employment induction, risk prevention in electrical installations and rooftops, personal protective equipment for the safety of motorcyclists, defensive driving and environmental education, among others.



We imparted 39,612 training hours on safety issues.



Moreover, we carried out an evaluation with the participation of more than 22,000 employees to comply with the NOM-035-STPS-2018 standard, Psychosocial risk factors at work. This regulation, which came into force in 2019, establishes the elements to identify, analyze and prevent psychosocial risk factors, which are those that can cause anxiety and stress disorders.

During the year, we continued applying the federal, municipal and state protocols against COVID-19. We implemented preventive measures to avoid contagion among employees, such as social distancing, temperature monitoring, sanitization, antibacterial gel, use of face masks, prevention notices and advice in case of contagion.

*We performed 21,500 random antigen tests to detect COVID-19 and protect employees' health.*

Additionally, in several cities where we have presence, the PrevenIMSS health campaigns were implemented, in which we carried out the following activities:

- Blood pressure monitoring
- Weight control
- Blood glucose detection
- Vaccination against influenza:
- Nutrition
- Oral health
- Sexual health



**1,200** employees vaccinated





# Community Engagement

At Megacable we continually strive to support the development of the communities where we operate, either through efforts directly related to our services, such as offering free connectivity to civil associations, schools or non-profit organizations or others according to each community's needs.

During 2021 we carried out numerous initiatives; a clear example of this was the volunteering campaign at *La Casa del Migrante Scalabrini A.C.*, in Guadalajara, Jalisco, donating backpacks that contained basic items for hygiene and personal protection, as well as the "United against Cancer" campaign that we carried out in ten cities of the country.

**15** volunteers invested **72** hours to support the residents of *La Casa del Migrante Scalabrini A.C.*





Thanks to the paperless campaign for subscribers, in 2021 we saved 2.6 tons of paper.

# Environmental Protection

We are committed to protecting the environment and mitigating climate change, through the implementation of initiatives and strategies that allow us to reduce our operations' environmental footprint.

Since 2016 we have implemented measures so Megacable becomes a completely paperless company. For example, this year we managed to reduce approximately 30% of the Company's printouts by digitizing several human resources procedures on our internal online platform. Simultaneously, we developed digital channels that replace the physical delivery of account statements to our subscribers.

*We carried out a recycling campaign, collecting 2,677 kg of paper, which is equivalent to saving more than 45 trees.*

Additionally, starting in 2021, we began replacing conventional light bulbs in all of Megacable's facilities with energy-saving light bulbs. We installed 15,754 LED lights in 509 sites, reducing our energy consumption and environmental footprint.





# Corporate Governance

Our Board of Directors and upper management are committed to comply with the highest corporate governance standards throughout the Company.





## Board of Directors and Committees

The Board of Directors is comprised of twelve board members, appointed by the General Shareholders' Meeting, four of whom are independent. They are elected based on their expertise, capacities, reputation and are subject to objection by the National Banking and Securities Commission.

Any holder of 10% of the capital (either directly or through CPOs) has the right to appoint a member of the Board of Directors and said votes will be excluded for the purpose of appointing the missing members.

Members of the Board are obliged by the bylaws and applicable regulations to notify the Board of any situation that may result in a conflict of interest.

The Audit and Corporate Practices Committees are comprised of four members of the Board each, including three independent members.

Name and position	Year of appointment
<b>Francisco Javier R. Bours Castelo</b> Chairman of the Board	2005
<b>Manuel Urquijo Beltrán</b> Member and Secretary of the Board	2005
<b>Sergio Jesús Mazón Rubio</b> Member	2005
<b>Enrique Yamuni Robles</b> Chief Executive Officer	2005
<b>Jesús Enrique Robinson Bours Muñoz,</b> Member	2006
<b>Juan Bours Martínez</b> Member	2006
<b>Arturo Bours Griffith</b> Member	2006
<b>José Gerardo Robinson Bours Castelo</b> Member	2007
<b>Mario Laborín Gómez</b> Independent Member	2007
<b>Nicolás Olea Osuna</b> Independent Member	2007
<b>Claudia Margarita Félix Sandoval</b> Independent Member	2021
<b>Enrique Ramón Coppel Luken</b> Independent Member	2021

### CORPORATE PRACTICES COMMITTEE

Its responsibilities include to provide opinions to the Board of Directors, request and obtain opinions from independent third parties who are experts, convene Shareholders' Meetings when necessary, support the Board of Directors in the preparation of annual reports and report to the Board of Directors.

- **Nicolás Olea Osuna**  
Chairman
- **Mario Laborín Gómez**  
Member
- **Claudia Margarita Félix Sandoval**  
Member
- **José Gerardo Robinson Bours Castelo**  
Member

### AUDIT COMMITTEE

Supervises external auditors, informs the Board of Directors about existing internal controls, oversees operations with related parties, requests the preparation of reports from officials when necessary, informs the Board of Directors of any irregularities, supervises the officials' activities, submits an annual report to the Board of Directors and presents its recommendation to the Compensation Committee regarding the removal of members of the Board and officers, as the case may be.

- **Mario Laborín Gómez**  
Chairman
- **Sergio Jesús Mazón Rubio**  
Member
- **Nicolás Olea Osuna**  
Member
- **Enrique Ramón Coppel Luken**  
Member



## Executive Team

*We have a management team of experienced leaders for the business strategic management and the achievement of our goals.*

- **Enrique Yamuni Robles**  
Chief Executive Officer
- **Raymundo Fernández Pendones**  
Deputy Chief Executive Officer
- **Luis Antonio Zetter Zermeño**  
Chief Financial Officer



## Code of Ethics

We published a Code of Ethics that is available to all employees and any third party with whom we have business relationships. In this document we establish our fundamental values, standards and culture, which guide our daily actions and behaviors.

Some of the topics included in the Code are:

- Company values
- Relationship with the different stakeholders
- Anticorruption
- Money laundering
- Asset protection
- Conflicts of interest
- Whistleblowing line

Similarly, we have a Code of Ethics for suppliers, where we define the guidelines that they must comply with in order to work with Megacable. Some of the topics it covers are:

- Non-discrimination and equal opportunities
- Respect for freedom of association
- Rejection of forced labor and child labor
- Decent employment
- Environmental protection

Furthermore, we have a whistleblowing channel<sup>5</sup> through which our employees can denounce anonymously any case of harassment, theft, late payments, mistreatment or any other issue. These complaints are received by the Ethics Committee, made up of the Chief Executive Officer, the Deputy Chief Executive Officer and the Human Resources Director, who assess and track every situation.

<sup>5</sup>During 2022, we will increase this channel's reach so that any of our stakeholders may file complaints or breaches of our values.



## Anticorruption Policy

*We promote transparency and are committed to avoiding any form of corruption; we abide by the highest corporate ethical standards.*

Our Anticorruption Policy defines the appropriate guidelines expected from employees to avoid any situation of this nature. Among the situations that may represent a risk are:



- Gift giving
- Travel expenses
- Charitable donations
- Facilitation payments
- Gifts
- Money laundering
- Bribery







## Cybersecurity

Cybersecurity is a crucial topic in the digital period. The increase in computer incidents and crimes has become a problem that must be addressed with a strategy and a specialized team. Therefore, at Megacable we have policies, procedures, certifications and a cybersecurity area in charge of developing the information security framework for the protection of critical infrastructures, under the premise of identifying the security standards and guidelines applicable in all organization areas.

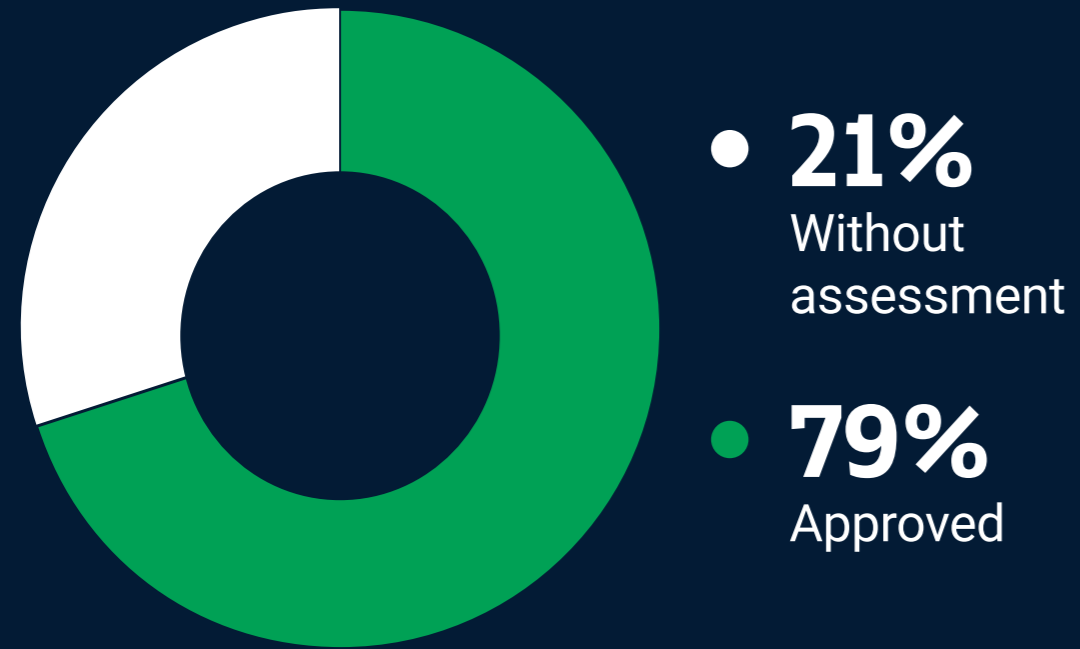
Customer data privacy is of the utmost importance, which is why we adhere to all applicable federal laws. In our Company it is necessary to collect certain personal data from customers in order to offer the portfolio's services. Thus, the Cybersecurity area is in charge of protecting the integrity of the computing infrastructure (computers, mobile devices, software, hardware, network) and the information that is stored in it, as well as creating policies and processes on the safe use of devices within the organization.

*Our Information Security Management System (ISMS) is based on the ISO 27001 standard.*

We have an Information Security Policy, which establishes the specific guidelines that all employees must meet in this matter. In order to comply with all data privacy and information security policies, we train employees through the internal portal, and carry out periodic evaluations on any update.



During 2021, we updated and implemented several projects and processes to put together a cutting-edge cybersecurity strategy and mitigate possible risks. Some of them are:



**Password vault**

For administrator access and for servers such as applications, access is now through the vault, which will provide a temporary connection without granting permanent credentials, thus saving the access credentials for only one connection.



**Application shieldin**

Megacable’s applications –both those for internal use and those for customers– will be shielded by a tool that will encrypt the application so that it cannot view the type of connections it makes, thus protecting our infrastructure.



**Application Firewall**

Application-level protection for the Megacable infrastructure exposed to the Internet, having the intelligence and detection of robots who want to impersonate humans and thus contain these attacks and preserve business continuity.

In addition, every six months we carry out a risk analysis to assess potential hazards and their possible consequences, both in existing infrastructure and in projects’ implementation, in order to establish prevention and protection measures.



### Incident response plan

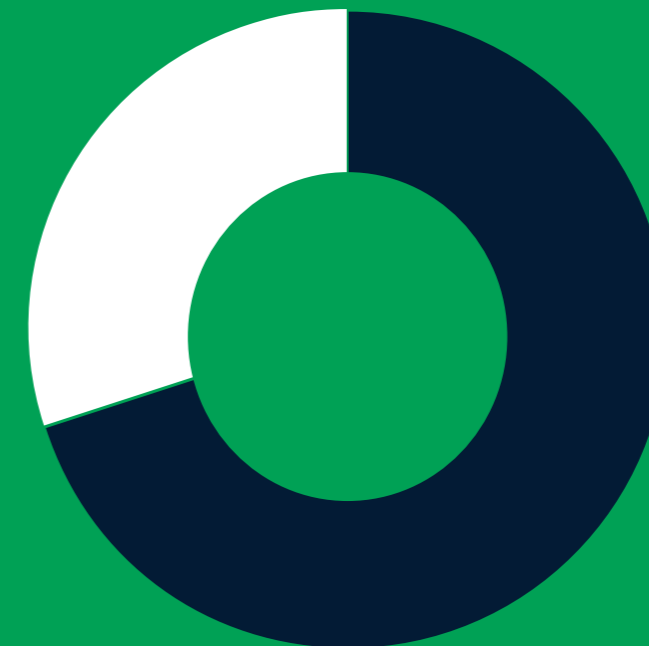
We have developed an incident response plan that allows us to monitor and detect problems, contain them and solve them without affecting the operation. The procedures are based on the framework of the NIST (National Institute of Standards and Technology) and the CSF (Cyber Security Framework).



Furthermore, we perform quarterly vulnerability tests on applications and infrastructure for customer service in order to identify weaknesses in operating systems and security risks.

Performing vulnerability scans helps ensure that any existing weakness in the systems is immediately identified and addressed, reducing Megacable's risk of exposure.

### Assessments on cybersecurity policies



- **21%** Not assessed
- **79%** Assessed and approved

*In 2021, 17,915 employees received training regarding compliance with cybersecurity policies, including periodic assessments of their updates.*



# Consolidated Financial Statements

*December 31, 2021 and 2020*

*(With Statutory Independent Auditors' Report Thereon)*

*(Translation from Spanish Language Original)*

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# Independent Auditor's Report

(In thousands of Mexican Pesos)

(Translation from Spanish Language Original)

## To the Board of Directors and Shareholders Megacable Holdings, S.A.B. de C.V.

### Opinion

We have audited the consolidated financial statements of Megacable Holdings, S.A.B. de C.V. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and notes, including a summary of significant accounting policies, and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Megacable Holdings, S.A.B. de C.V. and subsidiaries as at December 31, 2021 and 2020, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reports Standards (IFRS).

### Basis for opinion

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

### Key Audit Matters

Key Audit Matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Evaluation of the goodwill impairment test

See note 11 to the consolidated financial statements.

### The Key Audit Matter

The goodwill as at December 31, 2021 was \$4,378,397, and represented 8.16% of the Group's total consolidated assets as at that date, of which \$4,054,576 corresponded to the following Cash Generating Units (CGU): \$1,242,205 to the Bajío CGU; \$1,104,865 to the Central CGU, \$693,805 to the Southeast CGU, \$429,492 to the Pacific CGU, \$318,640 to the Michoacán CGU and \$265,569 to the Western CGU.

The Group analyzes the impairment of goodwill due to the occurrence of internal or external impairment indicators, or at least once a year.

We have identified the goodwill impairment test evaluation of these six CGUs as a key matter in our audit because the recovery value determination involves significant judgments. Specifically, the assumptions of the long-term growth rate, discount rate and reasonableness of cash flow projections used to calculate the recoverable value of CGUs are complex and any minor change to these assumptions would represent a significant impact.

### How our matter was addressed in our audit

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

- We performed a sensitivity analysis on the long-term growth rate and discount rate assumptions to assess their impact on determining the recovery value of the CGUs mentioned above.
- We evaluated the long-term growth rates projected by the Group for these CGUs, comparing the growth assumptions with publicly available information.

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

- Evaluating the discount rate used in the valuation, when comparing it with a range of discount rate that was estimated independently using public information available for comparable entities; and
- Calculating the recovery value of the CGUs mentioned above, using the Group's cash flow projections and previously evaluated and using the discount rate calculated independently, and compare the results with the estimates made by the Group.

### Other information

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended December 31, 2021, which must be submitted to the National Banking and Securities Commission and the Mexican Stock Exchange ("the Annual Report") but does not include the consolidated financial statements and our auditor's report thereon. We expect that the Annual Report will be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information as it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, we conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Cárdenas Dosal, S. C.

**Jorge O. Pérez Zermeño**

Guadalajara, Jalisco April 28, 2022

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

# Consolidated Statement of Financial Position

December 31, 2021 and 2020

(Thousands of Mexican pesos)

These financial statements have been translated from Spanish, the original language and for the convenience of foreign/English-speaking readers

ASSETS	Notes	2021	2020	LIABILITIES	Notes	2021	2020
<b>Current assets:</b>				<b>Current liabilities:</b>			
Cash and cash equivalents	5	\$ 3,696,307	4,259,590	Banknotes payable	14	2,917,588	459
Accounts receivable, net	6	1,861,068	1,705,690	Current portion of lease liabilities	17	1,624,901	1,291,230
Value added tax and others		1,241,856	779,937	Suppliers		5,221,634	3,240,961
Inventories, net	7	430,809	435,539	Other accounts payable and accrued liabilities	15	995,025	973,625
Prepayments	8	346,581	251,581	Deferred revenue	15	189,596	149,226
				Income tax		–	42,087
				Related parties	17 and 25	135,316	100,149
				Total current liabilities		11,084,060	5,797,737
Total current assets		7,576,621	7,432,337				
<b>Non-current assets:</b>				<b>Non-current liabilities:</b>			
Prepayments	8	1,178,024	2,012,974	Banknotes payable, net of current portion	14	3,458,069	6,358,954
Property, networks and equipment, net	10	36,519,871	31,558,147	Long-term lease liabilities, net of current portion	17	228,250	231,510
Right-of-use assets	17	2,781,809	2,574,121	Related parties	17 and 25	612,514	729,085
Related parties	25	916,876	978,473	Employee benefits	16	223,391	203,285
Goodwill, net	11	4,378,397	4,378,397	Deferred revenue	15	658,910	603,423
Other intangible assets, net	12	49,868	106,298	Deferred income tax	20	2,372,584	1,955,997
Other assets	26	243,880	716,260	Total non-current liabilities		7,553,718	10,082,254
				Total liabilities		18,637,778	15,879,991
Total non-current assets		46,068,725	42,324,670				
				<b>EQUITY</b>			
Total assets		53,645,346	49,757,007	Controlling interest:	18		
				Capital stock		910,244	910,244
				Additional paid in capital		2,117,560	2,117,560
				Reserve for the repurchase of shares		146,291	322,560
				Retained earnings		29,875,528	28,673,790
				Legal reserve		493,808	493,808
				Other comprehensive income		3,774	(33,870)
				Controlling interest		33,547,205	32,484,092
				Non-controlling interest		1,460,363	1,392,924
				Total equity		35,007,568	33,877,016
				Total liabilities and equity		\$ 53,645,346	49,757,007

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



**Enrique Yamuni Robles**  
Chief Executive Officer



**Luis Antonio Zetter Zermeño**  
Chief Finance and Administration Officer



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

# Consolidated Statement of Comprehensive Income

Years ended December 31, 2021 and 2020

(Thousands of Mexican pesos)

These financial statements have been translated from Spanish, the original language and for the convenience of foreign/English-speaking readers

	Notes	2021	2020
Service revenues	28	\$ 24,634,158	22,383,030
Cost of services	21 and 28	11,251,275	10,107,417
Gross profit		13,382,883	12,275,613
Selling expenses	21 and 28	5,828,512	5,307,074
Administrative expenses	21 and 28	621,887	517,754
Expected credit loss	6 and 21	125,266	111,224
Other income, net	22 and 28	61,189	77,811
Operating income		6,868,407	6,417,372
Finance income	23 and 25	191,129	145,993
Finance costs	23 and 25	(1,033,860)	(615,114)
Finance costs, net		(842,731)	(469,121)
Impairment of other permanent investment	26	(492,330)	(88,500)
Income before income tax		5,533,346	5,859,751
Income tax	20	(1,903,989)	(1,335,496)
Net profit		3,629,357	4,524,255

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



**Enrique Yamuni Robles**  
Chief Executive Officer

	Notes	2021	2020
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-employment benefit obligations		37,644	(17,479)
Comprehensive income, net		3,667,001	4,506,776
Net income attributable to:			
Company shareholders		3,468,606	4,353,365
Non-controlling interest		160,751	170,890
Net profit		3,629,357	4,524,255
Comprehensive income attributable to:			
Company shareholders		3,506,250	4,335,886
Non-controlling interest		160,751	170,890
Comprehensive income		\$ 3,667,001	4,506,776
Basic and diluted earnings per share:			
Attributable earnings per common share of the controlling interest	19	2.02	2.53
Profit per Ordinary Share Certificate (CPO)	19	4.03	5.06



**Luis Antonio Zetter Zermeño**  
Chief Finance and Administration Officer

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

# Consolidated Statement of Changes in Stockholders' Equity

Years ended December 31, 2021 and 2020

(Thousands of Mexican pesos)

These financial statements have been translated from Spanish, the original language and for the convenience of foreign/English-speaking readers

	Note 18	Share capital	Net premium on placement of shares	Provision for repurchase of shares	Retained earnings	Legal reserve	Other comprehensive income	Total controlling interest of share capital	Non-controlling interest	Total equity
Balance at December 31, 2019		\$ 910,244	2,117,560	272,712	25,836,106	492,412	(16,391)	29,612,643	1,337,293	30,949,936
Charges to the legal reserve		–	–	–	(1,396)	1,396	–	–	–	–
Purchase and sale of own shares		–	–	49,848	–	–	–	49,848	–	49,848
Redemption of minority shareholders		–	–	–	–	–	–	–	(25,070)	(25,070)
Dividends		–	–	–	(1,529,359)	–	–	(1,529,359)	(90,189)	(1,619,548)
Ori effect of IAS 19		–	–	–	15,074	–	–	15,074	–	15,074
Comprehensive income		–	–	–	4,353,365	–	(17,479)	4,335,886	170,890	4,506,776
Balance at December 31, 2020		910,244	2,117,560	322,560	28,673,790	493,808	(33,870)	32,484,092	1,392,924	33,877,016
Purchase and sale of own shares		–	–	(176,269)	–	–	–	(176,269)	–	(176,269)
Redemption of minority shareholders		–	–	–	–	–	–	–	(200)	(200)
Dividends		–	–	–	(2,202,490)	–	–	(2,202,490)	(93,112)	(2,295,602)
Ori effect of IAS 19		–	–	–	(64,378)	–	–	(64,378)	–	(64,378)
Comprehensive income		–	–	–	3,468,606	–	37,644	3,506,250	160,751	3,667,001
<b>Balance at December 31, 2021</b>		<b>\$ 910,244</b>	<b>2,117,560</b>	<b>146,291</b>	<b>29,875,528</b>	<b>493,808</b>	<b>3,774</b>	<b>33,547,205</b>	<b>1,460,363</b>	<b>35,007,568</b>

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



**Enrique Yamuni Robles**  
Chief Executive Officer



**Luis Antonio Zetter Zermeño**  
Chief Finance and Administration Officer



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

# Consolidated Statement of Cash Flows

Years ended December 31 2021 and 2020  
(Thousands of Mexican pesos)

These financial statements have been translated from Spanish, the original language and for the convenience of foreign/English-speaking readers

	2021	2020
<b>Operating activities:</b>		
Net profit	\$ 3,629,357	4,524,255
Items related to investment activities:		
Allowance for credit losses	125,266	111,224
Depreciation	4,834,545	4,318,172
Depreciation of leases	132,642	139,146
Amortization	306,328	232,168
Loss on sale of property, system, and equipment	233,985	448,732
Interest income	(191,129)	(145,993)
Allowance for obsolete inventories	13,385	6,304
Impairment of other permanent investment	492,330	88,500
Income tax	1,903,989	1,335,496
Items related to financing activities:		
Interest expense	609,222	571,719
Unrealized exchange rate fluctuations	(1,671)	(7,636)
Subtotal	12,088,249	11,622,087
Changes in working capital:		
Accounts receivable	(280,077)	42,263
Value added tax and others	(461,919)	(24,725)
Related parties, net	(113,771)	131,748
Inventories	(8,655)	29,403
Prepayments	(95,000)	128,913
Suppliers	1,978,736	1,802,766
Other accounts payable	(76,442)	270,924
Deferred revenue	95,857	565,776
Employee benefits	20,106	(74,422)
Net cash flows from operating activities	13,147,084	14,494,733
Paid employee profit-sharing	(122,221)	(28,778)
Income tax	(1,536,566)	(1,079,454)
Net cash from operating activities	11,488,297	13,386,501

	2021	2020
<b>Investing activities:</b>		
Prepayments	836,381	(2,007,401)
Amounts collected on loans to related parties	200,258	205,454
Proceeds from the sale of property, networks, and equipment	20,381	16,919
Acquisition of machinery, furniture, and equipment	(10,050,635)	(5,322,435)
Other non-current assets	(55,720)	(278,051)
Decrease in intangible assets	56,430	125,608
Acquisition of intangible	(10,486)	-
Contribution to other permanent investments	-	(129,315)
Interest income	188,137	145,993
Net cash flows from investing activities	(8,815,254)	(7,243,228)
<b>Financing activities:</b>		
Financing for asset acquisition	1,531,200	-
Loans granted to related parties	(103,302)	(100,359)
Repayment of bank loans	(459)	(148,440)
Payment of finance lease liabilities	(1,557,358)	(1,735,265)
Dividend payments	(2,295,602)	(1,619,548)
Minority shareholder redemptions	(200)	(25,070)
Minority shareholder contributions	(26,734)	(2,405)
Other capital movements	(176,269)	49,848
Interest expense	(609,222)	(516,081)
Net cash flows from financing activities	(3,237,946)	(4,097,320)
(Net decrease) net increase in cash and cash equivalents	(564,903)	2,045,953
Cash and cash equivalents:		
At the beginning of the year	4,259,590	2,210,065
Unrealized exchange fluctuation of cash and cash equivalents	1,620	3,572
At the end of the year	\$ 3,696,307	4,259,590

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

  
**Enrique Yamuni Robles**  
Chief Executive Officer

  
**Luis Antonio Zetter Zermeno**  
Chief Finance and Administration Officer

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

# Notes to the consolidated financial statements

For the years ended December 31, 2021 and 2020

(Thousands of Mexican Pesos)

These financial statements have been translated from Spanish, the original language and for the convenience of foreign/English-speaking readers.

## (1) Group information—

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

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

The accompanying consolidated financial statements include the Group’s figures, including joint ventures and associates, as at December 31, 2021 and 2020, in which the Group exercises significant influence and control, respectively. (See Note 2b)

### Telecommunications Reform

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

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

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

Furthermore, said Resolution established, in Appendix 3, the measures that allow an effective unbundling of the local PEA network so that other telecommunication companies can access the physical, technical and logical means of connection between any

terminal point of the public telecommunications network and the access point to the local network belonging to said agent. Thus, on February 27, 2018, through Agreement P/IFT/270218/130, the final plan for the implementation of functional separation of the PEA was approved, which, after changes approved by the Authority, had a September 30, 2019 deadline for migration of personnel, transfer of resources and transfer of network and infrastructure elements, thus giving rise to the functional separation of Telmex and Telnor.

Consequently, through the implementation of the final functional separation plan and the application of different measures imposed on the PEA, on March 4, 2020, the IFT approved the concession titles for Red Nacional Última Milla, S.A.P.I de C.V. and Red Última Milla del Noroeste, S.A.P.I de C.V, companies created to provide services for the PEA’s telecommunications wholesale division. Thus, as of March 6 of said year, these companies began operations independently from Telmex and Telnor.

In accordance with the Preponderance Resolution and the Law, the Institute Plenary has adopted different general Administrative Provisions and resolutions, including the Minimal Technical Conditions and Cost Models used to determine the Interconnection rates annually since 2015, and the applicable rate for 2021 was published in 2020. Similarly, the reference offers of the Preponderant Economic Agent in the telecommunications sector, which include Wholesale Services of Dedicated Links, Infrastructure Sharing and Local Loop Unbundling, as well as the Measures imposed biannually to the PEA and the approval of different cost models, allow to determine the prices for the services of Dedicated Links, Unbundling and Sharing Infrastructure, which allow MEGA CABLE to request and/or dispute rates in the services offered, as well as the use of the available infrastructure of TELMEX and TELNOR and Red Nacional Última Milla, S.A.P.I de C.V. and Red Última Milla del Noroeste, S.A.P.I de C.V.

As for the Group, in January 2016, MEGA CABLE was granted a single concession title which considers national coverage within its content, valid of 30 years, which allows the provision of any type of technically-feasible telecommunications service, allowed by the infrastructure to be provided in any part of the Mexican territory (and only requesting, where appropriate, the necessary radio spectrum). This title establishes the obligations corresponding to the dealer, such as: registering the services that they intend to provide; information on passive and active infrastructure, transmission media and rights of way; coverage programs, investment, quality and coverage commitments; not engaging in discriminatory practices; establishing and publishing a Code of Business Practices; having parental control regarding programming directed at children and adolescents; providing information to the IFT and allowing verification at the facilities; filing the audited financial statements, and others.

### Legal Framework – Regulatory Interconnection of Networks with Other Operators 2021 and 2020.

Since 2015, the dispute over interconnection rates has been performed mechanically and with prior knowledge of the terms of the resolution issued by the IFT, since in the last quarter of each year, the Institute publishes the interconnection rates to be applied the following year. Therefore, the applicable rates were interconnection disagreements between operators were established during 2021 and 2020:



**Operators Other Than Preponderant Operators**

Line item	2021 Rate	2020 Rate
For termination of local service to mobile users under the "caller pays" modality	\$ 0.073714	0.099287
For termination of short messages by mobile users	0.017242	0.016518
For termination of local service used by fixed users	0.003491	0.003721
For termination of short messages by fixed users	0.011764	0.012662
For origination services for local service by fixed users	\$ N/A	N/A
For transit services	N/A	N/A

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

Therefore, for the year 2021 in relation to 2020, the following Interconnection rates with the PEA applied:

Line item	2021 Rate	2020 Rate
For termination of local service to mobile users under the "caller pays" modality	\$ 0.018489	0.025771
For termination of short messages by mobile users	0.009889	0.008723
For origination services for local service by fixed users	0.003071	0.004088
For transit services on mobile networks	0.002184	0.001884
For termination of local service used by fixed users	0.002842	0.003331
For fixed network transit services	0.003554	0.004441

The operators that asked the IFT to resolve disputes regarding interconnection rates for 2020 with MEGA CABLE were:

**Telmex – Telnor, Telcel, Pegaso, Maxcom, Marcatel, Grupo Televisa, Axtel, Directo Telecom, Inbtel, Talktel, Dialoga Group Telecom, Comunicalo de México, Robot Comunicaciones, Open It.**

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

The Institute resolved the applicable rates for fiscal year 2021 based on the total cost model that a company could avoid in the long term if it stopped providing the relevant interconnection service but continued to provide the rest of the services, besides allowing the recovery of common costs through allocation of costs and for fiscal year 2020 based on cost models with a Long-Term Average Incremental Cost approach, used to determine the update, taking into account the service demand information, the prices of the inputs used, the weighted-average cost of capital, the exchange rate and the inflation based on the expected average for 2020, which resulted in an impact for the Group as a consequence of the financial increase regarding the considerations for interconnection services paid by MEGA CABLE, for the operators disputing such rates for that annuity, as indicated in the preceding paragraph, since, the latter ends with

a greater number of minutes in the networks of other companies, due to the larger amount of subscribers it has. This impact will depend on the monthly number of minutes MEGA CABLE ends in the network of each company during 2020. Among the operators other than PEA for the marginal cost of the termination rates, no significant changes are represented regarding income or expenses.

MEGA CABLE asked the Telecommunications operators listed below to negotiate new interconnection conditions and also negotiated interconnection disagreements for 2021 with the IFT for this same list of operators and signed Interconnection Agreements in accordance with the resolutions issued by the Institute between January 1, and December 31, 2020.

**AT&T, Total Play, Telmex – Telnor, Telcel, Starsatel, Pegaso, Maxcom, Marcatel, IENTC, Grupo Televisa, Axtel.**

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

**SIGNAL RETRANSMISSION**

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

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

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

**(2) Summary of significant accounting policies–**

The Company has consistently applied the following accounting policies to the consolidated financial statements and have been applied constantly by the Company, unless otherwise specified:

**(a) Basis of preparation and authorization–**

The Group's consolidated financial statements as at December 31, 2021 and 2020 and for the years then ended have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). IFRS include: i) International Financial Reporting Standards ("IFRS"); ii) International Accounting Standards ("IAS"); iii) Interpretations by the International Accounting Standard Committee ("IASC"); and iv) Interpretations by the Standard Interpretations Committee ("SIC"). The consolidated financial statements have been prepared on a historical cost basis.

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

## (b) Consolidation and investments in joint arrangements and shares—

## a) Subsidiaries

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

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

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

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

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

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

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

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

Subsidiary	Shareholding		Corporate Purpose
	2021	2020	
Mega Cable	99.99	99.99	Holder and lessor of infrastructure to subsidiaries.
Telefonía por Cable	99.99	99.99	Operations in the cable systems of Sinaloa, Sonora, Occidente (West), Centro (Central Mexico), the Gulf (Golfo) region, Chiapas, the State of Mexico, León, and Los Cabos, among others.
MCM Holding (MCM)	99.99	99.99	Local telephone services in Mexico City, Guadalajara, and Monterrey.
Liderazgo Empresarial en Tecnologías de la Información (Ho1a)	99.99	99.99	The holding company and its subsidiaries are engaged in the provision of installation services and the sale of communication services in Mexico City, Guadalajara, Monterrey, and Cancún, among others.
Productora y Comercializadora de Televisión (PCTV)	81.98	81.98	Purchase and sale of national and international television signals, sale of television ads and advertising spaces, and the production and co-production of programs.
Myc Red	51.00	51.00	Operations in the cable systems primarily in Sahuayo and Jiquilpan, Michoacán.
TV Cable del Golfo	99.99	99.99	Technical staff services.
Servicios Técnicos de Visión por Cable	99.99	99.99	Technical staff services.
Mega Ventas	99.99	99.99	Sales staff services.
Servicios de Administración y Operación	99.00	99.00	Administrative staff services.
Tele Asesores	99.00	99.00	Administrative staff services.
Entretenimiento Satelital	95.00	95.00	Operation of the "video rola" channel.
Servicios Especiales Turandot	97.66	97.66	Leasing of equipment and infrastructure for the provision of telephone services.
Werther Administración Integral	99.83	99.83	Leasing of equipment and infrastructure for the provision of telephone services.
Corporativo de Comunicación y Redes de GDL	51.00	51.00	Leasing of equipment and infrastructure for the provision of cable, internet, and telephone services.
Servicio y Equipo en Telefonía, Internet y Televisión	51.00	51.00	Holder of the subscriber rights for the Michoacán and Zacatecas systems, among others.



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

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

**c) Disposal of subsidiaries**

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

**d) Joint venture**

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

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

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

The Group, as well as investors Televisa and Telefónica jointly invested in Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC). See Note 9.

**(c) Disclosure of changes in accounting policies–**

The Group has initially adopted Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) from 1 January 2021.

The Group applied the Phase 2 modifications retrospectively.

However, in accordance with the exceptions allowed in the Phase 2 modifications, the Group has chosen not to express the comparisons of the previous periods to reflect the application of these modifications.

Since the Group had no transactions for which the reference rate had been replaced by an alternative reference rate as of December 31, 2020, there is no impact on the opening equity balances as a result of the retrospective application.

**(d) Financial information by segments–**

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

These segments are managed independently (massive and business) since the services provided and the markets they serve are different. The Group performs its activities through various subsidiary companies. See Note 28.

**(e) Foreign currency transactions and balances–**

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

**Functional and presentation currency**

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

**(f) Cash and cash equivalents–**

In the consolidated cash flow statement, cash and cash equivalents include cash on hand, bank deposits on demand, and other short-term highly liquid investments with an original maturity of three months or less. Short-term investments are made through banking institutions, which consist of government debt financial instruments such as low-risk Treasury Certificates (CETES) with moderate returns. As at December 31, 2021 and 2020, the respective maturities of these investments are 28 days. See Note 5.

**(g) Prepayments–**

Prepayments represent disbursements (fees) made by the Group where the benefits and risks inherent in the goods to be acquired or the services to be received have not been transferred. Prepayments are recorded at cost under the consolidated statement of financial position under the prepayments and other assets caption. See Note 8.

**(h) Accounts receivable–**

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

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

**(i) Financial assets and liabilities—**

**Financial assets—**

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

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

**i. Financial assets at amortized cost**

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

**ii. Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income (OCI) are those whose business model is based on obtaining contractual cash flows and selling financial assets, in addition to their contractual conditions giving rise, on specific dates, to contractual cash flows that represent only payments for principal and interest on outstanding principal. As at December 31, 2021 and 2020, the Company does not hold financial assets to be measured at their fair value through other comprehensive income.

**iii. Financial assets at fair value through profit and loss**

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

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

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

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

As at December 31, 2021 and 2020, the Company has not made any of the irrevocable appointments described above.

**Financial liabilities—**

**i. Initial measurement and recognition**

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

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

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

**ii. Derecognition**

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

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

**(j) Offsetting of financial instruments—**

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

**(k) Impairment of financial assets measured at amortized cost—**

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



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

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

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

**(l) Inventories–**

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

**(m) Property, networks, and equipment–**

Property, networks and equipment are expressed at historical costs, less depreciation. Historical cost includes the expenses that are directly attributable to the acquisition of said assets. See Note 10.

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

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

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

Asset Description	Depreciation rate 2021	Depreciation rate 2020	Estimated useful life 2021	Estimated useful life 2020
Land	N/A	N/A	–	–
Buildings	2.5%	2.5%	40	40
<i>Network and technical equipment for signal distribution</i>				
Networks	6.64%	6.64%	15	15
Converters	10.00%	10.00%	10	10
Equipment	6.65%	6.65%	15	15
Cable modems	10.00%	10.00%	10	10
Laboratory equipment	7.11%	7.11%	14	14
Furniture and office equipment	5.67%	5.67%	18	18
Computer equipment	12.50%	12.50%	8	8
Transportation equipment	11.11%	11.11%	9	9
Leasehold improvements	5.67%	5.67%	18	18
Telecommunications equipment	5.67%	5.67%	18	18
<i>Other</i>				
Tools and equipment	8.33%	8.33%	12	12

Leasehold improvements are depreciated over the term of the respective operating lease agreements. The residual values and useful lives of the assets are reviewed and adjusted, if necessary, on the closing date of each year.

The value of property, networks and equipment is reviewed when there are indicators of impairment in the value of said assets. When the recovery value, which is the higher between the sale price and its use value (which is the present value of future cash flows) is less than the net book value, the difference is recognized as an impairment loss. For the years ended December 31, 2021 and 2020, there were no indicators of impairment. See Note 2o).

**(n) Goodwill and intangible assets–****a) Goodwill**

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

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

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

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

As at December 31, 2021 and 2020, no impairment losses were recognized in goodwill. See Note 11.

**b) Customer bases**

Intangible assets acquired during 2021 that were not in a business combination were recorded at acquisition cost. Intangible assets acquired in a business combination are valued at their fair value at the date of purchase. The main intangible assets recognized by the acquisitions is the subscriber portfolio, which according to the study carried out has a useful life of approximately four years. They are amortized on a straight-line basis. See Note 12.

**c) Trademarks and patents**

Trademarks and patents acquired individually are recognized at historical cost. Trademarks and patents acquired through business combinations are recognized at their fair value at the date of acquisition. Trademarks and patents have a defined useful life and are recorded at cost less their accumulated impairment and amortization. Amortization is calculated on a straight-line basis to distribute the cost of trademarks and patents based on their expected useful lives of 20 years. See Note 12.

**(o) Impairment of non-financial assets–**

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

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

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

**(p) Suppliers and other accounts payable–**

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

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

**(q) Bank loans–**

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

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

**(r) Provisions–**

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

**(s) Current and deferred income tax–**

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

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

Deferred income tax is determined based on the asset and liability method, on temporary differences arising from tax bases of assets and liabilities and their respective carrying amounts. However, deferred income taxes arising from the initial recognition of an asset or a liability in a transaction that does not correspond to a business combination, which at the time of the transaction does not affect either the accounting or tax profit or loss is not recorded or recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using the tax rates and laws that have been enacted as of the date of the statement of financial position and that are expected to be applicable when the deferred tax asset is realized or the tax liability is settled. See Note 20.

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

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

Deferred income tax balances related to assets and liabilities are offset when there is a legal right to offset current tax assets with



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

**(t) Employee benefits–**

**a) Defined benefit plans:**

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

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

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

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

Past service costs are immediately recognized in the income statement.

**Seniority premiums**

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

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

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

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

**b) Defined contribution plans:**

**Pension plans**

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

**c) Employee profit sharing**

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

**(u) Capital stock–**

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

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

**a) Net premium for placement of shares**

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

**b) Legal reserve**

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

**c) Provision for repurchase of shares**

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

**(v) Leases–**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**I. As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is

initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs of dismantling and removing the underlying asset or restoring the underlying asset or the site in which it is located, less the lease incentives received.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the commencement date and until the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or that the cost of the right-of-use asset reflects that the Group is going to exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment. In addition, the right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid on the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental rate for Group loans. In general, the Group uses its incremental loan rate as the discount rate.

The Group determines its incremental loan rate by obtaining interest rates from different external financing sources and makes certain adjustments to reflect the lease terms and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments including fixed payments in substance
- variable lease payments, which depend on an index or a rate, initially measured using the index or rate on the commencement date
- amounts the lessee expects to pay as residual value guarantees and
- the exercise price of a call option that the Group is reasonably certain of exercising that option, the lease payments in an optional renewal period if the Group is reasonably certain of exercising an extension option, and the payments for penalties derived from early termination of the lease unless the Group is reasonably certain not to terminate the lease early.

The lease liability is measured at amortized cost using the effective interest method. A new measurement is made when there is a change in future lease payments as a result of a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be paid under a residual value guarantee, if the Group changes the assessment of whether or not a purchase, extension or termination option will be exercised, or whether there is a fixed lease payment in substance that has been modified.

When a new measurement of the lease liability is carried out in this manner, the corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties in property, plant and equipment and lease liabilities in loans and obligations in the statement of financial position.

#### Short-term leases and leases of low-value assets

The Group has chosen not to recognize right-of-use assets and lease liabilities for the leases of low-value assets and short-term leases, including some information technology (IT) equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis throughout the term of the lease.

At the beginning or at the time of modification of a contract that contains a lease component, the Group distributes the consideration in the contract to each lease component on the basis of their independent relative prices.

When the Group acts as lessor, it determines whether each lease is a financial or an operating lease at the beginning of the lease.

To classify each lease, the Group makes a general assessment of whether or not the lease transfers substantially all the risks and rewards inherent to the ownership of the underlying asset. If this is the case, the lease is a financial lease; if not, it is an operating lease.

As part of this evaluation, the Group considers certain indicators such as whether the lease covers most of the financial life of the asset.

#### Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

#### (w) Borrowing costs–

Borrowing costs for general and specific loans attributable to the acquisition, construction, or production of a qualifying asset that necessarily takes a substantial period of time (12 months) to get ready for its intended use or sale are capitalized as part of the cost of the asset. Interest earned on temporary investments of the specific loan funds for the acquisition of qualifying assets is deducted from the eligible costs to be capitalized.

The rest of the costs derived from the loans are recognized when incurred or accrued in the income statement.

#### (x) Revenue recognition–

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

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

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



*Cable television signal services*

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

*Internet services*

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

*Digital telephone services*

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

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

*Discounts*

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

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

*Installations for cable, internet, and telephone subscribers*

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

*Revenue from the sale of goods*

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

*Advertising revenue*

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

*Significant terms of payment*

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

*Mass market*

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

*Business market*

In the case of the business market, Company receives the corresponding consideration on a monthly basis, in accordance with the amounts agreed to by both parties. The payment period for the services depends on the negotiations carried out between the Group and Customer, which in no case will be more than 36 months.

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

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

*Interest*

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

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

**(y) Pending performance obligations–**

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

	2022	2023	2024
Metrocarrier	\$ 2,727,791	2,814,948	2,877,238
Ho1a	169,121	98,331	18,732

The Group expects that 33% of the total amount of the transaction allocated of unpaid contracts as at December 31, 2021 will be recognized as revenue during 2022. The remaining 67% will be recognized in 2023 and 2024. The amount disclosed above does not include the variable consideration derived from the fact that they are immaterial. This revenue is recognized over time on a monthly basis.

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

During 2021 and 2020, no revenue was recognized from performance obligations that were partially or totally satisfied in previous years.

**(z) Customer contract costs (commissions)–**

Management recognizes costs that are directly related to obtaining or fulfilling a contract as assets, since it considers that these may be recovered. The costs to obtain a contract (sales commissions paid to employees) are determined considering that they can be directly related to a specific contract, are recoverable, and can be reliably quantified. Amortization is recognized based on the useful life of each subscription (three years).

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

**(aa) Earnings per share–**

Net earnings per share are calculated by dividing the profit for the year attributable to controlling interest by the weighted average number of ordinary shares outstanding during the year. As at December 31, 2021 and 2020, there are no dilution components of earnings; therefore, diluted earnings per share are not calculated or disclosed since it is the same amount as the basic earnings per share. See Note 19.

**(bb) Distribution of dividends–**

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

**(cc) Finance income and finance costs–**

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

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

**(dd) Other immaterial reformulations–**

Subsequent to the issuance of the consolidated financial statements as of December 31, 2020 and for the year then ended, Group Management identified an immaterial error in the classification of deferred revenue in its current portion. The Company's Management evaluated the impact of this reclassification and concluded that it is not material for the consolidated financial statements for any of the periods presented in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, Group Management determined that it was appropriate to reclassify as of December 31, 2021 to present properly according to their maturities.

**(3) Financial risk management:**

**a) Financial risk factors**

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

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

**i. Market risk**

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

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

**ii. Currency risk**

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

Management has established a policy that requires Group companies to manage exchange rate risk with respect to their functional currency. Group companies must hedge their exchange rate risk exposure through the Group's Treasury. Currency rate risk arises when future commercial and financing transactions and recognized assets and liabilities are held in a currency other than the entity's functional currency.

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

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

Negotiation with providers to convert consumable values to pesos (pesify). Two years ago, the Group began negotiating with its suppliers to translate the value of contracts to pesos to the extent possible. Consequently, certain programmers have changed their rates to pesos to ensure that everyone has greater certainty of business in terms of costs and that their channels continue to be included in the programming. The Group has also negotiated with technology suppliers so that maintenance involving labor is denominated in Mexican pesos. As a general result, the Group lowered its exposition rates from 12% or 13% of operating expenses to 5% or 6%. In the same way, the three-year Maintenance contract with Cisco de México for 21 million dollars was transferred to pesos and is valid from April 2020 to March 2023.



If as at December 31, 2021 and 2020 the Mexican peso had been devalued 10% in relation to the U.S. dollar, and the other variables had remained constant, the profit for the year after taxes would have dropped by \$80,223 and \$195,491, respectively, primarily as a result of the profits/losses in the translation of accounts payable to suppliers and foreign currency assets who perform their transactions in U.S. dollars.

As at December 31, 2021 and 2020, the Company had the following monetary assets and liabilities in thousands of U.S. dollars:

	thousands of U.S. dollars	
	2021	2020
Assets	\$ 84,659	122,006
Liabilities	(45,551)	(23,963)
<b>Net position</b>	<b>\$ 39,108</b>	<b>98,043</b>

The exchange rates used in the different translation processes in relation to the reporting currency as at December 31, 2021 and 2020 are as follows:

		Exchange rate	
	Currency	2021	2020
United States of America	U.S. dollar	\$ 20.5157	19.9352

### iii. Price risk

The Group is not exposed to price risk for the costs of the services it provides, since they are not subject to market indices. In like manner, there were no relevant changes to the prices of the supplies acquired for the provision of the service during 2021 and 2020.

### iv. Cash flow risk related to the interest rate.

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

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

Based on the simulations carried out at variable rates, the impact on profit after taxes as at December 31, 2021 and 2020 due to a 1% movement would generate a maximum increase or a decrease of \$28,540 and \$29,056, respectively. Simulations are prepared quarterly to verify that the maximum potential loss is within the limit established by Management.

As at December 31, 2021 and 2020, the Group has fixed rate and variable rate loans.

### b) Credit risk

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

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

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

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

### Creditworthiness of financial assets Metrocarrier

	2021	2020
Accounts receivable:		
Group 1	\$ 618,217	678,792
Group 2	542,779	125,971
<b>Total of trade receivables</b>	<b>\$ 1,160,996</b>	<b>804,763</b>

**Related parties**

	2021	2020
Group 1	\$ –	–
Group 2	916,876	978,473
<b>Total of trade receivables</b>	<b>\$ 916,876</b>	978,473

Group 1 – New customers – existing/related parties (less than 6 months).

Group 2 – Existing customers/related parties (more than 6 months).

	2021	2020
Cash in banks and bank deposits short-term	\$ 3,696,307	4,259,590
<b>Maximum creditworthiness, with minimum credit risk (AAA)</b>	<b>\$ 3,696,307</b>	4,259,590

**c) Liquidity risk**

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

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

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

<b>As at December 31, 2021</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Bank loans	\$ 2,917,588	3,458,069	–
Interest in banking institutions not accrued	451,879	431,999	–
Lease liabilities	1,624,901	228,250	–
Suppliers	5,221,634	–	–
Related parties	135,316	406,644	205,870
Interest collected from related parties	11,171	28,294	23,100
Other accounts payable and deferred revenue	1,184,621	146,168	512,742
	<b>\$ 11,547,110</b>	<b>4,699,424</b>	<b>741,712</b>

<b>As at December 31, 2020</b>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Bank loans	\$ 459	2,905,646	3,453,308
Interest in banking institutions not accrued	453,058	623,772	432,605
Lease liabilities	1,291,230	231,510	–
Suppliers	3,240,961	–	–
Related parties	100,149	218,684	510,401
Interest collected from related parties	8,933	24,523	66,552
Other accounts payable and deferred revenue	1,122,851	117,641	485,782
	<b>\$ 6,217,641</b>	<b>4,121,776</b>	<b>4,948,648</b>

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

**d) Capital risk management**

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

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

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

During 2021 and 2020, the Group's strategy was to maintain its leverage ratio within the range of 0 to 3.00.



The credit rating regarding the Group's overall ability to meet financial obligations has been maintained throughout the period. The leverage ratio as at December 31, 2021 and 2020 is as follows:

	2021	2020
Total liabilities	\$ 18,637,778	15,879,991
Total equity	35,007,568	33,877,016
Leverage ratio	0.53	0.47

e) **Fair value estimation**

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

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

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

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

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

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

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

Specific valuation techniques for financial instruments include:

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

The book value of assets and liabilities measured at amortized cost as at December 31, 2021 and 2020 resembles the fair value, derived from the fact that their realization period is less than one year, except for those presented under the long-term that are described in Notes 13, 14, and 25.

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

**(4) Critical accounting estimates and judgments:**

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

**a) Critical accounting estimates and judgments**

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

**Accounting judgments:**

**b) Concessions granted by the government**

The provision of the aforementioned services is carried out through concessions granted free of charge by the competent authority in the regions indicated in Note 28 c) for a period of 30 years, which at the end of their validity will be consolidated into a single concession.

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

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

As at December 31, 2021 the Group has the following concessions in force:

	Year		Number of concessions for:	
	Beginning	Expiration	30 years	10 years
	2013	2023		5
	2014	2024		4
	1995	2025	18	
	1996	2026	31	
	1997	2027	3	
	1998	2028	21	
	1999	2029	2	
	2000	2030	16	
	2007	2037	4	
	2008	2038	8	
	2009	2039	3	
	2010	2040	2	
	2011	2041	2	
	2013	2043	6	
	2014	2044	4	
	2016	2046	2	

The main characteristics of the concessions granted before 2017 that are still in force are as follows:

#### i. General

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

#### ii. Provisions applicable to the services

- Quality of services: continuous and efficient provision of services.
- Quality control and measurement equipment: the concessionaire shall take the necessary steps to ensure the precision and reliability of the equipment for quality measurement purposes.
- Code of commercial practices: the concessionaire must prepare a code to describe the services it provides and the billing methodology and application of the corresponding rates.

- Emergency services: the concessionaire must present an action plan to prevent the interruption of services in the event of an act of God or force majeure.
- Modernization of the network: the concessionaire must keep its Network updated with the latest technological advances.

#### iii. Verification and information

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

#### iv. Commitments

- The concessionaire agrees to install with its own infrastructure, during the first three or five years, each of the stages of the coverage program indicated in the concession title.
- Term to start providing the service: the concessionaire must start to provide the service referred to in the concession no later than 365 calendar days after the date the concession is granted; however, an extension may be granted that is equal to half the term.
- As at December 31, 2021 and 2020, the Group has complied with all these disclosed commitments and the regulatory aspects to which it is subject.

#### v. Renewal

- As of January 2016, all concession titles that expire will be adhered to the aforementioned single concession title, as the Group provides the services on a continuous basis. The validity of the single concession is 30 years from June 4, 2015, which will be renewable, in accordance with the provisions of Article 113 of the Federal Telecommunications Broadcasting Act, which indicates concessions on public telecommunications networks, and which may be extended up to periods equal to those originally established. In order to obtain an extension, concessionaires must have complied with the conditions established in the concession that it wishes to have extended, and apply for the extension during the year in which the last fifth of the term of the concession begins, and accept the new conditions established by the authority in accordance with this Act and other applicable provisions. The IFT will issue its resolution within 180 calendar days.

#### vi. Guarantees

- In January and June of each year, respectively, the concessionaire must contract a performance bond for the obligations contracted in each concession with a surety institution authorized by the Ministry of Finance and Public Credit (SHCP) for an amount equal to 4,000 UMAs (Unit of Measurement and Update) in force, the amount of the guarantee must be updated in the month of January of each year, in accordance with the current UMA, according to the publication in the Official Gazette of the Federation.

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



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

Management considers that the Group has control with 51% of the voting rights. The Company is the majority shareholder with 51% of the shares, while the other shareholders individually do not own more than 40% of the equity. There is no record of shareholders who form a group to exercise their voting rights jointly. The total non-controlling interest as at December 31, 2021 and 2020 is \$160,751 and \$170,890, respectively.

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

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

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

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

Details on the relevant totals of assets, liabilities and consolidated results of these subsidiaries are provided in Note 9.

**Accounting Estimates:**

**d) Goodwill impairment estimate**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy described in Note 2o). The recoverable amounts of the Cash Generating Units (CGU) have been determined based on calculations of their values in use. These calculations require the use of estimates (See Note 11).

In 2021 and 2020, there were no impairment effects in any of the CGUs and the most sensitive variables in the calculations are the discount rate and the gross operating margin.

If the estimated cost of capital used to determine the discount rate before taxes applied to the Company's CGUs had been 10% higher than Management's estimate, it would not give rise to a goodwill impairment.

The discount rates in pesos and in nominal terms in Mexico used by the Company as of December 31, 2021 and 2020 are 8.59% and 8.60%, respectively, it is estimated through the Weighted Average Cost of Capital ("WACC"), and 5-year flows were discounted.

**e) Income tax**

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

Based on the simulations performed, the impact on the pretax income due to a 5% movement would give rise to a maximum increase or decrease of \$95,199 in 2021 with \$66,775 in 2020. Simulations are periodically prepared to verify that the maximum potential loss is within the limit established by Management.

The determination of the final tax calculation may be uncertain due to the complexity and judgments required to handle certain transactions. When the final result of this situation is different from the amounts that were initially recorded, the differences will impact the current and deferred income tax on assets and liabilities in the period in which it is determined. At the 2021 and 2020 year-end closing, the Group does not have uncertain tax positions.

**f) Allowance for impairment of accounts receivable**

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

If the allowance for bad debts as at December 31, 2021 and 2020 is modified by 10% above and/or below the estimates made by Management, the Group would have increased and/or decreased said estimate at December 31, 2021 and 2020 by \$40,426 and \$34,081 respectively, and the operating results would have been impaired and/or benefited by the same amount.

**g) Allowance for obsolete inventories**

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

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

The Group prepares the estimated useful lives of its property, networks and equipment to determine the depreciation expense to be recognized in a reporting period. The useful life of these assets is calculated at the time the asset is acquired, based on past experience with similar assets and taking into account anticipated technological changes or changes of any other nature. If technological changes occur faster than foreseen or in a different way than anticipated, the useful lives assigned to these assets may need to be shortened. This would result in the recognition of a higher depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of an impairment charge to reflect the reduction in the value of assets. The Group reviews the assets annually to see if they show signs of impairment, or when certain events or circumstances indicate that the book value may not be recovered throughout the remaining life of the assets. Should there be indicators of impairment, the Company conducts a study to determine the value in use of the assets. As at December 31, 2021 and 2020, there were no indicators of impairment.

**i) Pension plan benefits**

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

As at December 31, 2021 and 2020, the Group used the zero coupon government bond curve of 8.00% and 6.50%, respectively, for the discount rate.

If the discount rate used as at December 31, 2021 and 2020 had been different by 1%, from the estimates made by Management, the book value of the obligations for pension plans would have been lower by approximately \$17,501 and \$15,926, respectively.

Other premises used to estimate pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

**j) Fair value measurement**

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

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

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

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

**k) Fair value of derivative financial instruments**

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

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

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

**l) Revenue recognition**

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

**m) Leases**

Determining whether an arrangement contains a lease.

**(5) Cash and cash equivalents:**

Cash and cash equivalents are described as follows:

	2021	2020
Cash and cash in banks	\$ 1,942,446	1,517,505
Readily marketable securities	1,753,861	2,742,085
<b>Total</b>	<b>\$ 3,696,307</b>	4,259,590

As at December 31, 2021 and 2020, the Company has no cash and cash equivalents subject to restrictions on their availability.



**(6) Accounts receivable, net-**

An analysis of this caption is as follows:

	2021	2020
Customers	\$ 1,836,344	1,780,656
Sundry debtors	428,993	265,845
	<b>2,265,337</b>	2,046,501
Allowance for credit losses	<b>(404,269)</b>	(340,811)
Total	<b>\$ 1,861,068</b>	1,705,690

As at December 31, 2021 and 2020, in general the amounts of accounts receivable fully comply with the contractual terms.

The following information related to customer contracts is as follows:

	Business market		Mass market		Other	
	2021	2020	2021	2020	2021	2020
Opening balance	\$ 1,667,063	1,804,826	457	48,989	113,136	35,375
Closing balance	\$ 1,781,031	1,667,063	1,054	457	54,259	113,136

As at December 31, 2021 and 2020, the Company has liabilities for contracts with customers as follows:

	Business market		Mass market	
	2021	2020	2021	2020
Opening balance	\$ 685,392	139,060	67,256	47,813
Closing balance	\$ 767,373	685,392	81,133	67,256

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

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

	2021	2020
More than 180 days	\$ 542,779	420,238

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

	2021	2020
Balance at the beginning of the year	\$ 340,811	237,396
Increase	125,266	111,224
Charges	(61,808)	(7,809)
Balance at the end of the year	\$ 404,269	340,811

The increase in the allowance for impaired accounts receivable is included in operating expenses in the statement of comprehensive income (see Note 21). Amounts charged to the provision are generally written off when there are no expectations of additional cash recovery. Other accounts receivable items and other accounts receivable are not impaired.

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

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

	2021	2020
U.S. dollars (thousands)	\$ 13,258	4,755

**(7) Inventories-**

An analysis of inventories is as follows:

	2021	2020
Materials and equipment for company operations	\$ 509,927	523,028
Allowance for obsolete inventories	(79,118)	(87,489)
Total	<b>\$ 430,809</b>	435,539

Movements in the obsolete inventory valuation are as follows:

	2021	2020
Balance at the beginning of the year	\$ 87,489	74,380
Increase	13,385	6,304
Charges or cancellations	(21,756)	6,805
Balance at the end of the year	\$ 79,118	87,489

#### (8) Prepayments–

Prepayments are comprised as follows:

	2021	2020
Property, networks and equipment	\$ 1,178,025	1,636,395
Services	58,030	432,343
Others	288,550	195,817
Total prepayments	1,524,605	2,264,555
Less current prepayments	346,581	251,581
Long– term prepayments (*)	\$ 1,178,024	2,012,974

(\*) The advance payments granted correspond mainly to the construction of fiber infrastructure with GPON technology, which consists mainly of an FTTH network (Fiber To The Home), which will be implemented in the main cities where the Group has a presence. See note 24.

#### (9) Investments in joint ventures–

Investment in joint ventures and other investments in which the company has control are comprised of the following entities:

##### (1) Joint ventures–

Subsidiary	Interest		Corporate Purpose
	2021	2020	
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (joint venture) <sup>(1)</sup>	33.33%	33.33%	Concessionaire of the rights to operate the dark fiber owned by the Federal Electricity Commission.

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

Nature of joint venture investment as at December 31, 2021 and 2020.

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

		Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C.V.	
		2021	2020

#### Summarized Statement of Financial Position:

##### Current

Cash and cash equivalents	\$ 64,667	68,614
Other current assets	475,849	320,586
Total current assets	540,516	389,200
Other current liabilities (including accounts payable)	205,619	124,704
Total current liabilities	205,619	124,704

##### Long–term

Assets	1,601,628	1,558,223
Other liabilities – Total long–term liabilities	2,367,979	2,574,583
Net liabilities	\$ (431,454)	(751,864)

#### Summarized Statement of Comprehensive Income:

Income	\$ 819,924	330,065
Depreciation and amortization	(4,669)	(12,211)
Expenses	(338,443)	(326,119)
Finance income	1,437	358,631
Finance expenses	(157,838)	(214,666)
Income tax	–	–
Total comprehensive income	\$ 320,411	135,700



As of December 31, 2021 and 2020, the Group has an equity deficit so the investment in the joint venture was valued at zero. The unrecognized profits from its participation in GTAC amounted to \$106,803 and \$45,233, as at December 31, 2021 and 2020, respectively; and the unrecognized accumulated losses amount to \$143,817 and \$250,621 as at December 31, 2021 and 2020, respectively.

(2) **Other subsidiaries in which it has control–**

The Group has the following subsidiaries in which it participates with 51% and they are included in the consolidation (all are variable capital companies) as at December 31, 2021 and 2020.

Entity Name	Place of Business	Nature of the Business	Portion of ordinary shares held by shareholders (%)	Portion of ordinary shares held by the Group (%)	Portion of ordinary shares held by non-controlling interest	Portion of preferred shares held by the Group (%)
Myc Red	Michoacán	Cable system operator	51	51	49	–
Servicio y Equipo en Telefonía Internet y Televisión	Michoacán	Cable system operator	51	51	49	–
Corporativo de Comunicación y Redes de GDL	Michoacán	Fixed asset leasing	51	51	49	–

All subsidiary companies are included in the consolidation. The portion of voting rights in subsidiary companies held directly by the shareholder does not differ from the portion of ordinary shares held. Management considers that the Group has control with 51% of the voting rights. The Group is the majority shareholder with 51% of shares, while the other shareholders individually do not own more than 40% of the capital. There is no record of shareholders who form a group to exercise their vote jointly. The total non-controlling interest in 2021 and 2020 was \$160,751 and \$170,890, respectively and in stockholders' equity in 2021 and 2020 is \$1,460,363 and \$1,392,924, respectively. The summarized financial information for each subsidiary that has non-controlling interests that are material to the Group is as follows.

Summarized Statement of Financial Position as at December 31, 2021 and 2020 (all are variable capital companies):

	Myc Red		Servicio y Equipo en Telefonía Internet y Televisión		Corporativo de Comunicación y Redes de GDL	
	2021	2020	2021	2020	2021	2020
<b>Short-term</b>						
Assets	\$ 39,791	33,709	212,106	519,046	652,396	594,163
Liabilities	(45,672)	(46,018)	(765,951)	(850,649)	(156,193)	(115,941)
Total short-term net assets (liabilities)	(5,881)	(12,309)	(553,845)	(331,603)	496,203	478,222
<b>Long-term</b>						
Assets	77,864	77,651	1,086,060	789,475	927,860	965,698
Liabilities	(8,877)	(4,502)	(32,893)	(35,697)	(43,769)	(52,940)
Total long-term assets, net	68,987	73,149	1,053,167	753,778	884,091	912,758
Assets, net	\$ 63,106	60,840	499,322	422,175	1,380,294	1,390,980

Summarized Income Statement for the period ended December 31, 2021 and 2020 (all are variable capital companies):

	Myc Red		Servicio y Equipo en Telefonía Internet y Televisión		Corporativo de Comunicación y Redes de GDL	
	2021	2020	2021	2020	2021	2020
Income	\$ 103,106	94,378	1,135,744	1,007,324	58,397	70,377
Pretax profit	5,863	7,880	295,270	266,652	180,735	313,504
Tax expense, net	(3,597)	(1,539)	(75,605)	(80,326)	(2,117)	(12,010)
Total comprehensive income	\$ 2,266	6,341	219,665	186,326	178,619	301,494

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

As at December 31, 2021 and 2020, none of these subsidiaries has any commitments or contingent liabilities that could affect the figures.

**(10) Property, networks and equipment:**

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

As at December 31, 2021	Land	Buildings	Network and technical signal and distribution equipment	Office furniture, equipment and computers	Transportation equipment	Leasehold improvements	Telecommunications equipment	Projects in process, tools and equipment	Total
Initial net balance as at December 31, 2020	\$ 148,375	264,890	27,380,746	273,808	595,834	139,752	90,665	2,664,077	31,558,147
Additions	18,710	34,031	9,701,255	140,802	102,780	68,938	–	31,945	10,098,461
Withdrawals	–	–	(737,533)	(16,340)	(48,783)	–	–	(310)	(802,966)
Depreciation charge	–	(8,127)	(4,058,009)	(94,206)	(60,621)	(47,827)	(9,122)	(55,859)	(4,333,771)
Net ending book balance	167,085	290,794	32,286,459	304,064	589,210	160,863	81,543	2,639,853	36,519,871
Cost	167,085	371,804	58,934,855	1,704,307	1,090,780	587,271	151,575	3,143,868	66,151,545
Accumulated Depreciation	–	(81,010)	(26,648,396)	(1,400,243)	(501,570)	(426,408)	(70,032)	(504,015)	(29,631,674)
<b>Net ending balance as at December 31, 2021</b>	<b>\$ 167,085</b>	<b>290,794</b>	<b>32,286,459</b>	<b>304,064</b>	<b>589,210</b>	<b>160,863</b>	<b>81,543</b>	<b>2,639,853</b>	<b>36,519,871</b>

As at December 31, 2020	Land	Buildings	Network and technical signal and distribution equipment	Office furniture, equipment and computers	Transportation equipment	Leasehold improvements	Telecommunications equipment	Projects in process, tools and equipment	Total
Initial net balance as at December 31, 2019	\$ 124,332	104,374	25,817,406	249,077	571,550	133,934	99,787	2,359,406	29,459,866
Additions	24,043	167,568	6,909,328	118,706	137,385	49,445	29	346,581	7,753,085
Withdrawals	–	–	(1,421,905)	(802)	(48,421)	–	–	(35)	(1,471,163)
Depreciation charge	–	(7,052)	(3,924,083)	(93,173)	(64,680)	(43,627)	(9,151)	(41,875)	(4,183,641)
Net ending book balance	148,375	264,890	27,380,746	273,808	595,834	139,752	90,665	2,664,077	31,558,147
Cost	148,375	342,383	49,971,134	1,579,845	1,036,784	518,333	151,575	3,112,232	56,860,661
Accumulated Depreciation	–	(77,493)	(22,590,388)	(1,306,037)	(440,950)	(378,581)	(60,910)	(448,155)	(25,302,514)
Net ending balance as at December 31, 2020	\$ 148,375	264,890	27,380,746	273,808	595,834	139,752	90,665	2,664,077	31,558,147

- a) Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$4,834,545 and \$4,274,545, respectively, of which an amount of \$4,351,091 and \$3,847,091, respectively, was recorded under the cost of services line item, and the complement of \$483,454 and \$427,454, respectively, was recorded in selling and administrative expenses.
- b) Due to the increase in the frequency of new cable subscribers in 2021 and 2020, the Group capitalized connection costs in the network asset for \$1,815,327 and \$1,049,020 (materials and labor necessary to physically extend and connect the Network to the new customer homes), respectively.



**(11) Goodwill—**

An analysis of goodwill as at December 31, 2021 and 2020 is as follows:

Balances as at December 31, 2021 and 2020	Acotel	TCO	IMATEL	IRA	SIGETEL	Other	Total
Net opening balance	\$ 2,296,815	381,098	331,811	240,378	54,893	1,073,402	<b>4,378,397</b>
Accumulated impairment	—	—	—	—	—	—	—
Net book value	\$ 2,296,815	381,098	331,811	240,378	54,893	1,073,402	<b>4,378,397</b>

**Goodwill impairment tests:**

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

As at December 31, 2021 and 2020	Beginning balance	Additions	Ending balance
North	\$ 134,645	—	134,645
West	265,569	—	265,569
Pacific	429,492	—	429,492
Southeast	693,805	—	693,805
TCO	318,640	—	318,640
Bajío	1,242,205	—	1,242,205
Center	1,104,865	—	1,104,865
Gulf	86,511	—	86,511
Metrocarrier	102,665	—	102,665
<b>Total</b>	<b>\$ 4,378,397</b>	<b>—</b>	<b>4,378,397</b>

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

The recovery values of each of the CGUs as at December 31, 2021 and 2020 are as follows:

As at December 31, 2021 and 2020	2021	2020
North	\$ 13,217,262	8,256,051
West	26,416,948	18,186,356
Pacific	31,469,298	24,363,197
Southeast	17,239,579	12,328,603
TCO	8,062,868	4,828,351
Bajío	19,212,526	12,808,836
Center	14,310,040	8,932,200
Gulf	10,503,984	7,640,187
Metrocarrier	15,348,288	11,123,821

The key assumptions used in the 2021 and 2020 value in use calculations are as follows:

2021	% of gross margin	Growth rate	Discount rate
North	54.8%	10.8%	8.59%
West	46.2%	11.0%	8.59%
Pacific	52.7%	9.4%	8.59%
Southeast	47.8%	11.5%	8.59%
TCO	53.7%	11.4%	8.59%
Bajío	50.4%	10.5%	8.59%
Center	43.0%	11.9%	8.59%
Gulf	47.7%	10.6%	8.59%
Metrocarrier	37.8%	15.8%	8.59%
2020	% of gross margin	Growth rate	Discount rate
North	53.0%	11.6%	8.60%
West	46.1%	10.7%	8.60%
Pacific	55.6%	9.5%	8.60%
Southeast	49.2%	11.4%	8.60%
TCO	51.6%	10.6%	8.60%
Bajío	49.4%	10.4%	8.60%
Center	45.1%	13.7%	8.60%
Gulf	49.8%	12.2%	8.60%
Metrocarrier	37.1%	10.0%	8.60%

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

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

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

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

## (12) Other intangible assets, net-

The other intangible assets are comprised as follows:

	2021	2020
With defined life:		
Customer base <sup>(i)</sup>	\$ 2,039,301	2,028,815
Accumulated amortization	(1,989,434)	(1,922,535)
	49,867	106,280
With defined life:		
Trademarks and patents, net	1	18
<b>Total</b>	<b>\$ 49,868</b>	<b>106,298</b>

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

Net customer base:	
As at January 1, 2020	\$ 231,872
Amortization	(125,592)
As at December 31, 2020	106,280
Additions	10,486
Amortization	(66,899)
<b>As at December 31, 2021</b>	<b>\$ 49,867</b>

Amortization is calculated based on the straight-line method, considering the estimated life of the assets, which is four years. As at December 31, 2021 and 2020, it was recorded in the cost of services as \$66,899 and \$125,592, respectively.

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

## Brands and patents:

As at January 1, 2020	\$ 34
Deletions, net	(16)
As at December 31, 2020	18
Deletions, net	(17)
<b>As at December 31, 2021</b>	<b>\$ 1</b>

## (13) Financial instruments by category-

	Loans and accounts receivable	
	2021	2020
Assets according to the statement of financial position:		
Accounts receivable, net	\$ 1,861,068	1,705,690
Related parties	916,876	978,473
Cash and cash equivalents	3,696,307	4,259,590
<b>Total</b>	<b>\$ 6,474,251</b>	<b>6,943,753</b>

	Financial liabilities at amortized cost	
	2021	2020
Liabilities according to statement of financial position:		
Bank loans	\$ 6,375,657	6,359,413
Suppliers	5,221,634	3,240,961
Related parties	747,830	829,234
Other accounts payable, deferred revenue, excluding non-financial liabilities	1,843,531	1,726,274
<b>Total</b>	<b>\$ 14,188,652</b>	<b>12,155,882</b>

As of December 31, 2021 and 2020, the Company has derivative financial instruments, recorded in assets under sundry debtors for \$1 and \$2,060, respectively with current options.



**(14) Bank loans–**

Bank loans are integrated as follows:

	2021	2020
Unsecured loan from Scotiabank Inverlat, S.A. a full-service banking institution, on July 25, 2019, for \$3,000,000 (nominal), comprising two withdrawals, one for \$2,000,000 with a fixed monthly interest rate of 7.88% due on July 29, 2024 and another for \$1,000,000 with a monthly interest rate of at the TIIE plus 0.28 percentage points, and a July 29, 2022 maturity date. <sup>(1)</sup>	\$ 2,964,689	2,960,863
Unsecured loan from BBVA Bancomer, S.A., a full-service banking institution, on July 25, 2019, for \$1,500,000 (nominal), with a monthly fixed interest rate of 7.89%, and a July 29, 2024 maturity date. <sup>(1)</sup>	1,481,609	1,479,399
Unsecured loan from BBVA Bancomer, S.A., a full-service banking institution, on July 25, 2019, for \$1,000,000 (nominal), with a monthly interest rate of TIIE plus 0.28 percentage points and a July 29, 2022 maturity date. Only \$975,000 were drawn from this loan. <sup>(1)</sup>	963,046	961,609
Unsecured loan from Banco Santander, S.A., a full-service banking institution, on July 25, 2019, for \$500,000 (nominal), with a monthly interest rate of TIIE plus 0.28 percentage points and a July 29, 2022 maturity date. <sup>(1)</sup>	495,925	465,735
Unsecured loan from Banco Nacional de México, S.A., a full-service banking institution, on July 25, 2019, for \$500,000 (nominal), with a monthly interest rate of TIIE plus 0.28 percentage points and a July 29, 2022 maturity date. <sup>(1)</sup>	470,388	491,348
Line of credit up to the principal sum of \$8,080 (USD 460,000) with Banco Banamex, S.A., a full service banking institution, contracted on January 22, 2016 and maturing on January 22, 2021, with a Libor rate plus 1.8 basis points.	–	459
<b>Total bank loans</b>	<b>6,375,657</b>	6,359,413
Minus – Short-term portion of long-term bank loans	2,917,588	459
<b>Bank loans with maturities greater than one year</b>	<b>\$ 3,458,069</b>	6,358,954

<sup>1)</sup> On July 25, 2019, Mega Cable, S.A. de C.V. as an accredited subsidiary and Megacable Holdings, S.A.B. de C.V., Telefonía por Cable S.A. de C.V., Servicios Especiales Turandot, S.A.P.I de C.V., and Werther Administración Integral, S.A.P.I. de C.V., as joint and several obligors, took out loans with Scotiabank Inverlat, S. A. for \$2,000,000 and \$1,000,000, BBVA Bancomer, S.A. for \$1,500,000 and \$975,000, Banco Santander, S.A. for \$500,000, and Banco Nacional de México, S. A. for \$500,000. These contracts mature on July 29, 2022 and July 29, 2024.

In relation to the loans indicated in the previous paragraph, the Group determined an effective interest rate in 2021 of 7.88%, 4.85%, 7.89% and for the last three 4.85%, respectively, on which the financial cost of said loan is recorded. In like manner, the fair value for all loans is \$6,454,011, which was determined by using the discount rate at fixed market value and TIIE plus 0.28% percentage points, and is within level 2 in the fair value hierarchies.

In relation to the loans indicated in the previous paragraph, the Group determined an effective interest rate in 2020 of 7.88%, 6.88%, 7.89% and for the last three 6.88%, respectively, on which the financial cost of said loan is recorded. In like manner, the fair value for all loans is \$6,808,329, which was determined by using the discount rate at fixed market value and TIIE plus 0.28% percentage points, and is within level 2 in the fair value hierarchies.

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

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

	2021	2020
Less than 6 months	\$ –	459
From 6 to 12 months	2,917,588	–
More than 1 year up to 5 years	3,458,069	6,358,954
	<b>\$ 6,375,657</b>	6,359,413

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

	Book value		Fair value	
	2021	2020	2021	2020
<b>Loans</b>	<b>\$ 6,375,657</b>	6,358,954	<b>6,454,011</b>	6,808,329

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

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

	2021	2020
U.S. dollars (thousands)	\$ -	23

#### (15) Other accounts payable and accrued liabilities—

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

	2021	2020
Benefits payable	\$ 130,506	112,698
Miscellaneous creditors and other accounts payable	493,807	487,971
Accrued income <sup>(1)</sup>	848,506	752,649
Provisions	284,738	326,437
Employee participation in profits	85,974	46,519
<b>Total other accounts payable and other liabilities</b>	<b>1,843,531</b>	1,726,274
Less current deferred revenue <sup>(1)</sup>	189,596	149,226
Less long-term deferred revenue <sup>(1)</sup>	658,910	603,423
<b>Total other accounts payable and current other liabilities</b>	<b>\$ 995,025</b>	973,625

<sup>(1)</sup> In the period from December 2019 to December 2020, the Company entered into several contracts whereby the irrevocable right to use fiber optics for the conduction of telecommunications signals is granted. These have terms ranging from 10 to 15 years, mainly with the companies Telecom, S.A.P.I. de C.V. and AT&T Comunicaciones Digitales, S. de R.L de C.V. (AT&T) as well as the rental of data center space with AT&T for a term of 10 years. The sum of the consideration for said contracts amounts to approximately 800 million pesos distributed in the indicated periods.

#### (16) Employee benefits—

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

	2021	2020
Seniority premiums	\$ 206,678	183,583
Retirement benefits	16,713	19,702
<b>Total</b>	<b>\$ 223,391</b>	203,285

The net cost for the period of the years ended December 31, 2021 and 2020, is as follows:

	2021	2020
Seniority premiums	\$ 17,455	(8,319)
Retirement benefits	(2,989)	(5,920)
<b>Total</b>	<b>\$ 14,466</b>	(14,239)

#### a) Seniority premium

The economic assumptions in nominal and real terms used were:

	2021	2020
Discount rate	8.00%	6.50%
Inflation rate	7.36%	3.50%
Salary increase rate	4.50%	4.50%

The net cost of the period is integrated as follows:

	2021	2020
Labor cost	\$ 14,344	(55,813)
Actuarial losses (gains) recognized in OCI	11,556	13,203
Finance cost	(8,445)	34,291
<b>Net period cost</b>	<b>\$ 17,455</b>	(8,319)

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

	2021	2020
Defined benefit obligations	\$ 206,678	183,583
<b>Liabilities in the consolidated statement of financial position</b>	<b>\$ 206,678</b>	183,583

The movement of the established benefit obligation was as follows:

	2021	2020
Initial balance at January 1,	\$ 183,583	191,633
Labor cost	14,344	(55,813)
Finance cost	11,556	13,203
Remeasurement:		
Increases	5,640	-
(Gains) losses from experience	(8,445)	34,560
Final balance at December 31	\$ 206,678	183,583

b) Retirement benefits

The economic assumptions in nominal and real terms used were:

	2021	2020
Discount rate	8.00%	6.50%
Inflation rate	7.36%	3.50%
Salary increase rate	4.50%	4.50%

The net cost of the period is integrated as follows:

	2021	2020
Labor cost	\$ 2,273	(7,210)
Plan improvements or modifications	(9,958)	146
Finance cost	4,695	1,144
Net period cost	\$ (2,990)	(5,920)

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

	2021	2020
Defined benefit obligations	\$ 16,713	19,702
Liabilities in the consolidated statement of financial position	\$ 16,713	19,702

The movement of the established benefit obligation was as follows:

	2021	2020
Initial balance at January 1,	\$ 19,702	86,074
Labor cost	2,273	(7,210)
Finance cost	4,695	1,144
Remeasurement:		
Losses from experience	(9,957)	146
Other movements for remeasurements and/or past service labor cost	-	(60,452)
Final balance at December 31	\$ 16,713	19,702

Within subsidiary Tele Asesores, S.A. de C.V., there is a plan asset for \$91,207.

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

	Impact on established benefit obligations	
	Change of assumption	Change in obligation
Discount rate	+1%	Decreases by 5.98%
Discount rate	-1%	Increases by 6.78%

The weighted average duration of the established benefit obligation is 5.85 years.



c) **Pension plan**

Management has a ten-year pension plan based on annual contributions. These contributions are managed in the Sura Investment Management México account. The annual contributions made during 2021 and 2020 were \$7,065 and \$8,291, respectively.

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

**(17) Lease assets (right-of-use) and lease liabilities-**

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

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

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

**Right-of-use assets**

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

	Network and technical signal distribution equipment, net	Building (offices, warehouses and CSC)	Total
Balance at January 1, 2020	\$ 1,337,512	378,146	1,715,658
Additions	1,048,360	83,781	1,132,141
Annual depreciation	(134,532)	(139,146)	(273,678)
Balance at December 31, 2020	2,251,340	322,781	2,574,121
Additions	1,402,678	93,688	1,496,366
Annual depreciation	(1,156,036)	(132,642)	(1,288,678)
<b>Balance at December 31, 2021</b>	<b>\$ 2,497,982</b>	<b>283,827</b>	<b>2,781,809</b>

Short-term and long-term lease liabilities are as follows:

	2021 Current	2021 Noncurrent	2020 Current	2020 Noncurrent
Individual leasing contract in pesos of Network and technical equipment for signal distribution signed with BBVA Bancomer, S.A. Multiple Banking Institution, on December 15, 2021, for \$1,320,000, expiring on December 1, 2022, payable as of february 1, 2022 through 11 monthly installments, accruing monthly interest rate of at the TIIE plus 0.85 percentage points. <sup>(1)</sup>	\$ 1,531,200	-	-	-
Individual leasing contract in pesos of Network and technical equipment for signal distribution signed with BBVA Bancomer, S.A. Multiple Banking Institution, on November 27, 2020, for \$581,743, expiring on November 1, 2021, payable as of January 1, 2021 through 11 monthly installments, accruing monthly interest at a fixed rate of 6.50%. <sup>(2)</sup>	-	-	674,822	-
Individual leasing contract in pesos of Network and technical equipment for signal distribution signed with BBVA Bancomer, S.A. Multiple Banking Institution, on November 27, 2020, for \$423,769, expiring on December 1, 2021, payable as of January 1, 2021 through 12 monthly installments, accruing monthly interest at a fixed rate of 6.50%. <sup>(2)</sup>	-	-	491,572	-
Total leases with related parties	135,316	612,514	100,149	729,085
Total office, warehouse, and CIS leases	93,701	228,250	124,836	231,510
Total lease liabilities	1,760,217	840,764	1,391,379	960,595
Less leases with related parties (2) (note 25)	135,316	612,514	100,149	729,085
Total lease liabilities per the statement of financial position	\$ 1,624,901	228,250	1,291,230	231,510

1) On December 15, 2021, Telefonía por Cable, S.A. de C.V., as well as Megacable Holdings, S.A.B. de C.V. and Mega Cable, S.A. de C.V., as joint obligors, signed two financial leasing contracts in pesos with BBVA Bancomer, S.A. for \$1,320,000, said contract expire on December 1, 2022, the total minimum payments will be less than a year.

As for the contracts indicated in the previous paragraph, the Group determined an effective interest rate in 2021 of 6.08% since they started to be paid as of February 1, 2022 in 11 monthly installment, respectively. Also, the fair value for the contracts is \$1,531,200 and they are within level 2 in the fair value hierarchies.

- 2) On November 27, 2020, Telefonía por Cable, S.A. de C.V., as well as Megacable Holdings, S.A.B. de C.V. and Mega Cable, S.A. de C.V., as joint obligors, signed two financial leasing contracts in pesos with BBVA Bancomer, S.A. for \$ 581,743 and \$ 423,769, said contracts expire on November 1, 2021 and December 1, 2021, respectively, the total minimum payments will be less than a year.

As for the contracts indicated in the previous paragraph, the Group determined an effective interest rate in 2020 of 6.50% since they started to be paid as of January 1, 2021 in 11 and 12 monthly installments, respectively. Also, the fair value for the contracts is \$1,166,394 and they are within level 2 in the fair value hierarchies.

On March 17, 2020, Telefonía por Cable, S.A. de C.V., as well as Megacable Holdings, S.A.B. de C.V. and Mega Cable, S.A. de C.V., as joint obligors, signed a financial lease contract in pesos with BBVA Bancomer, S.A. for \$1,300,000, payable as of May 1, 2020 through 8 monthly installments and accrued monthly interest at a fixed rate of 7.52%, which expired and was settled on December 1, 2020.

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

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

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

Following is a breakdown of the liability and payments, as well as the maturities of the financial lease that began in 2020, which liability is recorded in the Related parties Note (see Note 25).

Future minimum payments are summarized as follows:

	2021	2020
Up to 1 year	\$ 135,316	100,149
More than 1 year and up to 5 years	406,644	433,409
More than 5 years	205,870	295,676
	<b>\$ 747,830</b>	<b>829,234</b>

A breakdown of the payment reconciliation is as follows:

	2021	2020
Total financial lease:		
As at January 1	\$ 829,234	1,010,934
Increments	83,010	42,846
Payments	(164,414)	(224,546)
	<b>\$ 747,830</b>	<b>829,234</b>

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

Leases under IFRS 16	2021	2020
Interest on income from leases	\$ 49,538	55,638

Total cash outflows for lease of building (offices, warehouses and CIS) and network and technical equipment for signal distribution

Total cash outflows for leasing (offices, warehouses and CSC) during 2021 y 2020 were of \$182,563 and \$189,792, respectively.

Total cash outflows for leasing of network and technical equipment for signal distribution during 2021 were of \$1,166,394.

## (18) Equity-

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

	Number of Series "A" Shares	
	Variable	Amount
Share capital as at December 31, 2021 and 2020	\$ 1,721,355,673	910,244

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

As at December 31, 2021 and 2020, there were 1,721,355,673 shares outstanding.

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

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

	Common shares	
	2021	2020
As at January 1	\$ 1,720,075,673	1,718,780,521
Movement in the year, (purchases) net sales (i)	(5,123,482)	1,295,152
As at December 31	1,714,952,191	1,720,075,673
Treasury shares	6,403,482	1,280,000
Total subscribed shares	\$ 1,721,355,673	1,721,355,673

As at December 31, 2021 and 2020, the Group owned 6,403,482 and 1,280,000 series "A" shares (treasury shares), respectively.

In the periods ended December 31, 2021 and 2020, no expenses were incurred in issuing, placing and registering shares.

#### Repurchase of shares

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

- i. During the year ended December 31, 2021, the Group purchased 3,201,741 Ordinary Participation Certificates (CPOs), which are equivalent to 6,403,482 shares of the variable portion of series "A" shares. The amount for said purchase was \$221,746.

During the year ended December 31, 2021, the Group sold 640,000 CPOs, equivalent to 1,280,000 shares of the variable portion of series "A" shares, for \$45,484.

The result of the operations mentioned in the two paragraphs above generated an effect of net purchases of CPOs for 2,561,741, equal to 5,123,482 shares of the variable portion of series "A" shares, these operations represent 0.29% of the total shares, resulting in a net movement of \$176,262.

- ii. During the year ended December 31, 2020, the Group purchased 640,000 Ordinary Participation Certificates (CPOs), which are equivalent to 1,280,000 shares of the variable portion of series "A" shares. The amount for said purchase was \$43,529.

During the year ended December 31, 2020, the Group sold 1,287,576 CPOs, equivalent to 2,575,152 shares of the variable portion of series "A" shares, for \$93,377.

The result of the operations mentioned in the two paragraphs above generated an effect of net purchases of CPOs for 647,576, equal to 1,295,152 shares of the variable portion of series "A" shares, these operations represent 0.07% of the total shares, resulting in a net movement of \$49,848.

#### Dividends

At the Ordinary Shareholders' Meetings held in 2021, the Company's shareholders agreed to decree dividends by cash payment via bank transfer for a net amount of \$2,202,490. Said dividend represented a dividend per share of \$1.28 per series "A" share and \$2.56, per "CPO" equal to two series "A" shares.

At the Ordinary Shareholders' Meetings of the subsidiaries, Corporativo de Comunicación y Redes de Gdl, S.A. de C.V. and, declared dividends of por \$93,112 in 2021, corresponding to the minority shareholders of the company.

At the Ordinary Shareholders' Meetings held in 2020, the Company's shareholders agreed to decree dividends by cash payment via bank transfer for a net amount of \$1,529,359. Said dividend represented a dividend per share of \$0.89 per series "A" share and \$1.78, per "CPO" equal to two series "A" shares.

At the Ordinary Shareholders' Meetings of the subsidiaries, Corporativo de Comunicación y Redes de Gdl, S.A. de C.V. and MCM Holdings, S.A. de C.V., declared dividends of por \$90,160 and \$29, respectively in 2020, corresponding to the minority shareholders of both companies.

#### Reimbursement of minority shareholders

In 2021, At the Ordinary Shareholder Assembly of subsidiaries Werther Administración Integral, S.A.P.I. de C.V. y Servicios Especiales Turandot, SAPI de CV, a reimbursement of shares for \$ 200 corresponding to minority shareholders was made.

In 2020, At the Ordinary Shareholder Assembly of subsidiary Productora y Comercializadora de Televisión S.A. de C.V., a reimbursement of shares for \$ 25,070 corresponding to minority shareholders was made.

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

	2021	2020
Capital contribution account (CUCA)	\$ 5,466,130	5,091,876
Net taxed profits account (CUFIN)	165,996	200,110



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

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

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

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

**(19) Earnings per share—**

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

	2021	2020
Profit from the controlling interest	\$ 3,468,606	4,353,365
Weighted average shares	\$ 1,721,355,673	1,721,355,673
Ordinary earnings per share (pesos)	\$ 2.02	2.53
Earnings per CPO <sup>(1)</sup>	\$ 4.03	5.06

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

**(20) Income tax—**

**Income Tax**

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

a) Profits tax are comprised as follows:

	2021	2020
Current income tax	\$ (1,487,401)	(1,123,833)
Deferred income tax	(416,588)	(211,663)
Total	\$ (1,903,989)	(1,335,496)

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

	2021	2020
Earnings before profits tax	\$ 5,533,346	5,859,751
Current rate	30%	30%
Income tax at the current legal rate	1,660,004	1,757,925
More (less) effect on the income tax of the following items:		
Annual adjustment for inflation, net	(90,298)	(96,655)
Non-deductibles	189,543	67,320
Prior years taxes	297,220	—
Infrastructure tax deduction	(152,480)	(393,094)
	\$ 1,903,989	1,335,496
Effective rate	34%	23%

During 2021 the Group, the tax authorities and with the participation of Prodecon, it was agreed to conclude a direct review corresponding to fiscal years 2012 and 2013 of one of the subsidiaries, in which the existence of applied tax loss carryforwards was questioned, as a result of such agreement, the Group made payments of \$755,983 corresponding to \$382,731 (which includes an accreditation of the IT on dividends for \$198,242) of IT registered within the IT of the year, and \$373,252 of actualizations and surcharges which were recorded within the finance cost.

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

	2021	2020
<u>Deferred tax asset</u>		
Tax loss carryforwards	\$ 452,396	412,183
Intangible assets	381,346	414,206
Estimate of credit losses	121,281	102,243
Inventory reserve	23,735	18,103
Labor obligations	35,519	25,906
Provisions and others	178,647	152,416
Trade advances	293,257	239,818
	<u>\$ 1,486,181</u>	1,364,875
<u>Deferred income tax</u>		
Property, networks and equipment, net	\$ (3,314,947)	(2,399,517)
Advance payments	(265,221)	(254,610)
Right-of-use lease, net	(278,597)	(666,745)
	<u>\$ (3,858,765)</u>	(3,320,872)
Total of profits tax deferred, net	<u>\$ (2,372,584)</u>	(1,955,997)

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

Deferred tax asset:	Tax loss carryforwards	Intangible Assets	Bad debt reserve	Labor obligations and others	Total
As at January 1, 2020	\$ 410,728	448,276	71,219	240,230	1,170,453
Credited (charged) to Statement of income	1,455	(34,070)	31,024	196,013	194,422
As at December 31, 2020	412,183	414,206	102,243	436,243	1,364,875
Credited (charged) to Statement of income	40,213	(32,860)	19,038	94,915	121,306
<b>As at December 31, 2021</b>	<b>\$ 452,396</b>	<b>381,346</b>	<b>121,281</b>	<b>531,158</b>	<b>1,486,181</b>

Deferred income tax liability:	Property, networks and equipment	Inventories and others	Total
As at January 1, 2020	\$ (2,712,573)	(202,214)	(2,914,787)
(Charged) credited to the income statement	313,056	(719,141)	(406,085)
As at December 31, 2020	(2,399,517)	(921,355)	(3,320,872)
(Charged) credited to the income statement	(915,430)	377,537	(537,893)
<b>As at December 31, 2021</b>	<b>\$ (3,314,947)</b>	<b>(543,818)</b>	<b>(3,858,765)</b>

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

e) As at December 31, 2021 and 2020, the Group maintains accumulated consolidated tax losses for a total of \$1,507,987 and \$1,373,944, respectively, which right to be amortized against future consolidated earnings expires as follows:

Year of loss	December 31, 2021 Restated amount	Year of expiration
2012	\$ 738	2022
2014	14,260	2024
2016	222	2026
2017	18,530	2027
2018	71,810	2028
2019	876,008	2029
2020	185,739	2030
2021	340,680	2031
	<u>\$ 1,507,987</u>	

As of December 31, 2021 and 2020, a deferred tax asset of \$174,249 and \$26,550 was generated for temporary differences related to and other permanent investment. See note 26. However, this asset was not recognized as the company has no intention of selling it.

**(21) Costs and expenses by nature—**

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

	2021	2020
<b>Cost of services:</b>		
Depreciation	\$ 4,351,091	3,847,091
Programming	2,642,838	2,667,692
Technical staff labor	1,923,820	1,602,550
Links	356,748	368,790
Publicity and promotion	464,310	381,894
Connections	467,438	310,601
Power sources	303,797	335,677
Amortization	306,328	275,928
Lease depreciation	132,642	139,146
External works	76,818	82,225
Other minor [works]	6,607	14,022
Call traffic	218,838	81,801
<b>Total cost of services</b>	<b>\$ 11,251,275</b>	<b>10,107,417</b>
<b>Selling expenses</b>		
Labor and benefits	\$ 2,560,568	2,324,436
Maintenance and conservation expenses	1,352,417	1,154,917
Depreciation	448,125	396,217
Leases	303,723	305,068
Sales commissions	256,641	236,382
Electric power	227,318	206,793
Insurance	114,984	125,280
Account statement preparation and courier services	38,837	69,334
Non-deductibles	50,539	33,143
Travel expenses	55,375	48,451
Transfer of securities	81,674	74,276
Stationery and office supplies	47,866	50,383
Freight	46,652	40,852
Safety and hygiene	77,270	86,798
Training and recruitment	25,970	28,114
Surveillance services	37,687	37,273
Telephones	33,252	32,309
Conventions	1,680	1,358
Equipment recovery	2,699	3,972
Fees and licenses	19,373	16,010
Other expenses	45,862	35,708
<b>Total selling expenses</b>	<b>\$ 5,828,512</b>	<b>5,307,074</b>

	2021	2020
<b>Administrative expenses</b>		
Advisory services	\$ 231,702	174,874
Labor and benefits	200,506	188,451
Bank fees	134,631	102,662
Depreciation	35,329	31,237
Leases	13,627	13,687
Safety and hygiene	6,092	6,843
<b>Total administration expenses</b>	<b>\$ 621,887</b>	<b>517,754</b>
<b>Cost of services, selling and administrative expenses</b>		
Labor and benefits (*)	\$ 4,684,894	4,115,437
Depreciation	4,834,545	4,274,545
Programming	2,642,838	2,667,692
Maintenance and conservation expenses	1,352,417	1,154,917
Links	356,748	368,790
Publicity and promotion	464,310	381,894
Connections	467,438	310,601
Sales commissions	256,641	236,382
Leases	317,350	318,755
Lease depreciation	132,642	139,146
Power sources	303,797	335,677
Amortization	306,328	275,928
Advisory services	231,702	188,494
Electric power	227,318	206,793
Insurance	114,984	125,280
Account statement preparation and courier services	38,837	69,334
Non-deductibles	50,539	33,143
Bank commission	134,631	102,662
Travel expenses	55,375	48,451
Transfer of securities	81,674	74,276
Stationery and office supplies	47,866	50,383
Bad debt reserve	125,266	111,224
External works	76,818	82,225
Call traffic	218,839	81,802
Freight	46,652	40,852
Safety and hygiene	83,362	93,641
Training and recruitment	25,970	28,114
Surveillance services	37,687	37,273
Telephones	33,252	32,309
Conventions	1,680	1,358
Equipment recovery	2,699	3,972
Fees and licenses	19,373	16,010
Other expenses	52,468	36,109
<b>Total</b>	<b>\$ 17,826,940</b>	<b>16,043,469</b>



(\*) Employees benefits and compensation is as follows:

	2021	2020
Salaries, benefits and bonuses	\$ 2,792,800	2,405,010
Commissions	824,199	783,261
Taxes and fees	1,018,907	896,322
Employee profit sharing	48,988	30,844
	<b>\$ 4,684,894</b>	4,115,437

## (22) Analysis of other income, net-

The other income, net is comprised as follows:

	2021	2020
<b>Other income</b>		
Bonuses received	\$ 28,123	58,292
Exempt income	19,316	22,327
Provision reconciliations	9,083	7,472
Tax restatement	2,539	2,351
Cash Surpluses	2,523	1,787
Cancellation of provisions	643	704
Others	14,151	2,964
Total other income	<b>76,378</b>	95,897
<b>Other expenses</b>		
Sale of fixed assets	15,189	18,086
Total other expenses	<b>15,189</b>	18,086
Total other income, net	<b>\$ 61,189</b>	77,811

## (23) Finance income and costs-

Finance income and expense are comprised as follows:

	2021	2020
Finance costs:		
Interest on bank loans	\$ (518,588)	(456,947)
Actualizations and surcharges for payment of IT from prior years	(373,252)	-
Interest on loans with related parties (Note 25)	(41,096)	(59,134)
Interest on leases	(49,538)	(55,638)
Changes losses, net	(51,386)	(43,395)
Finance costs	<b>(1,033,860)</b>	(615,114)
Finance income:		
Interest income from short-term bank deposits	126,851	56,845
Interest income from loans to related parties (Note 25)	64,278	89,148
Finance income	<b>191,129</b>	145,993
Total	<b>\$ (842,731)</b>	(469,121)

## (24) Commitments and Contingencies-

### a) Commitments

#### i. Concessions

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

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

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

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

## ii. Contractual

The Group has contracts entered into in 2019 and 2020 for the provision of implementation and supply services under the "turnkey" modality of the GPON network, which mainly consists of an FTTH network (Fiber To The Home), which will be implemented in the main cities where the Group is present.

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

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

## b) Contingencies

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

- i) Various labor lawsuits with an initial claimed amount of \$329,956 of which the Group Attorneys have confirmed that the high risk litigation of obtaining an unfavorable judgment amounts to \$39,358. The Group set aside an accounting reserve from previous years on this last amount.
- ii) Appeals and amparo or relief proceedings for claims filed by Televisa against Group subsidiaries, for breach of license contracts and the payment of royalties for the use of signals on demand between 29 September and December 31, 2016. According to the opinion of the external lawyers, there are legal elements to obtain a favorable ruling for the Group.
- iii) In the case of an audit by the tax authorities, discrepancies could be identified in the criteria applied by the Group to determine its taxes. The tax authorities have not reported any inconsistency in the taxes determined and paid by the Group, except as follows:

As of the date of issuance of these financial statements, its subsidiaries have received notifications from the General Administration of Large Taxpayers (SAT), determining tax credits by the subsidiaries for \$4,465,299 for Income Tax (ISR) and Special Tax on Production and Services (IEPS), both include surcharges and fines for fiscal years 2008, 2009, 2011 and 2014; however, the Group's Management and its attorneys confirm that they have the necessary elements to obtain a favorable ruling, in the means of defense that it has filed.

- iv. Impact of COVID – 19. The COVID-19 pandemic has affected our business, financial position, and results of operations as of December 31, 2020 despite the fact that in 2021 there was a significant improvement is difficult to predict of the impact it will have for 2022. The Company cannot assure that the conditions of the bank financing markets, capital or other financial markets

will not continue to deteriorate as a result of the pandemic, however, bank financing begins to expire in July 2022; or that access to capital and other sources of financing of the Company will not be restricted, which could negatively affect the availability and terms of future loans, renewals or refinancing. Furthermore, the deterioration of global economic conditions as a result of the pandemic could ultimately reduce the demand for the Group's products across its segments as its customers and users reduce or postpone their spending. The Mexican Government is still implementing a plan to reactivate economic activities according to phases based on colors that are determined weekly by state. However, a significant portion of the population continues to implement social distancing and shelter-at-home policies. Our business of the business market faced a reduction in the demand for services in the years 2021 and 2020, this in relation to 2019, continues to be affected by the reduction in the level of economic activity in the regions in which our clients are located; however, the mass market has had a significant increase which covered that reduction of the business market in both years. The magnitude of the impact on our business will depend on the duration and intensity of the COVID-19 pandemic, as well as the impact of actions by the federal government, state and local governments, and foreign governments, including the continuation of social distancing policies or reactivation thereof in the future; in addition to consumer behavior in response to the COVID-19 pandemic and the aforementioned government actions. Due to the changing and uncertain nature of this situation, the Group cannot fully estimate the impact that the COVID-19 pandemic will have thereon, but it could continue to affect the business, financial position or the results of operations in the short, medium or long term.

## (25) Related parties–

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

Entity	Type of relationship	Line item	2021	2020
<u>Long-term accounts receivable:</u>				
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) <sup>(1)</sup>	Joint venture	Loan granted	\$ 916,876	978,473
<u>Accounts payable:</u>				
Grupo de Telecomunicaciones de Alta Capacidad, S.A.P.I. de C. V. (GTAC) <sup>(2)</sup>	Joint venture	Lease	\$ 747,830	829,234
Minus short-term accounts payable			(135,316)	(100,149)
<u>Total long-term accounts payable</u>			<u>\$ 612,514</u>	<u>729,085</u>

- <sup>(1)</sup> The long-term account receivable as at December 31, 2021 and 2020 is originated by a current account loan granted to its joint venture GTAC, for up to USD 20 million. The loan is due on December 31 2030 and accrues monthly interest at the 28-day inter-bank rate plus two percentage points. The effective rate as at December 31, 2021 and 2020 was 6.63% and 6.72%, respectively. As at December 31, 2021 and 2020, the fair value of the account receivable is \$878,140 and \$877,043, respectively, and is at level 2 of fair value.

(2) The account payable for leases as at December 31, 2021 and 2020, corresponds to the contract entered into for the provision of capacity for telecommunications services with GTAC executed on August 1, 2012. Said contract specifies that the Group will make annual payments of \$41,400 over the next 18 years, that will be increased annually through the National Consumer Price Index (CPI). The contract also establishes that the payments corresponding to years 10 through 18 can be paid in advance. In addition, this account payable corresponds to the financial lease additions acquired by a Group subsidiary, which is paid at 10 years, according to the present calculation value. See Note 17.

The implicit annual interest rate determined for the payments that the Group will make will be TIE plus 1.22 percentage points or 6%, whichever is less. In 2021 and 2020 the effective rate was 6.0%.

The fair value as at December 31, 2021 and 2020 of the account payable is \$690,069, and \$671,688, respectively. Said fair value is based on discounted cash flows using the discount rate calculated by Management and are within level 2 in the fair value hierarchies.

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

Entity	Type of relationship	Line item	2021	2020
Altán Redes, S. A. P. I. de C. V.	Joint venture	Service revenues	\$ 317,885	370,870
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Maintenance	100,312	109,044
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Interest income	64,278	89,148
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Maintenance revenues	5,652	–
Grupo de Telecomunicaciones de Alta Capacidad, S. A. P. I. de C. V. (GTAC)	Joint venture	Interest expenses	41,096	59,134

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

c) Compensation of key personnel

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

	2021	2020
Short-term benefits	\$ 84,823	73,094
Termination benefits	37,497	25,867
	\$ 122,320	98,961

d) Loans to related parties receivable

	2021	2020
Total loans to related parties <sup>(1)</sup> :		
As at January 1	\$ 978,473	1,151,542
Loans granted in the year	103,302	100,359
Loan collections	(200,258)	(205,454)
Interest collected	(28,919)	(157,122)
Interest charged	64,278	89,148
As at December 31	\$ 916,876	978,473

<sup>1)</sup> See subsection a).1) above.

For the years ended December 31, 2021 and 2020, there are no loan balances granted to key administration personnel.



**(26) Other assets—**

The other assets are comprised as follows:

	2021	2020
Other permanent investment <sup>(1)</sup>	\$ 580,830	580,830
Impairment of other permanent investment <sup>(2)</sup>	(580,830)	(88,500)
Total other permanent investment	\$ —	492,330
Commissions	196,108	182,712
Prepayments and others	47,772	41,218
<b>Total other non-current assets</b>	<b>\$ 243,880</b>	716,260

<sup>(1)</sup> Corresponds to another permanent investment in Altán Redes, S.A.P.I. de C.V. (Altán).

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

Grupo Megacable holds 3.92% of Altán's equity, obtained through cash contributions and through a telecommunications services provision plan. Grupo Megacable may not have significant influence on the Altán operation, therefore, its participation is made through the acquisition of a special series of shares without voting rights that consists primarily of contributing services and capabilities.

<sup>(2)</sup> By calculating Altán's investments at market value, an impairment in the investment was determined as of December 31, 2021 and 2020, the Group recorded \$492,330 and \$88,500 as impairment, as of December 31, 2021, it is 100% impaired.

Currently Grupo Megacable, in addition to being a shareholder, is a provider and client of telecommunications services with Altán.

**(27) Cash changes considered part of financing activities—**

The net debt as at December 31, 2021 and 2020 is integrated as follows:

Net debt (liabilities arising from financing activities)	2021
Bank loans payable in 1 year	\$ (2,917,588)
Bank loans payable after 1 year	(3,458,069)
Lease liabilities with third parties payable in 1 year	(1,624,901)
Lease liabilities with third parties payable over 1 year	(228,250)
Lease liabilities with related parties payable in 1 year	(135,316)
Lease liabilities with related parties payable over 1 year	(612,514)
<b>Net debt as at December 31, 2021</b>	<b>\$ (8,976,638)</b>

Net debt (liabilities arising from financing activities)	2020
Bank loans payable in 1 year	\$ (459)
Bank loans payable after 1 year	(6,358,954)
Lease liabilities with third parties payable in 1 year	(1,291,230)
Lease liabilities with third parties payable over 1 year	(231,510)
Lease liabilities with related parties payable in 1 year	(100,149)
Lease liabilities with related parties payable over 1 year	(729,085)
<b>Net debt as at December 31, 2020</b>	<b>\$ (8,711,387)</b>

Net debt as at December 31, 2021	Lease liabilities with related parties payable in one year	Lease liabilities with related parties payable over one year	Lease liabilities with third parties payable in one year	Lease liabilities with third parties payable over one year	Bank loans of less than 1 year maturity	Bank loans valid for more than 1 year	Total
Net debt at January 1, 2021	\$ (100,149)	(729,085)	(1,291,230)	(231,510)	(459)	(6,358,954)	<b>(8,711,387)</b>
Accrued interest	(41,096)	–	(49,538)	–	(518,588)	–	<b>(609,222)</b>
Cash flow – Principal payments <sup>(1)</sup>	208,401	–	1,348,957	–	459	–	<b>1,557,817</b>
Cash flow – Interest payments	41,096	–	–	–	518,588	–	<b>559,684</b>
Cash flow – Interest payments Cash flow – Financing for assets acquisition see note 17	–	–	(1,531,200)	–	–	–	<b>(1,531,200)</b>
Increase in accounts payable	(126,997)	–	(98,630)	–	(16,703)	–	<b>(242,330)</b>
Short-term transfer	(116,571)	116,571	(3,260)	3,260	(2,900,885)	2,900,885	–
<b>Net debt as at December 31, 2021</b>	<b>\$ (135,316)</b>	<b>(612,514)</b>	<b>(1,624,901)</b>	<b>(228,250)</b>	<b>(2,917,588)</b>	<b>(3,458,069)</b>	<b>(8,976,638)</b>

Net debt as at December 31, 2020	Lease liabilities with related parties payable in one year	Lease liabilities with related parties payable over one year	Lease liabilities with third parties payable in one year	Lease liabilities with third parties payable over one year	Bank loans of less than 1 year maturity	Bank loans valid for more than 1 year	Total
Net debt at January 1, 2020	\$ (275,534)	(735,400)	(132,652)	(266,963)	(79,922)	(6,427,847)	(7,918,318)
Accrued interest	(41,299)	–	(55,638)	–	(426,992)	–	(523,929)
Cash flow – Principal payments <sup>(1)</sup>	245,474	–	1,341,435	–	148,356	–	1,735,265
Cash flow – Interest payments	20,371	–	–	–	426,992	–	447,363
Financing for assets acquisition	–	–	(2,318,097)	–	–	–	(2,318,097)
Increase in accounts payable	(42,846)	–	(90,825)	–	–	–	(133,671)
Short-term transfer	(6,315)	6,315	(35,453)	35,453	(68,893)	68,893	–
Net debt as at December 31, 2020	\$ (100,149)	(729,085)	(1,291,230)	(231,510)	(459)	(6,358,954)	(8,711,387)

<sup>(1)</sup> Includes the payment corresponding to the lease with related parties.

**(28) Financial information by operating segments—**

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

The Chief Executive Officer analyzes the business from a geographic and product perspective. As at December 31, 2021 and 2020, there were no changes based on this analysis.

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

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

The Group's segment revenues are as follows:

**Cable**

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

**Internet**

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

**Telephony**

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

**Business**

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

**Other segments**

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

Corporate costs are distributed in the different segments.

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

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

**a) Income and results by segment:**

<b>December 31, 2021</b>	<b>Cable</b>	<b>Internet</b>	<b>Telephony</b>	<b>Business</b>	<b>Others (*)</b>	<b>Consolidated Total</b>
Service revenues	\$ 9,485,693	8,225,288	2,349,568	4,197,818	375,791	<b>24,634,158</b>
Cost of services, and selling and administrative expenses	6,864,488	5,952,374	1,700,306	3,037,824	271,948	<b>17,826,940</b>
Earnings before other income	2,621,205	2,272,914	649,262	1,159,994	103,843	<b>6,807,218</b>
Other income, net	23,562	20,431	5,836	10,427	933	<b>61,189</b>
Operating profit	2,644,767	2,293,345	655,098	1,170,421	104,776	<b>6,868,407</b>
Finance cost, net						<b>(842,731)</b>
Impairment of other permanent investment						<b>(492,330)</b>
Income tax						<b>(1,903,989)</b>
Consolidated net income	\$					<b>3,629,357</b>

<b>December 31, 2020</b>	<b>Cable</b>	<b>Internet</b>	<b>Telephony</b>	<b>Business</b>	<b>Others (*)</b>	<b>Consolidated Total</b>
Service revenues	\$ 9,255,286	7,205,950	1,845,857	3,906,167	169,770	22,383,030
Cost of services, and selling and administrative expenses	6,633,905	5,165,004	1,323,054	2,799,820	121,686	16,043,469
Earnings before other income	2,621,381	2,040,946	522,803	1,106,347	48,084	6,339,561
Other income, net	32,175	25,050	6,417	13,579	590	77,811
Operating profit	2,653,556	2,065,996	529,220	1,119,926	48,674	6,417,372
Finance cost, net						(469,121)
Impairment of other permanent investment						(88,500)
Income tax						(1,335,496)
Consolidated net income	\$					4,524,255

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



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

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

b) Other information by segments:

December 31, 2021	Cable	Internet	Telephony	Business	Others (*)	Consolidated total
Property, networks and equipment by segment	\$ 23,537,329	5,836,131	771,583	2,446,641	3,928,187	<b>36,519,871</b>
Acquisitions and net disposals in the year of property, networks and equipment	\$ 5,991,015	1,485,485	196,393	622,750	999,851	<b>9,295,495</b>
Depreciation of fixed assets	\$ 2,793,148	692,567	91,563	290,340	466,153	<b>4,333,771</b>
December 31, 2020	Cable	Internet	Telephony	Business	Others (*)	Consolidated total
Property, networks and equipment by segment	\$ 21,758,863	5,583,059	735,557	1,993,817	1,486,851	31,558,147
Acquisitions and net disposals in the year of property, networks and equipment	\$ 4,331,290	1,111,356	146,419	396,887	295,970	6,281,922
Depreciation of fixed assets	\$ 2,884,557	740,142	97,512	264,319	197,111	4,183,641

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

c) Information by geographic location:

i. Analysis of net income by geographic location:

State	Total service revenues	
	2021	2020
Jalisco	\$ 2,811,238	2,632,871
Mexico City	1,740,166	1,837,352
Sonora	2,502,744	2,298,753
Sinaloa	2,100,854	1,904,769
Puebla	1,898,946	1,708,801
State of Mexico	2,168,141	1,823,103
Guanajuato	1,987,943	1,796,037
Michoacán	1,922,638	1,662,094
Veracruz	1,655,524	1,473,596
Durango and Coahuila	1,483,482	1,328,449
Queretaro	1,078,584	1,001,205
Chiapas	654,420	578,350
Nayarit	517,945	450,062
Baja California Sur	400,523	344,163
Colima	348,782	297,100
Oaxaca	325,958	280,625
Zacatecas	316,812	276,003
Nuevo León	220,093	231,487
Morelos	170,152	145,431
Guerrero	123,390	106,336
Chihuahua	84,834	72,532
Quintana Roo	12,083	51,218
Hidalgo	43,143	33,794
Tabasco	6,410	5,656
San Luis Potosí	4,216	4,283
Others	55,137	38,960
Consolidated total	\$ 24,634,158	22,383,030

	Property, networks and computers		Network and equipment acquisitions	
	2021	2020	2021	2020
State				
Jalisco	\$ 13,886,323	11,638,553	4,808,641	3,214,758
Sonora	2,462,971	2,274,657	389,446	395,031
Sinaloa	2,106,201	1,868,124	438,765	365,483
Puebla	2,485,536	2,275,394	455,301	264,479
Veracruz	2,179,557	1,910,222	409,867	235,170
State of Mexico/Mexico City	3,003,298	2,564,400	623,743	415,493
Guanajuato	2,161,095	1,911,680	434,113	254,109
Durango and Coahuila	1,746,887	1,502,834	356,827	248,439
Michoacán	1,708,832	1,366,858	495,564	276,067
Querétaro	1,699,563	1,433,724	382,909	173,031
Chiapas	737,876	666,377	122,734	108,405
Colima	338,432	331,516	32,477	36,009
Baja California Sur	408,679	356,083	87,654	48,233
Oaxaca	316,472	299,599	40,322	29,798
Nayarit	355,266	324,463	68,082	45,193
Zacatecas	292,053	290,904	25,876	34,885
Guerrero	194,479	195,549	10,907	69,590
Morelos	115,056	117,499	8,228	11,579
Chihuahua	141,033	121,849	27,033	27,276
Aguascalientes	35,506	–	35,235	–
Others	144,756	107,862	41,771	28,894
Consolidated total	\$ 36,519,871	31,558,147	9,295,495	6,281,922

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

	2021	2020
<b>Cable Segment</b>		
Basic Cable	\$ 4,016,569	4,086,172
Lifeline Cable	2,973,598	2,788,140
Premier Cable	2,495,526	2,361,240
Other services	–	19,734
Total cable segment	9,485,693	9,255,286

	2021	2020
<b>Internet segment</b>		
High speed residential internet	7,255,522	6,410,715
High speed commercial internet	969,766	795,235
Total Internet segment	8,225,288	7,205,950
<b>Digital telephone segment</b>		
Residential telephony	2,099,938	1,660,083
Commercial telephony	249,630	185,774
Total digital telephony segment	\$ 2,349,568	1,845,857
<b>Business Segment</b>		
Metrocarrier	\$ 2,104,157	1,878,446
MCM	1,062,084	1,100,169
Ho1a	707,695	623,682
PCTV	323,882	303,870
Others	4,197,818	3,906,167
	375,791	169,770
Total business segment and others	4,573,609	4,075,937
Total consolidated service revenues	\$ 24,634,158	22,383,030

(29) Authorization to issue the consolidated financial statements–

The issuance of the consolidated financial statements and the corresponding notes was authorized by Enrique Yamuni Robles (Chief Executive Officer) and Luis Antonio Zetter Zermeño (Chief Finance and Administration Officer), on April 28, 2022, for approval by the Audit Committee and the Board of Directors. These consolidated financial statements will be presented at the Shareholders Meeting for approval.

# Investor Information

Megacable Holdings, S. A. B. de C. V.  
Mexican Stock Exchange  
[MEGA]

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