Date: 04/25/2012 02:59 PM User: jkosack
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 Project: v310161 Form Type: 20-F

 $\textbf{Client: } \ v310161_MAXCOM\ TELECOMUNICACIONES,\ S.A.B\ DE\ CV_20-F$

Submission Data File

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Document Description 1	Annual Report						
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Document Type 2*	EX-7.1						
Document Description 2	Computation of ratio of earnings to fixed charges						
Document Name 3*	v310161_ex8-1.htm						
Document Type 3*	EX-8.1						
Document Description 3	Subsidiaries of the Registrant						
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Document Type 4*	EX-12.1						
Document Description 4	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)						
Document Name 5*	v310161_ex12-2.htm						
Document Type 5*	EX-12.2						
Document Description 5	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)						
Document Name 6*	v310161_ex13-1.htm						
Document Type 6*	EX-13.1						
Document Description 6	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350						
Document Name 7*	v310161 ex13-2.htm						
Document Type 7*	EX-13.2						
Document Description 7	Certification of the Chief Financial Officer pursuant to 18 U.S.C.						
_	Section 1350						
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Document Description 8	COMPUTATION OF EARNINGS PER SHARE						
	(End Document Information)						

Notifications						
Notify via Website only	No					
E-mail 1	matthew@vfilings.com					
(End Notifications)						

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 20-F

(Mark One)

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П

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 П

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-33750

Maxcom Telecomunicaciones, S.A.B. de C.V.

(Exact name of Registrant as specified in its charter)

Maxcom Telecommunications, Limited Liability Public Stock Corporation (Translation of Registrant's name into English)

> United Mexican States $(Juris diction\ of\ incorporation\ or\ organization)$

C. Guillermo González Camarena No. 2000 Col. Centro de Ciudad Santa Fe Mexico, D.F., 01210 (Address of principal executive offices)

Manuel Salvador Pérez Alavez Investor Relations Tel. + (52) 55 4770-1170 Fax. + (52) 55 5147-3820 manuel.perez@maxcom.com Maxcom Telecomunicaciones, S.A.B. de C.V. C. Guillermo González Camarena No. 2000 Col. Centro de Ciudad Santa Fe Mexico, D.F., 01210

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

American Depositary Shares ("ADSs"), each representing seven (7) Ordinary Participation Certificates (Certificados de Participación Ordinarios) ("CPOs"), each CPO representing three (3) Series A Common Stock, without par value, registered with the New York Stock Exchange Euronext

> Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

11% Senior Notes due 2014, not registered on an exchange

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 789,818,829 shares of Series A common stock. Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes □ No ☑

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes □ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No □

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes □ No □ N/A ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

☐ Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer

□ U.S. GAAP	☐ International Financial Reporting Standards as issued by the International Accounting Standards Board	☑ Other
If "Other" has been checked in respons 17 □ Item 18 ☑	e to the previous question, indicate by check mark which financial statement item the registrant h	nas elected to follow: Item
If this is an annual report, indicate by cl	heck mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange A	ct): Yes □ No ☑

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PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

Unless otherwise specified, all references to "U.S. dollars," "dollars," "U.S.\$" or "\$" are to United States dollars and references to "Ps." and "pesos" are to Mexican pesos. Our financial data for the years ended December 31, 2007 and 2006 are presented in constant pesos of purchasing power as of December 31, 2007. The peso amounts presented are adjusted to reflect changes in purchasing power due to inflation accumulated until December 31, 2007. Unless otherwise specified, our financial data for the years ended December 31, 2011, 2010 and 2009, is presented in millions of nominal Mexican pesos, as explained in section "Adoption of New Accounting Standards." Amounts presented in this annual report may not add up or may be slightly inconsistent due to rounding.

Unless otherwise provided, this annual report contains translations of peso amounts into U.S. dollars solely for the convenience of the reader based on the exchange rate reported by the Banco de México (Central Bank of Mexico) as its buying rate for pesos at December 31, 2011, which was Ps.13.98 per U.S.\$1.00. The currency conversions should not be construed as representations that the peso amounts actually represent such dollar amounts. Additionally, these conversions should not be construed as representations that these peso amounts have been or could have been converted into U.S. dollars at those or any other rates of exchange. For more information on exchange rates, see "Item 3. Key Information — Selected Financial Data — Exchange Rates."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- competition in local services, data, Internet and Voice over Internet Protocol services;
- our ability to service our debt;
- limitations on our access to sources of financing on competitive terms;
- significant economic or political developments in Mexico and the U.S.;
- changes in our regulatory environment, particularly developments affecting the regulation of the telecommunications industry;
- our need for substantial capital;
- general economic conditions, including the economic slow-down in the U.S. and Mexico, due to the global financial crisis;
- the global telecommunications downturn;
- our ability to service our debt;
- performance of financial markets and thus our ability to refinance our financial obligations when they come due;
- our history of operating losses;
- the risks associated with our ability to implement our strategy;

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- customer attrition:
- technological innovations;
- currency fluctuations and inflation in Mexico;
- currency exchange rates, including the Mexican Peso U.S. dollar exchange rate;
- changes in the policies of central banks and/or foreign governments; and
- the risk factors discussed under "Risk Factors."

As used in this Form 20-F, unless the context otherwise indicates, the terms "we," "us," "our," or similar expressions, as well as references to "Maxcom," mean Maxcom Telecomunicaciones, S.A.B. de C.V. and its consolidated subsidiaries. Please refer to the glossary of telecommunications terms included in the back of this Form 20-F.

We will provide without charge to each person to whom this report is delivered, upon written or oral request, a copy of any or all of the documents incorporated by reference into this annual report (other than exhibits, unless such exhibits are specifically incorporated by reference in such documents). Written requests for such copies should be directed to Maxcom Telecomunicaciones, S.A.B. de C.V., Guillermo González Camarena No. 2000, Colonia Centro de Ciudad Santa Fe, Mexico, D.F. 01210, attention: Investor Relations. Telephone requests may be directed to 011-52-55-4770-1170.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected financial data

The following tables present selected financial information of Maxcom. We have derived the balance sheet and statement of operations data from our audited consolidated financial statements as of and for the years ended December 31, 2011, 2010, 2009, 2008 and 2007, including the audited consolidated financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 and accompanying notes appearing elsewhere in this annual report, which are henceforth referred to as "financial statements". This data is qualified in its entirety by reference to and should be read in conjunction with, such consolidated financial statements and the information contained under "Operating and Financial Review and Prospects" included elsewhere in this annual report.

Our audited consolidated financial statements for the years ended December 31, 2011, 2010, 2009, 2008 and 2007 have been prepared in accordance with Mexican Financial Reporting Standards (*Normas de Información Financiera* which we refer to as MFRS or NIFs (for its initials in Spanish), as promulgated by the Mexican Board for Research and Development of Financial Reporting Standards (*Consejo Mexicano para la Investigación y Desarrollo de las Normas de Información Financiera, A.C.* or "CINIF"). Pursuant to MFRS, we have prepared the financial statements and the selected financial data presented below in accordance with Statement B-10 of the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos* or MIPA) which up to December 31, 2007 provided for the recognition of the effects of inflation. MFRS differ in certain respects from U.S. GAAP (Generally Accepted Accounting Principles in the United States). See note 21 to the financial statements for the years ended 2011, 2010 and 2009 included under "Item 18. Financial Statements" of this annual report, for a description of the principal differences, other than inflation accounting, between MFRS and U.S. GAAP applicable to us and for a reconciliation of our net income and stockholders' equity to U.S. GAAP.

Project: v310161 **Form Type**: 20-F **File**: v310161_20f.htm **Type**: 20-F **Pg**: 6 of 207

Statement of Operations Data: MFRS Net revenues Operating costs and expenses: Network operating costs Selling, general and administrative expenses Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments	U.S.	169,953 (55,097) (57,441) (48,689) (161,227)		pesos ar 2,375,941		2010 31, 2006 and 200 sands of U.S. doll	of and nor			2008 08, 2009 and 20	10	2007
MFRS Net revenues Operating costs and expenses: Network operating costs Selling, general and administrative expenses Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments	U.S.	169,953 (55,097) (57,441) (48,689)		pesos ar 2,375,941	nd thous	sands of U.S. doll	llars(1), ex			08, 2009 and 20	10	
MFRS Net revenues Operating costs and expenses: Network operating costs Selling, general and administrative expenses Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments	U.S.	(55,097) (57,441) (48,689)	Ps.	2,375,941				cept per share	· uuu)			
Net revenues Operating costs and expenses: Network operating costs Selling, general and administrative expenses Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments	U.S.	(55,097) (57,441) (48,689)	Ps.		Ps.	2 577 202						
Operating costs and expenses: Network operating costs Selling, general and administrative expenses Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments	U.S.	(55,097) (57,441) (48,689)	Ps.		Ps.	2 577 202						
Network operating costs Selling, general and administrative expenses Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(57,441) (48,689)		(000		2,577,392	Ps.	2,562,570	Ps.	2,683,229	Ps.	2,345,719
Selling, general and administrative expenses Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(57,441) (48,689)										
Depreciation and amortization Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(48,689)		(770,257)		(1,121,541)		(1,131,353)		(1,120,167)		(976,979
Total operating costs and expenses Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments				(803,019)		(791,142)		(798,986)		(819,642)		(722,618 (370,227
Operating (loss) income Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments				(680,678) (2,253,954)		(701,975) (2,614,658)		(639,398) (2,569,737)		(551,889) (2,491,698)		(2,069,824
Other expenses Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		8,726		121,987		(37,266)		(7,167)		191,531		275,895
Restructuring charges Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(8,190)		(114,495)		(64,353)		(50,559)		(12,616)		(12,819
Impairment of long-lived assets Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(851)		(11,890)		(66,721)		(7,282)		(49,491)		(12,01)
Employees' statutory profit changes Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(051)		(11,000)		(528,672)		(7,202)		(532,315)		_
Other expense, net Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(359)		(5,012)		(1,334)		(3,292)		(1,173)		(3,257
Comprehensive financial results: Interest expense and commissions, net Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments		(9,399)		(131,397)		(661,080)		(61,133)		(595,595)		(16,076
Interest gain Exchange (gain) loss, net Effects of valuation of financial instruments												
Exchange (gain) loss, net Effects of valuation of financial instruments		(22,510)		(314,691)		(320,746)		(302,035)		(255,662)		(232,912
Effects of valuation of financial instruments		197		2,747		13,957		6,031		53,994		55,793
		(23,955)		(334,895)		116,770		57,687		(149,048)		4,826
		(6,374)		89,112		(43,453)		(58,478)		83,323		20,421
Gain on monetary position										(0.77.0		25,231
Total comprehensive financial results		(38,890)		(543,684)		(233,472)		(296,795)		(267,393)		(126,641
Total income taxes		1,190		16,641		(253,061)		61,537		233,694		(96,982
Net (loss) income		(38,373)		(536,453)		(1,184,879)		(303,558)		(437,763)		36,196
Earnings per share:		(0.05)		(0, 60)		(1.50)		(0.20)		(0.55)		0.00
Basic Diluted		(0.05)		(0.68)		(1.50)		(0.38)		(0.55)		0.06 0.06
U.S. GAAP		(0.03)		(0.66)								0.00
Operating (loss) income		9.649		134.888		(119,043)		(110,740)		44.139		217.182
Net (loss) income		(37,816)		(528,667)		(866,409)		(377,435)		(240,058)		160,999
Earnings per share:		(37,610)		(320,007)		(800,407)		(377,433)		(240,030)		100,777
Basic		(0.05)		(0.67)		(1.10)		(0.48)		(0.30)		0.29
Diluted		(0.05)		(0.67)		(1.10)		(0.48)		(0.30)		0.27
Balance Sheet Data:		(1111)		(111)								
MFRS												
Cash and cash equivalents		28,368		396,580		375,224		987,343		1,591,405		2,539,535
Restricted cash		_		_		_		_		_		_
Restricted cash to long term		_		_		_		_		_		_
Frequency rights, net		2,878		40,240		47,282		59,674		66,716		80,930
Telephone network systems and equipment, net		294,269		4,113,874		4,391,993		4,941,770		4,684,413		4,188,946
Preoperating expenses, net				_						50,863		77,902
Intangible assets, net		11,176		156,240		213,212		199,224		209,683		208,802
Labor obligations upon retirement		75.240				402.045		-		550 101		17,650
Rent deposits and other assets		75,248		1,051.965		493,047		891,674		578,401		618,524
Total assets		411,938 208,609		5,758,899 2,916,348		6,090,721 2,609,308		7,517,576 2,741,090		7,916,472 2,818,630		8,014,100 2,380,424
Long-term liabilities Total liabilities		236,040		3,299,845		3,100,195		3,357,603		3,415,303		2,380,424
Capital stock		386,999		5,410,224		5,410,224		5,410,244		5,410,244		5,410,251
Additional paid-in capital		58,444		817,054		813,135		808,566		816,443		888,056
Accumulated deficit		(269,545)		(3,768,244)		(3,231,791)		(2,046,912)		(1,705,231)		(1,267,468
Repurchase of shares		(207,543)		(3,700,244)		(1,062)		(11,925)		(20,287)		(1,207,400
Total shareholders' equity		175,898		2,459,054		2,990,526		4,159,973		4,501,169		5,030,839
Total number of shares		789,818,829		789,818,829		789,818,829		789,818,829		789,818,829		789,818,829
U.S. GAAP		705,010,025		705,010,025		705,010,025		705,010,025		705,010,025		705,010,025
Long-term liabilities		207,995		2,907,768		2,599,321		2,741,090		2,818,630		2,380,424
Total Shareholders equity		178,116		2,490,059		3,004,049		3,851,883		4,214,655		4,555,341
Other Operational and Financial Data:		ŕ										
MFRS												
Working capital(3)		43,053		601,884		569,960		473,012		447,202		281,811
Capital expenditures(4)		30,016		419,630		715,994		931,623		1,631,001		1,248,407
Ratio of earnings to fixed charges(5)												1.51
Resources arising from operating activities		54,433		760,979		378,417		597,212		980,591		303,158
Resources derived from financing activities		(21,547)		(301,226)		(277,850)		(291,285)		(314,788)		2,745,493
Resources used in investing activities		(31,359)		(438,397)		(712,686)		(909,989)		(1,613,933)		(1,248,407
U.S. GAAP												
Cash provided by operating activities		25,211		352,445		(116,274)		137,805		438,861		164,439
Cash provided by (used in) financing activities	*** 0	(690)		9,649		9,903		(11,812)	Ps.	(105,440) (1,281,551)	Ps.	2,916,477 (1,245,081)
Cash used in investing activities Ratio of earnings to fixed charges(5)	U.S.	(21,492)	Ps.	(300,461)	Ps.	(505,748)	Ps.	(730,055)				

⁽¹⁾ Peso amounts were converted to U.S. dollars at the exchange rate of Ps.13.98 per U.S.\$1.00 reported by the Banco de México as its buying rate for pesos on December 31, 2011. Such conversions are for the convenience of the reader and should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated, or at any other rate.

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(2) Pursuant to MFRS, statement of operations and balance sheet data for all periods up to 2007 in the financial statements have, unless otherwise indicated, been restated in constant pesos as of December 31, 2007. For items in the statements of operations, restatement into December 31, 2007 pesos is made by multiplying the relevant nominal peso amount by the inflation index for the period between the end of the period to which such nominal peso amount relates and December 31, 2007, for non-monetary balance sheet line items restatement into December 31, 2007 pesos is made by multiplying the relevant peso amounts at acquisition by the inflation index up to December 31, 2007.

- (3) Working capital is defined by us as current assets (excluding cash and cash equivalents and restricted cash) less current liabilities (excluding short-term debt and current maturities of long-term debt, which includes interest payable) which is different from the common definition of total current assets in excess of total current liabilities.
- (4) Capital expenditures for the years 2007 includes telephone network systems and equipment, intangible assets and other assets. Investing activities in the consolidated statements of changes in financial position for the years ended December 31, 2007 and are net of dispositions. For the years ended December 31, 2011, 2010 and 2009 the capital expenditures are presented according to the statement of cash flows and only include acquisitions.
- (5) Ratio of earnings to fixed charges is defined as fixed charges divided by earnings. Fixed charges are defined as the sum of: (a) interest expensed and capitalized, (b) amortized premiums, discounts and capitalized expenses related to indebtedness. Earnings are defined as the sum of: (a) pre-tax income from continuing operations; (b) fixed charges; and (c) amortization of capitalized interest; less interest capitalized. Fixed charges include interest expense, capitalized interest and the portion of operating lease rental expense that represents the interest factor. The fixed charge coverage deficiency under MFRS was Ps.540.8 million in 2011 and Ps.910.5 million in 2010. Under U.S. GAAP, the fixed charge coverage deficiency was Ps.521.3 million in 2011 and Ps.596.2 million in 2010. (See Exhibit 7.1)

EXCHANGE RATES

The following table sets forth, for the periods indicated, the period-end, average, high and low buying rates, in each case for the purchase of U.S. dollars, all expressed in nominal pesos per U.S. dollar. The buying rate on April 23, 2012 was Ps.13.23 per U.S.\$1.00.

	Buying Rate(1)							
	Period End		Average(2)	High			Low	
	_			_				
March 2012	Ps.	12.85	Ps. 12.76	Ps.	12.98	Ps.	12.63	
February 2012		12.88	12.80		13.01		12.65	
January 2012		12.95	13.49		13.98		12.93	
December 2011		13.98	13.74		13.99		13.48	
November 2011		14.03	13.64		14.24		13.11	
October 2011		13.20	13.47		13.97		13.20	
2011		13.99	12.49		14.24		11.50	
2010		12.36	12.64		13.18		12.16	
2009		13.06	13.57		15.37		12.60	
2008		13.54	11.17		13.92		9.92	
2007		10.87	10.94		11.27		10.66	

Source: Banco de México.

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

Except for the period from September through December 1982, during a liquidity crisis, the Mexican Central Bank has consistently made foreign currency available to Mexican private-sector entities (such as us) to meet their foreign currency obligations. Nevertheless, in the event of renewed shortages of foreign currency, there can be no assurance that foreign currency would continue to be available to private-sector companies or that foreign currency needed by us to service foreign currency obligations or to import goods could be purchased in the open market without substantial additional cost.

⁽²⁾ Represents the average rates for each period indicated, calculated by using the average of the exchange rates on the last day of each month during the period.

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B. Capitalization and indebtedness

Not applicable.

C. Reasons for the offer and use of proceeds

Not applicable.

D. Risk factors

Risks Relating to Maxcom

We may not be able to generate sufficient cash flows to meet our debt service obligations and implement our business plan.

Our business plan, including the expansion of our network and services, requires significant capital expenditures. In turn, our ability to fund these planned capital expenditures as well as our operating expenses and our debt service obligations will depend on our ability to develop a significantly larger customer base and increase our operating cash flows. However, we may not succeed in attracting more customers and as a result our business may not generate sufficient operating cash flows to implement our business plan or even meet our existing debt service obligations. While in recent years we have generated positive cash flows, we have had a history of negative operating cash flows under MFRS. If we cannot service our debt obligations, we may have to take actions such as selling assets, seeking additional equity investments, reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, or restructuring our indebtedness pursuant to in court or out of court procedures, any of which could inhibit the implementation of our business plan and materially harm our operating results and financial condition.

Because we have a history of losses and may continue to incur significant expenses, we cannot be certain that we will achieve profitability.

We incurred net losses of U.S.\$38.3 million (Ps.536.5 million) for the year ended December 31, 2011 as compared to net losses of US\$95.9 million (Ps.1,184.9 million) for the year ended December 31, 2010. The net losses for the year ended December 31, 2011 are mainly related to US\$40.0 million (Ps.557.7 million) including net interest expense, interest gain and exchange fluctuation. In addition in 2011 we incurred an operating income of US\$8.7 million (Ps.122.0 million) as compared to operating losses of US\$2.7 million (Ps.37.3 million) for the year ended December 31, 2010. We expect to continue to incur significant capital expenditures in connection with the expansion of our network, and we will need to generate significant revenues to achieve and maintain profitability. We cannot be certain that we will ever achieve profitability and, if we do achieve profitability, we cannot be certain that we can sustain or increase profitability on a quarterly or annual basis in the future. If we fail to achieve profitability within the time frame expected by our investors, the market price of our securities will be adversely affected

We may be unable to build out our network in a timely manner or without undue cost.

Our ability to achieve our strategic objectives will depend in large part upon the successful, timely and cost effective build out of our network. Factors that could affect such build out include:

- municipal or regional political events or local rulings;
- our ability to obtain permits to use public rights of way;
- state municipal elections and change of local government administration;
- our ability to generate cash flow or to obtain future financing necessary for such build out;
- unforeseen delays, costs or impediments relating to the granting of municipal and state permits for our build out;
- delays or disruptions resulting from physical damage, power loss, defective equipment or the failure of third party suppliers or contractors to meet their obligations in a timely and cost-effective manner; and

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regulatory and political risks relating to Mexico, such as the revocation or termination of our concessions, the temporary seizure or permanent expropriation of assets, import and export controls, political instability, changes in the regulation of telecommunications and any future restrictions or easing of restrictions on the repatriation of profits or on foreign investment.

Although we believe that our cost estimates and build out schedule are reasonable, we cannot assure you that the actual construction costs or time required to complete the build out will not substantially exceed our current estimates. Any significant cost overrun or delay could hinder or prevent the successful implementation of our business plan, including the development of a significantly larger customer base, and result in revenues and net income being less than expected.

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

Our operations are managed by a small number of executive officers and key management personnel. Our continued success, including our ability to effectively expand our network, provide existing services and develop and introduce new services, largely depends on the efforts and abilities of our executive officers and other key management employees, as well as our ability to hire and retain highly skilled and qualified management personnel. The competition for highly qualified management personnel in the telecommunications industry is intense and, accordingly, we cannot assure you that we will be able to hire or retain the necessary management personnel. Between 2008 and 2011, we experienced significant turnover in our executive ranks, including in the positions of chief executive officer, chief operating officer, chief sales officer and chief financial officer, which adversely affected our ability to develop and execute our business strategies during such period. Our business could be materially and adversely affected if, for any reason, a number of our officers or key employees did not remain with us and we were unable to promptly replace them with qualified personnel.

We may not have sufficient personnel to grow as rapidly as we would like.

Our expected rate of growth will place a significant strain on our administrative, operational and financial personnel. We anticipate that continued growth will require us to recruit and hire a significant number of new non-executive managerial, finance, sales and marketing, accounting and support personnel. If we are unable to attract and retain qualified personnel who can support the implementation of our business plan, our growth may be limited and the quality of our services may be impaired.

If we have to pay Telmex local interconnection fees, we may not be able to provide services at competitive rates.

Teléfonos de México, S.A.B. de C.V., or "Telmex", and its affiliates exert significant influence on all aspects of the telecommunications market in Mexico, including interconnection agreements for local and long-distance services. We use Telmex's network for call termination to service virtually all of our customers' calls to Telmex's customers. Our current local interconnection agreement with Telmex incorporates a "bill and keep" procedure under which we do not pay Telmex an interconnection fee unless we exceed a certain level of traffic imbalance. Under the "bill and keep" arrangement, if the imbalance between calls originated by Telmex and terminated by Maxcom and calls originated by Maxcom and terminated by Telmex during a month does not exceed 5%, excluding commercial traffic and customers who have had contracts for less than 180 days, then no interconnection fee amounts are payable by the net carrier of interconnection services. The interconnection rate is currently Ps.0.1205 (U.S.\$0.00975) per minute. If the allowed percentage for imbalance of traffic for the "bill and keep" procedure is exceeded and/or if the "bill and keep" procedure is eliminated and we have to pay Telmex for local interconnection, our operating costs may increase and we may not be able to offer services at competitive rates.

Our inability to successfully upgrade our accounting, billing, customer service and management information systems as new technology becomes available could increase our churn rates, inhibit our ability to attract new customers and result in decreased revenue and increased costs.

Sophisticated information and processing systems are important to our existing operations and future growth and our ability to monitor costs, deliver invoices, process customer orders, provide customer service and achieve operating efficiencies. While we have installed systems we deem necessary to conduct our operations efficiently, we intend to upgrade our accounting, information and processing systems as new and more cost efficient technology becomes available. We believe we have budgeted for the applicable expenditures and will have sufficient resources to make such investments. However, we cannot assure you that we will be able to successfully upgrade such systems as technology advances and any inability to do so could increase our churn rates, inhibit our ability to attract new customers and result in decreased revenue and increased costs.

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

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

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

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

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

Our telecommunications network infrastructure has several vulnerabilities and limitations.

Our telecommunications network is the source of all our revenues. Any problem with or limitation of our network may result in a reduction in the number of our customers or usage level by our customers, our inability to attract new customers or increased maintenance costs, all of which would have a negative impact on our revenues and net income. The development and operation of our network is subject to problems and technological risks, including:

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

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Our results may be negatively impacted by high levels of churn.

We historically have experienced customer attrition, which we refer to as churn. Churn results in the loss of future revenue from lost customers as well as the inability to recover the costs incurred to acquire those customers, such as installation costs and commissions. Churn occurs for several reasons which include disconnection of a customer for non-payment, disconnection of a customer who switches to a competing company and disconnection of a customer who requests termination of service. Our average monthly churn rate for the last three years has been 2.68%. An increase in customer churn could have a material negative impact on our revenue growth and in our operating income, even if we could replace the customer deactivated with a new customer. Churn may be impacted by:

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

Our indebtedness could have a material adverse effect on our financial condition, including our ability to fulfill our obligations under our senior notes due 2014 and our ability to operate our business and implement our business plan.

We are highly leveraged. As of December 31, 2011, 2010 and 2009, we had total indebtedness in the amount of Ps.2,810.1, (U.S.\$201.0 million), Ps.2,484.1 million (U.S.\$201.0 million) and Ps.2,625.2 (U.S.\$201.0 million), respectively, which consists primarily of U.S.\$200 million aggregate principal of senior notes due 2014. We will use approximately U.S.\$24 million annually from our cash flows to service our senior notes due 2014. Despite our current level of indebtedness, we may be able to incur additional indebtedness. Although the terms of the indenture governing the senior notes due 2014 restrict us and our restricted subsidiaries from incurring additional indebtedness, these restrictions are subject to important exceptions and qualifications including with respect to our ability to incur additional senior indebtedness. If we or our subsidiaries incur additional indebtedness to finance working capital, capital expenditures, investments or acquisitions or for other purposes, the risks related to our business associated with our high level of indebtedness could be intensified. Specifically, our high level of indebtedness could have important consequences to our business, including consequences that could:

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

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

The indenture governing our senior notes due 2014 contains restrictions on our ability to operate our business and to pursue our business strategies. Our failure to comply with these covenants could result in an acceleration of our indebtedness.

The indenture governing our senior notes due 2014 contains covenants that may restrict our ability to finance future operations or capital needs, to respond to changing business and economic conditions or to engage in certain transactions or business activities that may be important to our growth strategy, necessary to remain competitive or otherwise important to us. The indenture restricts, among others, our ability to:

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- incur additional indebtedness:
- pay dividends or make other distributions on our capital stock or repurchase our capital stock or subordinated indebtedness;
- make investments or other specified restricted payments;
- create liens:
- enter into mergers, consolidations, sales of substantially all of our assets and other forms of business combinations;
- enter into change of control transactions;
- · sell assets and subsidiary stock; and
- enter into transactions with affiliates of the following nature:
 - (i) the transaction is on terms no less favorable to Maxcom or the relevant restricted subsidiary than those that would have been obtained in a comparable transaction by the Maxcom or such restricted subsidiary with an unrelated entity;
 - (ii) in transactions involving in excess of U.S.\$1.0 million, a majority of the disinterested directors have determined that the transaction complies with (i); and
 - (iii) in transactions involving in excess of U.S.\$6.0 million, Maxcom shall deliver to the trustee a fairness opinion from an investment banking firm of national standing.

If we do not comply with these restrictions, we could be in default despite our ability to service our indebtedness. If there were an event of default under the indenture governing our senior notes due 2014, holders of such senior notes could demand immediate payment of the aggregate principal amount and accrued interest on such senior notes outstanding which, as of December 31, 2011, was an amount equal to U.S.\$201.0 million. This could lead to our inability to pay our obligations or to our bankruptcy or reorganization for the benefit of our creditors. Any additional financings we obtain in the future would most likely contain similar or more restrictive covenants.

The terms of the indenture governing our senior notes due 2014 restrict us and our restricted subsidiaries from incurring additional indebtedness are subject to certain exceptions and qualifications, including exceptions allowing us to incur capital lease, financing and purchase money obligations not exceeding U.S.\$10 million and additional indebtedness not exceeding U.S.\$10 million. If we or our subsidiaries incur additional indebtedness to finance working capital expenditures, investments or acquisitions or for other purposes, the risks related to our business associated with our high level of indebtedness could be intensified.

Risks Relating to the Mexican Telecommunications Industry

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

The Mexican telecommunications industry is increasingly competitive and rapidly changing. We face significant competition from Telmex (the incumbent wireline telecommunications provider in Mexico) as well as other telecommunications providers and new market entrants such as cable operators. The Mexican government has been taking action to increase competition by, among other things, enacting regulations allowing certain concessionaries of media (including cable operators) and telecommunication services to provide services not included in their original concessions. In particular, cable operators who have substantial coverage of cities we currently serve may offer the same voice and data services we provide at lower prices since telephony income represents incremental revenue to cable operators. See "Item 4. Information on the Company — Industry Overview." Many of our current and potential competitors have significantly more employees and greater financial, technical, marketing and other resources than we do. Increased competition could result in fewer customers, reduced pricing, reduced gross and operating margins and loss of market share, any of which could harm our business.

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New services with optical fiber access were delivered by Axtel and Total Play (Salinas Group) during 2011 in the market. As a result of this high-end offering, operators promise high capacities, valued added and quadruple-play benefits. We expect increased competition in our A/B's socio-economical segments coverage in the short term, but in the middle term this product will spread out in new segments, the key driver to compete will be a better price to penetrate lower income households and generate a critical mass.

In an effort to continue at the forefront and with a differentiated offering from our competitors, we launched in July 2011 a trendy service called "Yuzu" that offers live TV and video on demand content, all in one place, at anytime, anywhere over the Internet. This kind of services also called "Over the Top (OTT)", because they operate over any third party broadband Internet access, allowing different connectivity devices to watch Yuzu such as smart phones, tablets, PCs,

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

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

- increased competition and focus by our competitors on increasing market share;
- technological advances that allow higher transmission capacities of both new and existing fiber-optic networks, results in better margins and more bandwidth offering;
- increased participation of traditional fixed-line competitors;
- the entrance of cable television operators into certain markets where we currently offer service; and
- the entrance of new competitors, such as broadcasting companies, OTT service providers or the Comisión Federal de Electricidad.
- the merge or consolidation of some concessionaries (fix-mobile-cable) may affect market penetration.

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

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

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

On March 2008, the Mexican Ministry of Communications and Transportation (Secretaría de Comunicaciones y Transportes or "SCT") auctioned the 1850-1910/1930-1990 MHz and 1710-1770/2110-2170 MHz, 3400-3700 MHz, 71-76/81/86 GHz and 410-430 MHz spectrum segments.

On November 2009, the SCT published bid terms for auctioning the 1710-1770/2110-2170 MHz spectrum segment and 1850-1910/1930-1990 MHz, spectrum segments under independent processes. The 1710-1770/2110-2170 MHz spectrum was assigned to Radiomovil Dipsa, S.A. de C.V. (or "Telcel" a subsidiary of América Móvil, S.A.B. de C.V. ("América Móvil")) and Pegaso Comunicaciones y Sistemas, S.A. de C.V. ("Telefónica Movistar"), while the 1850-1910/1930-1990 MHz spectrum was assigned to a consortium between Nextel de México, S.A. de C.V. or "Nextel" and Televisa, S.A. de C.V. or "Televisa", to Telecomunicaciones del Golfo, S.A. de C.V. ("Iusacell") and Telefónica Movistar. These auctions and the corresponding awards are currently under legal dispute by Jusacell.

The awarding of spectrum segments opened the market to new concessions and to new technologies, such as WiMax, that may compete with some of the services we provide.

An auction for the 3400-3700 MHz spectrum segment was expected to take place during 2011, but finally did not happen. If it takes place again during 2012, we will explore whether to participate in this auction.

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We could lose our concessions if we do not fully comply with their terms or if we are not able to renew our existing concessions.

We hold concessions that enable us to provide telecommunications services. Under the terms of our concessions, we are required to meet a number of technical, build out and financial conditions and in the past, we have failed to meet some of these conditions. We subsequently obtained a modification from the COFETEL

to the concessions and are now in compliance with all material aspects. However, we cannot assure you that we will not be fined for our past failure to comply with the terms of our concessions. In addition, any failure to comply with any of the terms of our concessions or to obtain a waiver or modification could result in the termination of those concessions, the imposition of fines or the loss of surety bonds that we have issued to the SCT. The Mexican government is not required to compensate us in the event of such termination. See "Item 4. Information on the Company — B. Business Overview — Regulation — Concessions and Permits - Termination."

Furthermore, all of our concessions have a specified duration and are scheduled to expire between 2016 and 2028. Mexican law provides that concessions, except for the microwave transmission concessions which will be reauctioned, may be renewed for a period equal to the duration of the original concession if certain requirements are met and at the discretion of the SCT. There can be no assurances that any of our concessions will be renewed or under what terms they would be renewed or that we will successfully bid for and retain the microwave transmission concessions.

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

Fraudulent use of telecommunications networks increases our expenses.

The fraudulent use of telecommunications networks imposes a significant cost upon service providers, who must bear the cost of services provided to fraudulent users. We suffer a loss of revenue as a result of fraudulent use and a cash cost due to our obligation to reimburse carriers for the cost of services provided to fraudulent users. Although we have installed technology to combat fraudulent use and will continue to evaluate and select amongst new fraud detection technologies as they become available, technology does not eliminate fraud entirely. In addition, since we rely on other long-distance carriers for interconnection, some of which do not have anti-fraud technology in their networks, we are particularly exposed to this risk in our long-distance service and in traffic originating in our network to mobile users under the mode of "calling party pays." In 2011, our expenses for the prevention and detection of fraud were not significant. Due to cost reduction measures, we may elect not to upgrade our licenses relating to anti-fraud software or to cover certain maintenance fees.

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

The telecommunications industry is subject to rapid and significant changes in technology and requires the introduction of new products and services. Like other operators, we cannot predict the effect of technological changes on our business. New services and technological advances may offer additional opportunities for competitors to compete against us on the basis of cost, quality or functionality. While we have been installing what we believe to be a technologically advanced fiber optic network with a microwave overlay, we cannot assure you that this technology will not be challenged by competition from new or improved digital or other technologies in the near future. Our future success depends, in part, on our ability to anticipate and respond in a timely manner to technological changes. This may require us to devote significant capital to the development, procurement or implementation of new technologies. Additionally, our adoption of new imported technology may be dependent upon the final cost and our ability to obtain additional financing. There can be no assurance as to the nature and extent of the impact of technological change on our viability or competitiveness. If any future technological change places at risk our viability or competitiveness, the cost of upgrading our products and technology to remain competitive could be significant and our ability to fund this upgrading may depend on our ability to obtain additional financing on terms acceptable to us.

However, in an effort to reduce our capital expenditures and increasing our service coverage we are trying to offer new voice and IPTV services based on OTT architecture avoiding CPEs equipment and installation costs creating leverage of third party broadband internet access connections such as the Yuzu service, delivered by Maxcom in July 2011.

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

Pursuant to Mexican law, the public telecommunications networks are considered public domain. Holders of concessions to install, operate and develop public telecommunications networks are subject to the provisions of the Mexican Federal Telecommunications Law (Ley Federal de Telecommunicaciones) and any other provision contained in the concession title. The Mexican Federal Telecommunications Law and other applicable laws provide, among other things, the following:

- rights and obligations granted under the concessions to install, operate and develop public telecommunications networks may only be assigned with the prior authorization of the SCT;
- neither the concession nor the rights thereunder or the related assets may be assigned, pledged, mortgaged or sold to any government or country; and
- the Mexican government (through the SCT) may permanently expropriate any telecommunications concession and claim any related asset for reason of public interest or may temporarily seize the assets related to the concessions in the event of natural disasters, war, significant public disturbance or threats to internal peace or for other reasons relating to economic or public order.

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

Mexican law does not prohibit a grant of a security interest in the concessions and the assets by the concessionaire to its creditors (except for security granted to a foreign government or country), provided, however, that all applicable procedural laws are followed. In the event such security interest is enforced, the assignee must comply with the Mexican Federal Telecommunications Law's provisions related to concessionaires, including, among others, the requirement to receive the authorization of the SCT to be a holder of the concession.

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

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

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

For the year 2011 COFETEL has issued a resolution regarding "Calling Party Pays" interconnection tariffs with the mobile carriers, and has determined the tariff at Ps. 0.3912.

It is probable that for the subsequent years until 2015, COFETEL will issue, on a yearly basis, resolutions oriented to lowering the tariff set forth in 2011. If COFETEL applies the same cost model used for the 2011 resolution, the most probable scenario would be a 10% further decrease in the interconnection tariff.

Furthermore, Maxcom has filed upon COFETEL the dispute for retroactive interconnection tariffs against the mobile carriers for the years 2006 to 2010.

Local Exchange Interconnection Tariffs

In 2008, Local Exchange Carriers ("LEC") (Alestra, Avantel/Axtel, MCM Comunicaciones, S.A. de C.V. and Bestphone, S.A. de C.V.) filed before COFETEL, different interconnection rates disputes against Telmex.

In 2009, MAXCOM and Telmex executed different amendments to our interconnection agreements, establishing that if we do not reach an agreement regarding the interconnection rates, both parties would request for a COFETEL resolution.

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In 2011, COFETEL issued several resolutions regarding the disputes between Telmex and LEC, reducing the interconnection rates, and established the

• Interconnection (origin and termination): Ps 0.03951

• Long Distance transport (resell): Ps. 0.04530

• Local Transit: Ps. 0.01904

following rates per minute:

COFETEL has not issued a resolution regarding the dispute filed by MAXCOM, however based on the non-discrimination conditions, MAXCOM during 2011, paid the interconnection rates established by COFETEL for the other carriers.

MAXCOM is still waiting for the COFETEL's resolution regarding the interconnection rates dispute with Telmex, for the years 2011 and 2012. We believe that the resolution will be in the same manner as the disputes between Telmex and the other LEC's.

Furthermore, MAXCOM is requesting the retroactive application of the interconnection rates with Telmex for the years 2009 and 2010.

In February 2012, the Mexican Supreme Court of Justice resolved that the SCT does not have the authority to review the interconnection rates established by COFETEL and ratified that COFETEL is the authority that should solved the interconnection tariffs disputes.

We considered that this resolution does not imply any contingency, obligation or economic benefit for MAXCOM as the applicable rates for such period must be resolved by COFETEL once again based on the applicable law.

Foreign ownership restrictions may limit our ability to raise equity capital.

Mexican Foreign Investment Law (Ley Federal de Inversión Extranjera) and Federal Telecommunications Law (Ley Federal de Telecommunicaciones) currently provide that no more than 49% of the full voting stock of a Mexican corporation holding a concession to provide telecommunications services, other than mobile services, may be held by non-Mexicans. In addition, Mexican authorities have mandated that our shares held by the CPO trustee, which are also referred to as neutral investment shares, may not represent more than 95% of our total capital stock. Because of such restrictions, we have limited flexibility to raise equity capital from non-Mexican investors. As a result, any future sales of equity securities may require substantial participation by Mexicans, the issuance of non-voting securities to foreign investors or a modification of Mexican foreign investment laws and regulations. The Mexican Congress is discussing amendments to both laws that would eliminate foreign investment restrictions provided an authorization from the Mexican National Commission on Foreign Investments (Comisión Nacional de Inversiones Extranjeras) is obtained, thus broadening our ability to raise capital from non-Mexican investors. We cannot assure you that such amendment would be passed and be enacted.

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

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

During 2007 the COFETEL issued the rules for the implementation of number portability effective July 5, 2008. As of this date, the portability service has been operating properly, with the exception of certain third party networks that still take longer than established to route calls to the receiving user. We cannot predict the consequences that portability will have on the market or how it might affect our business. The application of the Federal Telecommunications Law, the convergence resolution and the number portability rules could adversely affect our business and subject us to additional legal liability or obligations.

The operation of telecommunications industry in Mexico, has been subject to laws and regulations administered by the SCT and COFETEL. An amendment to the internal operating rules of the SCT (*Reglamento Interior de la Secretaría de Comunicaciones y Transportes*) was issued during 2008, increasing the authority granted to the SCT by allowing it to assume certain responsibilities of COFETEL. These new rules will cause an amendment to the internal operating rules of COFETEL in the near future. The resulting regulatory changes could adversely affect our business and subject us to additional legal liability or obligations, as the decisions to be taken by the SCT and the COFETEL could be delayed or take longer period of time to be resolved, especially since such operating rules had been challenged by some operators and authorities.

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In addition to the foregoing, several key provisions of the Mexican Antitrust Law (Ley Federal de Competencia Económica) have also been recently revised and declared unconstitutional by the Mexican Supreme Court of Justice, thereby limiting the ability of the Mexican Antitrust Commission (Comissión Federal de Competencia, or "CFC") to obtain information for the analysis of dominant carrier status and antitrust practices.

During 2008, 2009, 2010 and 2011 the CFC issued a preliminary declaration, stating that all fixed and mobile service providers may have significant market power in the traffic termination market. We are unable to predict if the final declaration will take this position, which could adversely affect our business and subject us to additional legal liability or obligations. If we are declared to have significant power in the traffic termination market in a final declaration by the CFC, our rates could be regulated and we could be required to comply with certain level of quality in services and information.

An amendment to the Mexican Antitrust Law enacted on May, 10, 2011 has provided additional powers to the Mexican Antitrust Commission to prosecute and sanction antitrust practices. We are unable to determine as of today the impact of this reform to the telecommunications sector.

Risks Relating to Mexico

Global economic conditions may adversely affect us.

The global economy continues to be uncertain, and many companies have limited access to funding. This risk has been exacerbated by concerns over the higher levels of public debt, wider fiscal deficit and credit rating downgrades on public debt of European countries such as the Republic of Ireland, Greece, Portugal, and Spain and the risk of a potential downgrade and credit deterioration of the U.S. economy. This global economic downturn and/or any future economic downturn, including downturns in the

United States and Europe, could affect our financial condition and results of operations.

Political conditions in Mexico may significantly affect our business, results of operations and financial condition.

We are incorporated in Mexico and substantially all of our assets and operations are located in Mexico. As a result, we are subject to political, legal and regulatory risks specific to Mexico which can have a significant impact on our business, results of operations and financial condition.

Political situation

The Mexican national elections will be held in July 2012 to elect the president and members of both houses. We cannot predict the impact that these Mexican 2012 elections will have on the economy and particularly on the growth and deregulation of the telecommunications industry. We expect this election to be highly competitive and to generate uncertainty which may have an adverse effect on economic developments in Mexico, including a possible adverse effect on our business, financial condition, prospects and results of operations. Social and political instability in Mexico or other adverse social or political developments in or affecting Mexico could adversely affect us and our ability to obtain financing. It is also possible that the political climate towards the July 2012 national elections may adversely affect the financial markets, as well as our ability to continue growing.

Legal and regulatory situation

Effective April 11, 2006, the Mexican Congress enacted amendments to the Federal Law on Radio and Television (Ley Federal de Radio y Televisión) and to the Federal Telecommunications Law. Pursuant to these amendments, which were highly controversial, the COFETEL now also has the ability to regulate broadcasting (radio and television). We cannot predict how the SCT or the COFETEL will interpret and implement the amendments to the Federal Law on Radio and Television and the Federal Telecommunications Law and thus how these new rules could affect our business. This uncertainty could adversely affect our business and subject us to additional legal liabilities or obligations. Furthermore, the Mexican Supreme Court resolved on August 2007 that several articles of the Federal Law on Radio and Television and to the Federal Telecommunications Law are unconstitutional. Although we believe that this Supreme Court ruling does not directly affect us, we cannot predict the impact that the future interpretation and implementation by the SCT or the COFETEL of this ruling, or the amendment by the Mexican Congress of these laws as a result of the Mexican Supreme Court ruling could have on the regulation of the telecommunications industry and on our business, results of operations and financial condition.

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If Mexico continues to experience economic crisis, our business could be affected negatively.

We are a Mexican company with a substantial portion of our revenue coming from residential customers whose expending patterns may be affected by prevailing economic conditions in Mexico. Accordingly, the economic environment within Mexico can have a significant impact on our business, results of operations and financial condition.

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

Mexico has experienced economic crises caused by internal and external factors, characterized by exchange rate instability, high inflation, high domestic interest rates, economic contraction, a reduction of international capital flows, a reduction of liquidity in the banking sector and high unemployment. These economic conditions could substantially reduce the purchasing power of the Mexican population and, as a result, the demand for telecommunications services that we offer.

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

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

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

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

While our revenues are almost entirely denominated in pesos, the majority of our obligations and all of our long-term indebtedness are denominated in U.S. dollars. In addition, most of our capital expenditures are denominated in U.S. dollars. We are, and will continue to be, exposed to peso devaluation risk. The peso has devalued substantially against the U.S. dollar in the past and may devalue significantly in the future. For example, the noon buying rate rose from Ps.3.45 per U.S.\$1.00 on December 19, 1994 to Ps.5.00 per U.S.\$1.00 on December 31, 1994 and Ps.7.74 per U.S.\$1.00 on December 31, 1995, representing a 124.6% devaluation of the peso relative to the U.S. dollar from December 19, 1994 to December 31, 1995. The peso appreciated relative to the U.S. dollar 0.1% in 2007, depreciated 24.6% in 2008, appreciated 3.5% in 2009, appreciated 5.4% in 2010 and depreciated 13.2% in 2011.

The peso-to-dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar-denominated obligations, including our senior notes due 2014. In order to diminish the negative effects of a peso devaluation in May 2007, we entered into currency swap transactions with the banks Morgan Stanley A.G. and Merrill Lynch Capital Markets A.G. to minimize the exchange rate risks related to the coupon payments with respect to U.S.\$150 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2008 to December 2010. In December 2009, the company unwound the swap with Morgan Stanley A.G. and entered into a new swap with the same bank that covers the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

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In March 2010 the company unwound the swap with Merrill Lynch Capital Markets A.G. and entered into a new cross currency swap transaction with Morgan Stanley A.G. that minimize the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

In May 2011 we amended the cross currency swap agreements with Morgan Stanley (France), SAS to delete from the agreements the clause authorizing Morgan Stanley to terminate the agreements in case the credit rating of Maxcom continues to decline. In counterpart, Maxcom agreed to deposit U.S.\$1.5 million in a collateral account in Morgan Stanley.

At December 31, 2011 an immediate 10% devaluation of the peso relative to the U.S. dollar would have increased our interest expense (related to the interest payments on the U.S.\$50 million aggregate principal amount of our senior notes due 2014 not covered by the currency swaps, we have coverage over the interest payments of U.S.\$150 million) by approximately Ps.7.7 million over a one-year period. In addition, any further decrease in the value of the peso may negatively affect the value of Mexican securities such as ours.

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

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

The price of our securities could decrease due to events in other countries, especially the United States and emerging market countries.

We cannot assure you that the price of our securities will not be adversely affected by events elsewhere, especially in the United States and in emerging market countries. Mexican financial and securities markets are, to varying degrees, influenced by economic and market conditions in other countries. Although economic conditions are different in each country, investor reaction to developments in one country has had and can have significant effects on the prices of securities of issuers in other countries, including Mexico. For example, each of the 1997 Asian economic crisis, the 1998 Russian debt moratorium and currency devaluation, the 1999 Brazilian currency devaluation and the 2001 Argentine debt default and currency devaluation triggered market volatility in Latin America. The economic slowdown in the United States, the military conflict in Iraq, the threat of terrorism and political and financial crises in certain emerging markets have had a significant negative impact on the financial and securities markets in many emerging market countries, including Mexico.

Less information about our Company may be publicly available because we are subject to different corporate disclosure and accounting standards than U.S. companies.

A principal objective of the securities laws of the United States and Mexico is to promote full and fair disclosure of all material corporate information. However, there may be less publicly available information about foreign issuers of securities listed in the United States and of Mexican issuers in Mexico than is regularly published by or about U.S. issuers of listed securities. In addition, we prepare our consolidated financial statements in accordance with MFRS. MFRS differs in significant respects from U.S. GAAP. In particular, up to December 31, 2007 all Mexican companies incorporated the effects of inflation directly in their accounting records and in published financial statements. We cannot assure you that these will be the only difference in the future. See note 21 to the financial statements for a description of the principal differences between MFRS and U.S. GAAP applicable to us.

If Maxcom were unable to properly adopt and implement International Financial Reporting Standards, its ability to produce and publish timely and accurate financial information could be materially affected.

Beginning with the fiscal year starting January 1, 2012, Mexican issuers with securities registered in the Registro Nacional de Valores (National Securities Registry) of the Comisión Nacional Bancaria y de Valores (which we refer to as the CNBV) will be required to prepare financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). In connection with this implementation, we will be required to evaluate our internal controls over financial reporting in order to verify that they will continue to be effective once the implementation of IFRS is complete. As of the date of this report, we are in the process of implementing IFRS and expect to fulfill this requirement. However, we cannot be certain that no event will occur which could prevent us from adopting, by the deadline established by the CNBV, the modifications necessary to issue our financial statements under IFRS. If we were not able to implement IFRS by the date required, our ability to issue timely and accurate financial information could be materially affected. Consequently, we could be subject to penalties for such non-compliance, including having our securities delisted from the Bolsa Mexicana de Valores, S.A.B. de C.V (which we refer to as the BMV).

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You may suffer a U.S. dollar shortfall if you obtain a judgment against us.

In the event that the outstanding holders of our senior notes are awarded a judgment from a Mexican court enforcing our U.S. dollar-denominated obligations under our senior notes due 2014, we will have the right to discharge our obligations by paying to the outstanding holders of our senior notes in pesos at the exchange rate in effect on the date of payment of such judgment. The exchange rate is currently determined by the Central Bank of Mexico (Banco de México) every banking day in Mexico and published the following banking day in the Official Gazette of the Federation (Diario Oficial de la Federación). As a result of such currency conversion, you could face a shortfall in U.S. dollars. No separate actions exist or are enforceable in Mexico for compensation for any such shortfall.

If we were to be declared bankrupt, holders of our senior notes due 2014 may find it difficult to collect payment on the notes.

Under the Mexican Bankruptcy Law (Ley de Concursos Mercantiles), if we or any of the guarantors of our senior notes due 2014 were declared bankrupt (en quiebra) by a Mexican Court, or were to become subject to reorganization proceeding (concurso mercantil), our obligations under the notes and the applicable guarantor's obligations under the guarantee of the senior notes due 2014: (i) would be converted into pesos at the exchange rate published by the Central Bank of Mexico prevailing at the time of the declaration of reorganization proceeding and then from pesos into Unidades de Inversión, or UDIs, inflation indexed units and would not be adjusted to take into account any devaluation of the peso relative to the U.S. dollar occurring after such conversion, (ii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, (iii) would be satisfied at the time claims of all of our creditors are satisfied after the relevant proceedings have been substantially advanced, (iv) would cease to accrue interest from the date a reorganization proceeding or bankruptcy is declared and, (v) would be subject to certain statutory preferences including tax, social security and labor claims and claims of secured creditors.

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

In recent years, Mexico has experienced higher levels of inflation relative to the United States, its main commercial partner. Mexico's annual rate of inflation was 3.8% in 2011, 4.4% in 2010, 3.6% in 2009, 6.5% in 2008 and 3.8% in 2007. For 2012 Banco de Mexico expects the annual rate of inflation to be approximately 3.0%. High inflation rates can adversely affect us as follows:

- inflation can adversely affect consumer purchasing power, thereby adversely affecting consumer demand for our services and products; and
- to the extent inflation exceeds our price increases, our prices and revenues will be adversely affected in real terms.

High interest rates in Mexico could increase our financing costs.

Mexico has, and is expected to continue to have, high real and nominal interest rates, relative to the United States, its main commercial partner. The interest rates on 28-day Mexican government treasury securities averaged, 4.2% in 2011, 4.4% in 2010, 5.4% in 2009, 7.7% in 2008 and 7.2% in 2007. Although we do not currently have any peso-denominated indebtedness, if we need to incur such indebtedness in the future, it will likely be at high interest rates.

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

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

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Investors may experience difficulties in enforcing civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States. In addition, all or a substantial portion of our assets and our directors' and officers' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws because Mexican courts may determine that the obligation for which enforcement is sought contravenes or goes beyond Mexican law (and public policy (*órden público*) thereunder).

ITEM 4. INFORMATION ON THE COMPANY

A. History and development of the Company

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

Our principal offices are located at Guillermo González Camarena No. 2000, Colonia Centro de Ciudad Santa Fe, Mexico, D.F. 01210 and our general phone number is (52) 55-5147-1111. Our website address, the contents of which are not part of, or incorporated into, this annual report, is www.maxcom.com. Our agent in the United States is Puglisi & Associates, 850 Library Avenue, Suite 204, P.O. Box 885, Newark, Delaware 19715.

In February 1997, we were awarded Mexico's first competitive wireline local and long-distance telephony concession, covering the Federal District of Mexico and over 100 cities and towns in the Gulf region for local service and the whole nation for long-distance service. This concession has a term of 30 years. The local telephony portion of our concession was expanded in September 1999 to cover most of the Greater Mexico City area and a wider area within the Gulf region. In September 2001, our concession was further expanded to allow us to provide nationwide wireline local telephony service. In October 1997, we were awarded seven nationwide point-to-point and three regional point-to-multipoint microwave concessions. Each of these concessions has a term of 20 years.

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

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

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

In accordance with a report issued by The Bank Of New York, our depositary agent for the ADRs, as of February 29, 2012, there were 3,188,333 ADSs being traded in the New York Stock Exchange ("NYSE"), under the symbol "MXT". As of that date, there were approximately 218,984,554 CPOs being traded in the Bolsa Mexicana de Valores ("BMV").

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In 2011, 2010 and 2009, we invested Ps.438.4 million (U.S.\$31.4 million), Ps.712.7 million (U.S.\$57.7 million) and Ps.910.0 million (U.S.\$69.7 million), respectively, in capital expenditures, primarily for the build out of our infrastructure. In 2012, we plan to invest approximately Ps.426.0 million (U.S.\$33.1 million) in capital expenditures, mainly to continue the build out our network. Cash flow from operating activities and proceeds from the initial public offering of our shares of Series A common stock in the form of American Depository Shares composed of Ordinary Participation Certificates were sufficient to fund working capital, planned capital spending and debt service requirements for the eighteen months following the initial public offering. We believe that cash flow from operating activities and the remainder of the proceeds from the initial public offering will be sufficient to fund currently anticipated working capital, planned capital spending and debt service requirements for 2012.

B. Business overview

Industry Overview

The Mexican telecommunications industry has been undergoing significant change since 1990 due to market liberalization as well as the introduction of new technologies and the construction of additional infrastructure, which together have resulted in increased competition and demand for telecommunications

The modernization of the Mexican telecommunications infrastructure began with the privatization of Telmex, the former government-controlled telecommunications monopoly. Since the privatization, Telmex and several concessionaires have begun deploying modern fiber and wireless networks throughout Mexico. To meet the demand for higher volume and higher quality wireline services, new copper cables and wireless networks are being installed and backbones are being replaced largely by fiber optic transmission systems that provide greater capacity at lower cost with higher quality and reliability.

Additionally, technology and service convergence is allowing bundle offers to customers and promoting alliances and synergies among concessionaires of different media and telecommunications services, manufacturers and technology developers. Last-mile connectivity capability continues to be one of the most valuable assets for telecommunication service providers in Mexico because current regulation does not permit the unbundling of the local loop, which would allow others to use this access.

Market Liberalization

Due to its previous government-owned monopoly status, Telmex has historically dominated the Mexican telecommunications industry. Following the privatization of Telmex in 1990, the Mexican government opened the wireless market by granting nine regional cellular concessions in Band "A" in order to allow additional market participants to compete with Telmex and its mobile service provider affiliate, Telcel. In connection with the privatization of Telmex, the Mexican government amended Telmex's nationwide concession and granted Telmex a six-year implied monopoly over local and long-distance telephony services. As a result, Telmex's local and long-distance service monopoly was eliminated in 1996 after the SCT, enacted several regulations and competition commenced in this market shortly thereafter.

On October 4, 2006, the Federal government enacted a new directive known as the "Convergence Regulations," (Acuerdo de Convergencia de Servicios Fijos de Telefonía Local y Televisión y/o Audio Restringidos que se Proporcionan a través de Redes Públicas Alámbricas e Inalámbricas). These regulations allow certain concessionaries of media and telecommunication services to provide other services not included in their original concessions through voluntary adherence to the regulations. Upon compliance with certain regulations, cable television providers are now allowed to provide voice and data services. Likewise, voice and data service providers, such as Maxcom and Telmex, upon compliance with certain regulations, are now allowed to provide television services. In addition, the Mexican government is allowing cable companies to act as "carriers of carriers" by providing bi-directional data, Internet broadband services and voice services, including Voice over Internet Protocol services. Additionally, these regulations have opened the opportunity for Telmex to request an amendment to its concessions to enable it to provide cable TV services. Several cable television network providers have requested that the SCT modify their concession titles to allow them to offer telephone services directly to the public. As a result, the successful implementation of our business plan may be impeded by cable operators who have substantial coverage of cities we currently serve and offer the same services we provide at lower prices since telephony income represents incremental revenue to cable operators. We face significant competition from new entrants providing telephony services, including cable television providers. Several companies without legal authorization have begun to target the Mexican telecommunications market to offer telephone services through the Internet. Moreover, although we provide paid television services in some of our service areas, we are uncertain about our ability to provide these new services profitably due to the market penetration of current competitors providing similar services in such areas. In addition, the SCT is contemplating auctioning certain licenses to operate in the 3.6-3.7 GHz and 70 GHz spectrum frequencies, which could open the market to new concessionaries and technologies, such as WiMax, and as a result, the level of competition we face may increase.

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Number portability came into effect in Mexico enabling Mexican consumers and businesses to benefit from the added choice and convenience that number portability provides, allowing subscribers to easily switch communications providers without the time, inconvenience and expense associated with changing phone numbers

Portability is currently only possible from one fixed line network to another and from one mobile network to another, but the transfer between fixed and mobile networks is still not possible.

When a consumer decides to change to a new service provider, it is the new operator that must pay any costs involved in transferring the old number to the new service. The obligation for operators to accept number portability was written into Mexico's general telecoms law in 1995; however, this obligation was enacted during 2007 with the publication of the final resolutions and the technical and operative specifications.

Local Telephony Market

In connection with the privatization of Telmex, the Mexican government granted Telmex a six-year implied monopoly over local telephony services, which was eliminated in mid-1996 when the SCT published regulations governing the licensing of local services on a competitive basis. In order to promote competition in the local telephony market, the Mexican government auctioned several concessions beginning in 1997, including the regional concession awarded to us for wireline local telephony service which was later expanded to a nationwide concession. Each wireline local telephony concession granted by the Mexican government generally has a 30-year term and can be extended at the request of the concessionaire, subject to the approval of the SCT. Each concession authorizes, among others, the provision of local telephony services and value-added services such as voice mail, call waiting, call forwarding, three-way calling and caller identification, in specified regions of the country.

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

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

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

In addition, the Mexican government does not permit the unbundling of local loop frequencies, requiring all telephone companies wishing to offer local telephone service to build their own last-mile connectivity to reach their targeted customers.

Long-Distance Telephony Market

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

Other long-distance concessionaires include, among others:

- Axtel, S.A.B. de C.V.:
- Alestra, S. de R.L. de C.V.:
- Bestel, S.A. de C.V.:

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- Iusatel, S.A. de C.V.; and
- Marcatel, S.A. de C.V.

International liberalization trends will likely continue to impact the flow of long-distance telephone traffic to and from Mexico. In particular, demand for long-distance services may be inhibited by the increasing use of Voice over Internet Protocol (VoIP).

Mobile Telephony Market

The Mexican mobile telephony market is divided into nine regions. The SCT divided the cellular telephony system in each region into the cellular A-Band and cellular B-Band. When the first spectrum licenses were offered, Telcel (a subsidiary of Telmex at that time), was allocated the cellular B-Band concession in each region. Competition was introduced into the market with one alternative operator per each cellular concession area. Today, cellular A-Band concessions are owned by Telefónica Móviles México, S.A., which we refer to as Telefónica Móviles, in cellular regions 1, 2, 3 and 4, and by Iusacell in cellular regions 5, 6, 7, 8 and 9. In 1998 and 1999, various nationwide Personal Communications Services licenses were granted, however some of the new licensees were unable to provide services, as was the case of Miditel. Others were acquired by existing players, as was the case of Pegaso Telecomunicaciones (acquired by Telefónica Móviles in 2002). Currently, the main mobile telephony carriers in Mexico include:

- Radiomóvil DIPSA, S.A. de C.V. (also known as "Telcel") with nationwide Personal Communications Services and cellular concessions;
- Grupo de Telecomunicaciones Mexicana, S.A. de C.V. (also known as "Movistar" or "Telefónica Móviles") with nationwide Personal Communications Services and regional cellular (regions 1 through 4) concessions;
- Grupo Iusacell, S.A. de C.V. (also known as "Iusacell") with regional cellular (regions 5 through 9) and nationwide Personal Communications Services concessions;
- Unefón, S.A.B. de C.V. (also known as "Unefón"), an affiliate of Grupo Iusacell, S.A.B. de C.V., with a nationwide Personal Communications Services concession; and
- Nextel de México, S.A. de C.V. (also known as "Nextel"), an affiliate of NII Holdings, Inc., through enhanced specialized mobile radio licenses.

According to Pyramid Research ("Pyramid"), a well-known industry source, in 2011 mobile telephony penetration in Mexico reached 84.4% with 93.3 million mobile subscriptions. Despite the existence of five main players in the market, Telcel holds a dominant position with 73.9% of total mobile subscribers. In 2011, total mobile revenues grew 5.7%. The majority of the growth in the Mexican market has resulted from the prepaid segment, which accounted for 97.1% of the total mobile subscriber base at the third quarter of 2011 according to COFETEL. We believe wireless tariffs in the Mexican market continue to be relatively high when compared to international standards.

Our Company

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

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We operate our own telecommunications network and support infrastructure, including the critical "last mile," or customers' premise level infrastructure, which allows us to control the quality of the user experience and adapt our service offerings to meet market demand. We believe the combination of innovative, bundled offerings, competitive pricing and dedicated customer service provides an attractive value proposition for our customers, and has allowed us to achieve significant growth from 125,231 voice lines in service as of December 31, 2002, to 339,434 as of December 31, 2011, representing a compound annual growth rate of 11.1%. We also successfully reduced our churn level from 3.0% to 2.1% during this same period.

We have a history of being the first provider in Mexico to introduce new services, including the first all-digital local switching network, the first commercial digital subscriber line broadband offering, the first Voice over Internet Protocol offering, the first "triple-play" offering (through a revenue-sharing agreement with cable television companies) of voice, data/Internet and video to residential customers, the first unbundled "quadruple-play" by adding mobile services to our "triple-play" offering through capacity leasing agreements with Telefónica Móviles and in August 2007, we launched paid TV services over our copper network using Internet Protocol, being the first Internet Protocol Television (IPTV) offering in Mexico.

We operate in selected metropolitan areas that we believe offer opportunities for growth in telecommunications use through a combination of large population, low subscriber line penetration, potential expenditure in telecom services per customer and economic growth. We currently offer residential and business services in the cities of Mexico City, Puebla, Queretaro and San Luis Potosi. We focus our development efforts on a small number of large cities where we seek to achieve strong penetration to capture operating efficiencies through a combination of network density and economies of scale. As of December 31, 2011, in areas covered by our network where we own the last mile infrastructure, we have achieved penetration levels (measured by homes passed) of 29% in the city of Puebla, 28% in Mexico City, 23% in the city of Queretaro and 24% in the city of San Luis Potosi. We believe our business model is replicable in other cities and other urban markets which have favorable demographics and economic conditions.

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

As of December 31, 2011, our network encompasses 892 route kilometers of metropolitan fiber optic cable and over 4,888 kilometers of high-quality copper loops capable of high speed data transmission. We have in service four state-of-the-art Lucent Technologies 5ESS switches located in the cities of Mexico City (two switches), Puebla and Queretaro, and two softswitches, one Alcatel A5020 located in Mexico City and one Nortel located in Monterrey. We also operate a 170-kilometer fiber optic link connecting the cities of Puebla and Mexico City and a 6,426- kilometer long haul fiber optic backbone connecting Mexico City and Laredo, Texas. We have a point-to-point concession in the 15 GHz and 23 GHz frequency bands forming a complex microwave network through the cities of Mexico City, Puebla, Queretaro, San Luis Potosi, Aguascalientes, Guadalajara, Leon, Monterrey and Toluca. We also have a point-to-multipoint concession in the 10.5GHz frequency band, covering telecommunications regions 3, 5 and 8 (North, Gulf and South East) of Mexico.

In 2011, we invested Ps.438.4 million (U.S.\$31.4 million) in capital expenditures, primarily for the build out of our infrastructure. In 2012, we plan to invest Ps.426.0 million (U.S.\$33.1 million) in capital expenditures, mainly to continue the build out our network.

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

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

Competitive Strengths

Our business is characterized by the following strengths:

Wide Range of Service Offerings. We currently offer local and long-distance wireline voice and dial-up and broadband digital subscriber line Internet access throughout our service areas, and in August 2007, we launched our multichannel Internet Protocol video service in Puebla, entirely on our own network. We offer these services individually and in bundles including a "triple-play" of voice, broadband Internet and video. We also offer an unbundled "quadruple-play," which includes mobile services, through capacity leasing agreements with Telefónica Móviles. We have a history of being the first provider in Mexico to introduce new services. In 1997, we were the first carrier to obtain competitive wireline local and long-distance telephony concessions; in 2001.

The first to offer digital subscriber line and to offer Voice over Internet Protocol over hybrid fiber coaxial networks; in 2005, the first telecommunication carrier authorized to provide "triple-play" services through a joint venture with a cable operator; in 2006, and in January 2007 we provided the "triple play" through our own network.

The first telecommunication carrier authorized to provide "quadruple-play" services by the addition of IPTV and mobile services to our residential portfolio in 2007.

History of High Penetration Rates. Our business model is based on careful geographical targeting of certain underserved segments of the residential and business population in urban markets. Our network "cluster" build outs are executed in tandem with sales and promotional efforts to sign up customers prior to or immediately after offering service in each cluster. As of December 31, 2011, in areas covered by our network where we own the last mile infrastructure, we have achieved penetration levels (measured by homes passed) of 29% in the city of Puebla, 28% in Mexico City, 23% in the city of Queretaro and 24% in the city of San Luis Potosi. These penetration levels allow us to capture operating efficiencies through a combination of network density and economies of scale. As a result of our strategy, we have sold approximately 58% of built lines in our network clusters within 180 days after the completion of the build out. We believe we can replicate our business model in other urban markets.

Cost Efficient, Flexible, Reliable Technology. We deploy our network and service our customers' needs in a cost-efficient manner. We combine optical fiber, copper lines and microwave technology which we deploy for specific customers or areas based on customer requirements, deployment cost, time to market, time to revenue and profitability potential. Our network uses fiber optic trunks and heavy gauge copper loops, most of which do not exceed 3 kilometers in length which provide us with the capability to deliver broadband data at speeds up to 20 Mbps. The flexibility of our network allows us to provide value-added services such as video without major outside plant upgrades. We believe our network approach allows us to reach a much broader customer universe than fiber-only networks and to provide voice and data services to residential and small business customers at lower cost than some competitors who only use wireless technology. We believe this permits us to service large and under-penetrated socioeconomic segments of the population in a profitable manner.

Valuable Last-Mile Ownership. Current Mexican telecommunications regulations do not require the wireline incumbent to provide other telecom carriers with access to its unbundled local loops. This has presented a significant barrier to the entry of telecommunications service providers. We built our own last-mile infrastructure and own in excess of 4,869 kilometers of broadband capable copper wire that passes by approximately 1,024,248 homes. We are not dependent on other telecommunications carriers for last-mile connectivity to reach our customers. Our broadband-capable last-mile infrastructure provides flexibility to offer additional value-added services and we expect will enable our product offerings to evolve with future market shifts and technology trends.

Recognized Brand Name and Customer Perception for Quality Services. Because we control the entire process of network provisioning, service initiation and service quality, we are able to ensure the quality of our service and maintain customer loyalty. We believe Maxcom has been able to achieve superior customer satisfaction. We constantly monitor our customer satisfaction levels through surveys and utilize this information to enhance the quality of our services and the experience for our customers.

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History of Developing Strategic Alliances. We have a track record of developing strategic alliances through revenue sharing agreements, capacity leasing, resale arrangements and business relationships with mobile wireless operators, technology suppliers and real estate developers that allow us to expand our product offerings, ensure compatible network technologies and gain access to new customers. We also provide unbundled wireless services as part of the "quadrupleplay" through our capacity leasing agreements with mobile operator Telefónica Móviles. In addition, we pre-install communications services for new residential developments by joining forces with real estate developers. Through our technology agreements with Alcatel-Lucent, we have access to reliable technology that is compatible with our systems and equipment while assuring consistent, cost efficient and high quality service.

Strategy

Our growth strategy includes the following components:

Increase Penetration of Niche Markets with Unmet Demand for Telecommunication Services. We intend to continue to focus on residential customers and small- and medium-sized business customers in selected metropolitan areas that offer telecommunications growth potential due to a combination of a large population, low subscriber penetration and economic growth. Mexico's wireline telephony, broadband and Internet access and pay television penetration rates are all low by international standards and we believe there is unmet demand for these services, especially among the lower and middle-low income socioeconomic classes. According to "Asociacion Mexicana de Agencias de Investigación (AMAI) the lower and middle-low income socioeconomic classes represents approximately 61% of Mexico's households in 2010, additionally according to Pyramid Research our penetration rate was 52% in telephony, 44% in pay television and 37% in Internet access in 2011.

Seize Wireline Opportunity Created by Highly Priced Wireless Offering. Mobile wireless penetration in Mexico is approximately 85.2%, nearly triple the penetration rate of wireline telephony, according to the COFETEL. Based on an average call duration of five minutes, current per-minute pricing of prepaid wireless services used by 97.1% of Mexican mobile users according to the COFETEL is over ten times that of wireline. While wireless service has served as the introduction of many Mexicans to the telecommunications network, we believe the high per-minute price of wireless services combined with the sociodemographic characteristics of Mexico, including an average of 3.9 family members per household, have generated significant untapped demand in Mexican households and businesses for a wired offering at lower prices. We intend to capitalize on this trend by continuing to offer high quality and integrated fixed-line services at competitive prices.

We also focus on small- and medium-sized business customers which contributed in 45% of the GDP and generated 56% of the total employees in the country in 2010 according to Select. This group increasingly requires reliable integrated voice, data and managed services which Maxcom can provide with tailor-made solutions to meet their specific needs

Expand Our Network on a Disciplined Demand-Driven, Modular Basis. As part of our growth strategy, we intend to continue building our network on a carefully targeted, modular basis with a rigorous focus on return on investment. We expand our networks in each city based on identified customer demand in specific local areas, which we refer as "clusters." We execute network build out in tandem with sales and promotional efforts targeted at customers in the cluster. We also construct our network on a customer demand basis to support small- and medium sized business customers in buildings or locations other than clusters. We refer to these locations as "single sites." The clusters, single sites and potential build outs we identify compete internally for capital expenditure funds based on expected profitability and return on investment. In all cases, we will continue to invest network capital only when our rigorous planning process shows attractive expected returns.

Enhance Residential Penetration Rates and Average Revenue per User through Bundling. In August 2007, we launched Mexico's first multichannel Internet Protocol Television service over our own network in Puebla. Our service uses broadband internet access with ADSL technology to provide digital television allowing our customers to select from over video 125 channels of content with instantaneous channel changes, interactive programming guide, video on demand content and digital video recording option for premium customers.

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

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

Overview of Our Services

Since our inception, our primary focus has been to provide affordable, high quality telecommunications services to residential customers and small- and medium-sized businesses. We offer long-distance service as a bundled service for our local telephony customers. We do not offer our long-distance service separately from our local telephony service. Since 2005, we have offered Internet Protocol Telephony to both the residential and business markets. We also provide digital high speed, dial up and dedicated Internet access as well as leased lines and virtual private networks. We provide telecommunications services to the lowest socio-economic levels through our public telephony service using coin-operated equipment.

Additionally, we provide value-added services including voice mail, speed dialing, call waiting, call forwarding, three-way calling, call blocking, caller identification and multi-line hunting. We also offer e-security and information technology (or "IT") equipment support and maintenance to small- and mediumsized businesses.

In August 2007, we launched multichannel television services through an Internet Protocol Television solution in the city of Puebla. We were the first to offer these services for the residential market and now compete directly with cable television companies. Also, in September 2007, we became the first Mobile Virtual Network Operator in Mexico. A Mobile Virtual Network Operator (or "MVNO") provides mobile services to its customers but does not have an allocation of spectrum. We currently offer these mobile services through capacity leasing arrangements with Telefónica Móviles. With this service, we expanded our product offerings and we became the first company to offer "quadruple play" in Mexico.

Our Products

In addition to our innovative reliable product offering and high quality customer service, our value proposition incorporates pricing that is typically at a modest discount to the levels charged by Telmex and other competitors for comparable services. The following are the service products we currently offer to our

For the residential market we have the following products:

- LineaMax Residencial. This service provides a high-quality wireline telephone line with value-added features available, including voice mail, call waiting, call forwarding, three-way calling, call blocking, speed dialing and unlisted numbers.
- Larga Distancia Max. This product provides domestic and international long-distance services to those of our local telephony customers who require long-distance service. Approximately 97% of our local telephony customers also subscribe to Larga Distancia Max. We do not offer our long-distance service separately from our local telephony service.
- CentralMax. This service provides customers in residential developments with all of the functions of a private branch exchange using centrex technology (central functionality for simulating a private branch exchange), without having to acquire and maintain equipment. It allows customers to communicate with the common areas of the development with four-digit internal calling. The features offered under this product include call waiting, call forwarding, three-way calling, direct inward dialing, direct outward dialing, intercom dialing, call transfer, speed dialing, call hold, call pick up, outgoing call blocking and distinctive ringing.
- I-line. This is our Voice over Internet Protocol service, which uses an analog-to-digital telephone adapter to allow any conventional telephone to access the telephone network through any broadband connection around the world.
- Internet Max. This service uses a traditional telephone line and modem to provide dial-up Internet access at speeds of up to 56 Kbps. We provide this service to customers, regardless of whether they have a Maxcom telephone line.
- SpeediMax (ADSL). This is our broadband Internet access service with speeds of 128, 256, 512 Kbps, 1Mbps, 2 Mbps, 4Mbps and 8Mbps using Asymmetric Digital Subscriber Line (ADSL) transmission technology over ordinary telephone lines.

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- AsistelMax. This service provides basic telephone medical and home assistance to our residential customers in case of emergency.
- Pay TV services. This service provides digital television content to our residential customers over our copper network using Internet Protocol including value added features such as Video On Demand (VOD), Digital Video Recording (DVR) and interactive programming guide (EPG).
- MaxcomCel: This is our residential mobile communication service, which is provided through a cellular network. This postpaid service is only available for our existing customers.

For the small- and medium-sized businesses our product portfolio includes:

- LineaMax Comercial. This service is identical to LineaMax Residencial, except that it also includes multi-line hunting.
- CentralMax. This service provides business customers with all of the functions of a private branch exchange using centrex technology, without having to acquire and maintain equipment. The features offered under this product include four-digit internal calling, call waiting, call forwarding, three-way calling, direct inward dialing, direct outward dialing, intercom dialing, call transfer, speed dialing, call hold, call pick up, outgoing call blocking, single digit access to attendant and distinctive ringing. Optional solutions include voice mail, music-on-hold, multi-line hunting and operator services.
- *TroncalMax Digital*. This service provides digital trunks for business customers that need highly reliable access to and from the public telephone network through their existing Private Branch Exchange. This service is sold in groups of 10, 20 or 30 trunks. The groups can be configured with direct inward dial, direct outward dial, caller identification or main telephone number assignments.
- *TroncalMax Analógica*. This service provides business customers with connectivity to their analog private branch exchange or key systems. The features available with this product are multi-line hunting, caller identification and call barring.
- *TroncalSip.* This service provides sip trunks (Session Internet Protocol) for business customers that need highly reliable access to and from the public telephone network through their existing IP Private Branch Exchange. This service can be delivered through a Maxcom Internet Dedicated Access or a third party provider.
- Hosted Contact Center. This service provides virtual agents infrastructure through a Maxcom outsourcing model to deliver software licenses and troncalsip sessions to customers that needs extra call agents. This services is oriented to call center that needs virtual infrastructure with no investment an gives them flexibility and scalability to grow their campaigns on demand.
- Hosted Private Branch Exchange. This service provides our business customers with all of the functions of an Internet Protocol Private Branch Exchange using Voice over Internet Protocol technology, without having to acquire and maintain expensive equipment. The features offered under this service include those of CentralMax as well as other Internet Protocol enhanced services such as web portal setup, "click to dial," hosted directory and Microsoft Outlook integration.
- *I-line*. This is our Voice over Internet Protocol service, which uses an analog-to-digital telephone adapter to allow any conventional telephone to access the telephone network through a customer's broadband connection. We market this service to customers who make and receive a significant volume of international and domestic long-distance calls. This service includes additional voice features such as call waiting, caller identification and voice mail.
- *MaxcomCel:* This is our business mobile communication service. Which is provided through a cellular network. This postpaid service is only available for our existing customers.
- 1-800 Numbers. This service is available to our customers interested in receiving toll-free calls into their call centers or businesses for domestic and international toll free services.
- SpeediMax. This is our broadband Internet access service for small businesses with speeds of 128, 256 and 512 Kbps and also 1Mbps, 2Mbps, 4Mbps and 8Mbps using Asymmetric Digital Subscriber Line transmission technology over ordinary telephone lines. An Asymmetric Digital Subscriber Line provides a secure, dedicated link to the Internet or a company's internal data network.

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- Dedicated Internet Access. This service offers Internet access at high speed within a clear channel access to the Internet backbone.
- Digital private lines. This service provides highly reliable dedicated circuits between two or more physical locations.
- *E-Security*. This service provides managed security including perimetral anti-virus, content filter and spyware solutions. Maxcom supplies all of the software and hardware equipment as an integrated solution for our customers.
- SOSMax. This service provides preventive and corrective maintenance to our customers' IT equipment.
- Audio Conference. This service provides our business customers with operator-assisted and non-attendant teleconferencing services, with value-added features including recording of the conference, sound options, warning entry, password and e-mail notification.

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

Pricing

We generally seek to maintain very competitive prices. We offer pricing plans that are simple in order to assure customers of the integrity of the billing process. We also provide discounts to high-usage customers that are likely to generate a significant outflow of calls. Our residential pricing offerings range from a low monthly rent option with some calls included to an all-inclusive option including unlimited local calls, long-distance and mobile minutes, broadband Internet access and customers' premises equipment for a fixed monthly fee. For our business customers, our pricing offerings range from a per-minute charge to unlimited local usage. We pay interconnection charges to other carriers on a per-minute basis. However, the common practice in the Mexican retail market is to charge customers on a per-call basis for local service. We seek to minimize the risk associated with this mismatch between our revenues and costs and therefore, in some cases, have implemented a per-minute charge plan for long holding time customers to be consistent with our interconnection fees that are on a per-minute basis.

Income Distribution

The Company's management uses information such as revenue by segment to evaluate performance, make general operating decisions and allocate resources. No intersegment revenues are applicable for the periods presented herein:

	Year Ended December 31								
Segments*		2010			2009				
			(In	millions)					
Residential	Ps.	994.7	Ps.	1,040.0	Ps.	928.7			
Business		607.0		692.7		788.0			
Public Telephony		232.8		378.4		460.7			
Wholesale		526.9		452.9		372.2			
Other Revenue		14.6		13.4		12.9			
Total Revenues	Ps.	2,375.9	Ps.	2,577.4	Ps.	2,562.5			

^{*} The above segments are comprised of homogeneous customers.

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The distribution by geographical location of revenue for the years ended December 31, 2011, 2010 and 2009 is as follows:

2011

Services	Metropolitar Area			Central South	North			Total
				(In m	illions)			
Local	Ps.	1,278.1	Ps.	651.9	Ps.	34.6	Ps.	1,964.5
Long Distance		208.4		139.0		24.1		371.5
Rent of dedicated links		0.2		_		<u> </u>		0.2
Sale of equipment to customers		2.5		1.6		_		4.0
Capacity Leasing		35.7		_		_		35.7
Total Revenues	Ps.	1,524.8	Ps.	792.4	Ps.	58.7	Ps.	2,375.9

2010

Services	M	Metropolitan Area			North			Total
				(In m	illions)			
Local	Ps.	1,467.8	Ps.	596.5	Ps.	100.5	Ps.	2,164.8
Long Distance		237.3		123.5		3.3		364.2
Rent of dedicated links		0.3		_		_		0.3
Sale of equipment to customers		4.0		0.3		_		4.3
Capacity Leasing		43.9		_		_		43.9
Total Revenues	Ps.	1,753.3	Ps.	720.3	Ps.	103.8	Ps.	2,577.4

2009

Services		ropolitan Area	Central South		North			Total
				(In mi	llions)			
Local	Ps.	1,448.8	Ps.	634.2	Ps.	75.5	Ps.	2,158.6
Long Distance		256.9		63.9		3.9		324.8
Rent of dedicated links		0.4		_		_		0.4
Sale of equipment to customers		2.2		1.4		_		3.7
Capacity Leasing		75.2		_		_		75.2
Total Revenues	Ps.	1,783.5	Ps.	699.6	Ps.	79.4	Ps.	2,562.6

Our Markets

On December 20, 1996, we were awarded Mexico's first competitive local and long-distance telephony concession, covering the Federal District of Mexico and over 100 cities and towns in the Gulf region for local service and nationwide for long-distance service. In September 1999, we received the approval of the SCT and the COFETEL to provide local telephony services in several municipalities contiguous to the Federal District, which are part of Mexico City, as well as in selected additional cities in the Gulf region. In September 2001, our local service concession was further expanded to cover all of Mexico.

We commenced commercial operations in Mexico City in May 1999. Mexico City has the nation's greatest concentration of service and manufacturing industries, is the center of Mexico's public and financial services sectors and has a population of approximately 20.6 million people. Although the Federal District, which covers most of the metropolitan area, has the highest teledensity rate in Mexico of approximately 46.1 telephone lines per 100 inhabitants as of December 2011, we believe that significant unmet demand for high-quality local telephony services in Mexico City remains. We had 179,920 lines in service in Mexico City, representing 4.4% of all lines in service in the city according to our internal data, compared to 182,237 lines in service as of December 31, 2010.

We also commenced commercial operations in the city of Puebla in May 1999. Puebla is the fourth largest city in Mexico, with a population of approximately 2.3 million people. In the state of Puebla we have expanded our market share in local telephony service from 2.5% in 2000 to 8.3% of all lines in service in the state of Puebla as of December 31, 2011 according to our internal data. As of December 31, 2011, we had 75,408 lines in service, compared to 85,858 lines in service as of December 31, 2010.

We commenced commercial operations in the city of Queretaro in November 2002. The city of Queretaro has a population of approximately 1 million people. As of December 31, 2011, we had 20,652 lines in service, representing 6.2% of all lines in service in the state of Queretaro compared to 20,924 lines in service as of December 31, 2010, according to our internal data.

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We also commercial operations in the city of San Luis Potosi in May 2008, with a "quadruple-play" strategy. The city of San Luis Potosi has a population of approximately 1.1 million people. As of December 31, 2011 we had 19,572 lines in service, representing 6% of all lines in service in the state of

San Luis Potosi, compared to 18,913 lines in service as of December 31, 2010 according to our internal data.

Clusters and Single Sites

We have developed a comprehensive marketing strategy that starts by identifying a number of under-penetrated city areas with the largest potential for new lines, which we refer to as "clusters." We use a variety of techniques to identify potential clusters, including canvassing, plotting of potential clusters and database marketing. Once a cluster is identified, a map of the geographic area is produced and the cluster is defined. The cluster becomes the basis for network design and deployment. During the network construction phase, we also launch in tandem a targeted field sales and door-to-door marketing effort.

Our cluster strategy is divided into three stages:

- Identify clusters through market research. Our market research is designed to identify residential customers and small- and medium-sized businesses. Once we identify potential customers within the clusters, based on the marketing sales forecast we design the deployment of the access network to cover them. We perform a return on investment and profitability analysis for each cluster to assure that the investment made in such cluster meets our return benchmarks.
- Deploy clusters through the implementation of a sales plan for each cluster based on our network deployment schedule. We commence promoting our services at the same time we build our network. These coordinated and parallel efforts help reduce the time between network deployment and revenue generation.
- Fill in clusters by offering our services to all customers within the cluster. Marketing efforts are focused on achieving the highest penetration within our

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

Our Network

Build out Strategy

We build our network on a modular basis. In each city where we operate, we initially install a digital switch and obtain a metropolitan fiber optic network backbone which form the core of the network in that city. Our outside plant development is then executed in a modular and scalable fashion based on individual network clusters that target specifically identified areas of the city that include residential areas we deem attractive as well as areas with concentrations of small-and medium-sized businesses. Once a cluster has been identified by our marketing, engineering and sales departments, we build our network in clusters varying from 1,500 to 6,000 lines. This strategy allows us to match capital expenditure to customer opportunity and to concentrate our sales efforts in a timely fashion to match the in-service dates of new clusters.

We sell 58% of all lines built in a new cluster within 180 days after the completion of the build out. To ensure quality service to our customer, we install 24-gauge copper wire and limit the distance between our backbone network and the customer premises to three kilometers. These attributes also allow us to provide to our customers voice (including Voice over Internet Protocol services) and data services, such as xDSL services with bandwidth of up to 20 Mbps.

We have standardized our network design using Alcatel-Lucent, Advanced Fiber Communications equipment and Huawei equipment (including digital subscriber line access equipment and Video over Internet Protocol technology). We believe this equipment suite represents best-of-breed technologies that integrate well to assure consistent, cost efficient, high quality service. By standardizing the equipment throughout our networks and using a small number of suppliers who provide industry-leading vendor support and technology innovation, we increase our purchasing effectiveness and minimize our cost of network capital expenditures.

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Network Backbone

We own and operate 6,426 route-kilometers of long-haul fiber connecting 23 of Mexico's largest cities and Laredo, Texas. We have a 24-strand fiber optic link between the cities of Mexico City and Puebla and two strands of fiber throughout the rest of this network. The cities this network accesses include Nuevo Laredo, Monterrey, Saltillo, San Luis Potosi, Aguascalientes, Leon, Irapuato, Guadalajara, Celaya, Queretaro, Mexico City, Toluca, Tehuacan, Cordoba, Orizaba, Jalapa, Poza Rica, Tampico, Cd. Victoria, Matamoros, Reynosa and Matehuala. We have installed dense wavelength division multiplexing with a maximum growth capacity of up to 32 wavelengths, each with 2.5 and 10 Gbps capacity. We have installed three dense wavelength division multiplexing systems to date.

We own and operate four Lucent Technologies 5ESS digital switches in the cities of Mexico City, Puebla and Queretaro with a total capacity of 283,611 trunks. Our two softswitches, the Alcatel A5020 and the Nortel CS2K provide class 4 and class 5 Voice over Internet Protocol and Session Initiation Protocol Trunking or SIP Trunking services to the residential and commercial markets. We switch our Toluca telephone traffic using our Mexico City switch. All of our switches are connected to the public switched telephone network through multiple dedicated fiber connections.

We have a lit 144-strand, 59-kilometer fiber optic ring in the city of Puebla. We also have indefeasible rights of use for 299 route-kilometers of metropolitan fiber in the Mexico City area. We recently installed coarse wavelength division multiplexing equipment in our Mexico City metro fiber network, providing a maximum growth capacity of 8 wavelengths, each with up to 2.5 Gbps capacity. We have eight Lambdas already installed and we will install more Lambdas as needed to meet our customers' requirements. In addition, we have the infrastructure in place to provide local telephony service to three towns — San Martin Texmelucan, Huejotzingo and Rio Frio —located along our Mexico City-city of Puebla fiber optic link.

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

Last-mile Connectivity

The last-mile connectivity portion of our network is comprised of a mix of wireline and wireless access technologies. We use copper feeder wire and distribution facilities to connect the majority of our end users to our fiber network and switches. Our copper feeder wire is installed with a mix of aerial and underground construction. Aerial is our preferred and most used method because of its lower cost and faster speed of deployment. For aerial deployment, we typically use electricity poles we lease from the *Comisión Federal de Electricidad* or CFE. We integrate fiber optic and Digital Subscriber Line Access Multiplexer facilities in the distribution plant to allow us to provide broadband services. Our copper feeder wire is designed to provide copper twisted pair loop lengths of no more than three kilometers. With these loop lengths and our use of broadband-capable copper wire, we are capable of achieving up to 20 Mbps downstream data transmission speed to customers on our copper network using our currently installed Asymmetric Digital Subscriber Line technology.

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

We have four Lucent Technologies 5ESS digital switches in the cities of Mexico City, Puebla and Queretaro. Our two switches in Mexico City are equipped for 184,047 trunks, our switch in the city of Puebla is equipped for 54,684 trunks and our switch in the city of Queretaro is equipped for 44,880 trunks. Each trunk can generally support between one and three access lines, depending on whether it serves a residential or a business customer. Our equipment capacity is scaleable at incremental costs according to customer demand. These switches are capable of providing analog lines, E1 digital lines, digital high-speed data services, centrex services and operator-assisted services. In addition, they can provide private analog lines, private clear-channel digital lines, data transmission and value-added services.

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We also have two next generation softswitches (one Alcatel-Lucent A5020and one Nortel CS2K) which provide Voice over Internet Protocol and Session Initiation Protocol Trunking or SIP Trunking services to the residential market. Our platform is fully Internet Protocol integrated with additional services including class 5 services like voice mail, call waiting and Internet Protocol centrex features such as hunting group, call transfer and 3-way conference call. Our Voice over Internet Protocol services includes Session Initiation Protocol Trunking or SIP trunking to offer Internet Protocol connectivity to Internet Protocol Private Branch Exchange into the commercial market. The A5020 Softswitch has a capacity to manage 25,000 Voice over Internet Protocol endpoints and is interconnected to the public switched telecommunications network using SS7 signaling. The CS2K Nortel Softswitch located in Monterrey has the following interconnection capacity: Class 5 functionalities for 22,000 Session Initiation Protocol trunks/lines, 488 ETSI CC S7 E1s, 63 ANSI C7 T1s, 32 R2M E1s and 32 PRI E1s.

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

Operational support systems

We have a network operations and control center in Mexico City which oversees, administers and provides technical support to all service areas. Our center, which uses Hewlett Packard, Sun Microsystems hardware and Lucent Technologies software controls and monitors, among other systems, all of our network, microwave, fiber, access equipment, data equipment, synchrony, signaling and energy systems. Our center allows us to manage a multi-vendor network with the greatest efficiency possible and to identify problems early in order to utilize available redundancy and repair the damaged part of the network.

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

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

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

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

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The data center groups all information technology infrastructures (hardware and software) to support the current and future business processes that our organization demands. The data center contains solutions from leading companies in the IT industry, including Hewlett Packard, Sun Microsystems, IBM, Microsoft, Oracle, Alcatel-Lucent, Cisco and McAfee. We have a Hitachi mass storage solution whose architecture offers fiber optic technology, redundancy and high availability to support storage requirements for all operational support systems. For all IT elements, we use a backup solution by Hewlett Packard, which lets us generate a security copy to support recovery activities. The data center operates under a controlled condition which includes regulated energy, cooling, illumination and fire prevention systems. We collect, format and process call records using a mediation system provided by Byte Vendor. Provisioning is managed using the ASAP System from Oracle. The customer account and its associated products are managed in a telecommunication business system or TBS by Oracle, which handles order management and service provisioning, workflow management, network inventory and design management and trouble ticketing.

We use a billing system that is highly flexible and equipped to bill all commercial products that Maxcom offers, both to residential and business customers. It is also fully capable of bundled billing for multiple service bundles, including "double-play", "triple-play" and "quadruple-play" for mobile postpay subscribers. However, for mobile prepay subscribers we plan to implement a new application.

Furthermore, we've planned the development and transition of a new billing system in 2010, which will be generated internally in Maxcom, in 2011 started the migration activities of MBS (Maxcom Billing System), seeking with this system more flexibility for innovation in the commercial offer.

That system seeks to have the same flexibility and integration for invoicing all Maxcom products offered for residential and business customers, adding features that will increase the effectiveness of the billing process.

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

Our administrative processes system, or Enterprise Resource Planning, is Software Application Process. Some of the processes that are handled in this system include general ledger, accounts payable, purchasing and warehouse.

Strategic Alliances

Alcatel Internet Protocol Television Supply Agreement

On December 15, 2006, we entered into a supply and installation agreement with Alcatel Bell, N.V. and Alcatel México, S.A. de C.V. for the supply and installation of the video over digital subscriber line systems or Internet Protocol Television systems. Pursuant to this agreement, Alcatel completed installation of Internet Protocol Television systems using the Microsoft TV platform on June 1, 2007. This system allows us to provide IPTV to our customers including video on demand capabilities. The total price for the supply and installation of the IPTV system was U.S.\$10.5 million.

Marketing and Sales

General

We seek to develop brand name recognition by using our corporate name, logo and product names to portray a unified image. We conduct sales efforts within target clusters to residential customers and small- and medium-sized businesses. We seek to differentiate ourselves from our competitors by our pricing, consistent quality and reliability of first-to-market technology, one-stop shopping, comprehensive billing and speed of line activation. As a result, we believe we have positioned Maxcom as an excellent quality service provider as a result of a sustained growth of our customer satisfaction level on year by year comparisons.

Sales and Distribution Channels

We focus our sales efforts within clusters using door-to-door sales and telemarketing promotions. We promote our services primarily through advertisements on radio, billboards, in-building promotions, press and magazines. As we commence the deployment of our network within a cluster, we intensify our promotion efforts through our direct sales force in such cluster.

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Our direct sales continue in the same approach that consists of assigning sales representatives or teams to locations within a cluster or to single sites. We had 706 sales representatives as of December 31, 2011, compared to 633 sales representatives as of December 31, 2010. We assign our sales force based on territory, product or market segment, depending on their background and experience. The compensation structure for our sales force is tailored to attract and retain high achievers by providing a base salary and a bonus component. Sales commissions are paid only after the new line is installed.

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

In addition to our sales force, we have developed other distribution channels, including store fronts, agents, distributors, outsourcing and telemarketing. In order to promote our Internet Protocol services with distribution channels, we provide all the necessary support in advertising and promotion tools to our distributors.

Customer Service

We seek to differentiate ourselves by providing superior and consistent customer service. Our customer service group is divided into three areas:

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

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

Customer Care Center (CAC for its initials in Spanish), we have 14 CAC's. Each one of these CAC consists of an average of 4 customer care executives and 2 cashiers. They are located as follows: four walk-in centers in Mexico City, five in the city of Puebla, one in the city of Tehuacan, two in the city of Queretaro and two in the city of San Luis Potosi for prospective and existing customers who wish to make inquires in person regarding our services.

Casas Maxcom (CM for its initials in Spanish), we have 29 CM. This is a reduced CAC concept, as there in only one customer service executive attending the Center and one salesperson. The idea behind these Casas Maxcom is to integrate Maxcom as part of the community by establishing small home-type offices, increase our brand penetration and offer additional payment locations to our customers. They are located as follows: ten in Mexico City, seven in the city of Puebla, three in the city of Tehuacan, four in the city of Queretaro and five in the city of San Luis Potosi for prospective and existing customers who wish to make inquiries in person regarding our services.

The hours of operation of both Customer Care Centers and Casas Maxcom in Mexico City are from 9:00 am to 5:30 pm on Mondays through Fridays and from 9:30 am to 3:00 pm on Saturdays. In the rest of the cities the hours of operation are from 9:00 am to 6:00 pm on Mondays through Fridays and from 9:30 am to 3:00 pm on Saturdays.

Centralized Trouble-Shooting Center. This call center, located in Mexico City, responds to calls in the cities of Mexico City, Puebla, Queretaro Tehuacan and San Luis Potosi. This center is available 24 hours a day, seven days a week and handles technical problems and inquiries.

Centralized Customer Retention Center (Telecare), this call center, located in Mexico City, receives calls transferred from any of the other call centers or even Walk-In Centers. Its role is to enforce customer retention programs both reactively (for calls received) and proactively. The proactive effort is based on Customer Life Cycle and a specific Customer Loyalty program designed to increase customer satisfaction, customer loyalty, and reduce churn. This center is available from Monday through Friday from 8:00 am to 8:00 pm, and Saturday from 9 am to 2:00 pm.

Corporate Customer Care group, we have a specialized group of Customer Service executives whose mission is to maintain high satisfaction levels in selected corporate customers. The group consists of 11 persons in Mexico City and 1 person in Puebla.

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

Credit, Billing and Collection

We perform credit checks using a leading Mexican credit bureau on all of our potential business customers. Depending on the result of the credit check, we may request financial statements in order to analyze if a deposit, promissory note, third-party guarantee or standby letter of credit is necessary. For business customers with an imperfect credit history we require two months deposit, which is calculated based on the estimated average billing. For call centers and other high-usage customers we may require higher deposits, collect on a prepaid or weekly basis and undertake a closer monitoring of call activity.

We do not perform credit checks on residential customers who have never had service with Maxcom, which accounts for approximately 70% of our residential customers. Instead, our sales representatives are required to verify the identity and address of such residential customers. We do perform credit checks on customers or addresses that have had service with Maxcom and have an imperfect or poor credit history (such customers represent about 30% of the residential

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

For residential and commercial customers with one to six lines, if a bill is past-due for more than two days, we leave a reminder message on their phone. If the bill remains unpaid for five additional days, we restrict service allowing incoming calls only. If the bill remains unpaid for seven additional days, we suspend the service. If the bill remains unpaid for another seven days, we again allow incoming calls but only for Maxcom client retention specialists to contact the customer through the telephone line negotiate and collect the payment. After an account is 30 days past-due, we continue with the calling collection efforts and in the event that the customer rejects our calls, we schedule a visit. If no payment is received after 90 days, we disconnect the line and the receivables are assigned to collection agencies. If the bill remains unpaid, we may assign the receivables to another collection or legal agency. If a customer pays off their debt after disconnect, we reconnect the line.

For our customers with 12 months of billing history, we have developed more flexible terms and we restrict and suspend their service if their accounts are unpaid 15 days later than for our newer customers. For customers with more than six lines, we use the same process described above, except that we use a personalized approach where we try to negotiate payment terms before imposing any restriction, suspension or disconnection of the service. We may suspend service when an invoice is at least 30 days past due. However, in the case of high-usage customers, we may suspend service when an invoice is at least one day past due.

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

Competition

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

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

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

In 2006, however, we began to compete directly in the wholesale long distance market in certain cities where we have our fiber optic network.

Telmex

Our main local telephony competitor is Telmex, the incumbent carrier and former government-owned telecommunications monopoly. Telmex has significantly greater financial and other resources than those available to us. In addition, Telmex has an established customer base, which represents approximately 76.7% of the wireline local telephone lines in service in Mexico. Telmex customers still represent the main destination of outgoing calls from our network; therefore local interconnection with Telmex is critical to our operations. In 2006, Telmex made a strong investment in its data services, resulting in a 78.1% market share of broadband access according to the 7.9 million subscribers published in their 3Q-2011 financial results and according to Cofetel's latest published data of total broadband accounts in 2011.

Other Competitors

We also face competition in local telephony from companies that were awarded concessions since the opening of the Mexican wireline telecommunications market in 1997. The more significant of these competitors are Axtel, Alestra, Megacable and Marcatel.

Axtel, in which Telinor Telefonía, S. de R.L. de C.V., AIG-GE Capital Latin America Infrastructure Fund, L.P. and The Blackstone Group are shareholders, was awarded a nationwide local telephony and long-distance concession in June 1996, wireless frequencies of 60 MHz at 10.5 GHz for point-to-multipoint access, 112 MHz at 15 GHz for point-to-point backhaul access, 100 MHz at 23 GHz for point-to-point last-mile access and 50 MHz at 3.4 GHz for fixed wireless access. Axtel commenced commercial services in the northern city of Monterrey in July 1999, in Mexico City in May 2000 and in Guadalajara, Puebla, Toluca and Leon during 2001. It currently services 27 cities, 10 of which were added during 2007. Axtel targets the high-end residential and the small- and medium-sized business segments. Axtel strategy includes packages with unlimited local calls at a fixed rate.

In June 2006, Axtel acquired Avantel. The transaction combines Axtel's hybrid wireline and fixed-wireless local access network and 683 kilometers of metropolitan fiber optic rings with Avantel's 7,700 kilometers of long haul fiber optic network and 300 kilometers of metropolitan fiber optic ring. The transaction increased Axtel's capability to provide advanced voice and data solutions such as Internet Protocol-based Virtual Private Networks hosting and security to medium, large, corporate and government clients. This agreement created the second largest fixed-line telecommunications company in Mexico. Axtel now offers nationwide long distance services and local services in several cities, including Mexico City, Monterrey, Guadalajara, Cd. Juarez, Chihuahua, Aguascalientes, Leon, Puebla, Cancun, Toluca, Queretaro, Cuernavaca, Merida, Veracruz, Hermosillo, Saltillo, Torreon, San Luis Potosi, Acapulco, Reynosa, Pachuca and Morelia.

Alestra, in which AT&T Corp. is a shareholder, was awarded a long-distance service concession in December 1995 and a local telephony concession in June 2000. In addition, Alestra has a point-to-point microwave concession in the 15 GHz and 23 GHz frequency bands, a point-to-multipoint microwave concession in the 10.5 GHz frequency band and a point-to-point national wireless telecommunications concession in the 7 GHz frequency band. Alestra offers nationwide longdistance service and local service in numerous cities, including Mexico City, Puebla and Toluca.

Alestra and Axtel are using their local telephony concessions to service primarily the corporate business segment. We believe they have recently started targeting the small- and medium-sized business and residential segments, supported by their alliances with mass-market oriented Internet service providers with which they have partnered to provide Voice over Internet Protocol service through broadband access (Netvoice with Axtel and Masternet Services with Alestra).

Dish started operations at the end of 2008, attempting to serve lower income consumers where TV offerings were very limited at the moment. Their strategy was based on price and a selected content offering (this content does not include Televisa).

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At the end of the first quarter of 2009, Dish was already offering services in 9 cities such as Puebla, Queretaro, Monterrey, Guadalajara, Leon, San Luis Potosi, Cuernavaca, Tlaxcala, Toluca and in the second quarter Mexico City was launched. As a reaction, Megacable, Cablevision and Cablemas joined forces to offer a new TV, Data and Voice package under one brand named "YOO". As of May 12, 2009, this alliance is focused on pricing as well as to serve the same socio economical level as Dish's offering. YOO is currently offered in 103 cities including the main cities in the country such as: Mexico City, Guadalajara, San Luis Potosi, Puebla, Monterrey, Queretaro, etc.

Finally, Sky an incumbent DTH pay TV company launched their own new service with a low price strategy to compete in this same segment with Dish and the other Cable TV companies. This new brand called "VETV" has a limited channel offering that includes Televisa content as a differentiator against Dish.

At the end of 2010 appear on the market new products aimed at SMEs and heavy users of data services, as Axtel and Iusacell offers up to 100 MB of navigation. It is possible to provide telecommunications services through fiber optics in areas of high and medium added value, where it is common to find offices or even corporate, the products are referred "Axtel Xtremo" and "Iusacell Enlace". A new competitor appear on the market during 2010, a company owned by Grupo Salinas under the brand of "Total Play", their services are geared to the residential market and the main advantage is their high speed browsing due to the optical fiber last mile.

The Nextel/Televisa Consortium was awarded with a concession for the 30 Mhz spectrum, however on October 2010, both parties announced that they mutually agreed to terminate the agreement due to several injunctions filed against the award by Grupo Salinas, Nextel announced that they will continue with the development of the concession.

Other competitors such as Marcatel and Bestel that hold local telephony concessions may become more significant competitors by gaining last-mile connectivity through alliances with cable television providers. Megacable is one of the largest CATV companies in the country offering pay television, Internet broadband access and telephony by cable. Megacable owns a 39,579 kms of optical fiber backbone with 1.9 million customers at the end of the 3Q-2011. Recently Megacable sign up an MVNO deal with Telefonica that allows Megacable to offer cuadruple play services. Cablevision, the exclusive cable provider in Mexico City, has offered broadband Internet access since 2005 and since 2007 Cablevision starts offering Internet Protocol telephony entering on "triple play" currently has 733,288 subscribers at the end of 3Q-2011.

The adoption of the Convergence Regulations by the SCT could also increase the level of competition we face in certain markets. In addition, the COFETEL recently issued rules relating to number portability which, when effectively applied will enable customers to switch their telephone service to another carrier while maintaining their telephone number. Based on the results of implementation of number portability in other countries, we believe carriers who are newer market entrants, such as Maxcom, will benefit because we expect a greater number of the dominant carrier's clients than newer entrant carriers' clients to switch to another carrier.

In April 2011, Televisa and Iusacell announced that subject to receive a regulatory approvals, Televisa will acquire 50% of the capital stock of Iusacell through an equity investment and a convertion of debt of Iusacell. In January 24, 2012, the COFECO rejected the transaction.

Market Liberalization

In November 2006, the Mexican Federal Power Commission (Comisión Federal de Electricidad or "CFE") announced that it had obtained a concession from the Mexican federal government, through the SCT, to use its power lines and infrastructure to provide telecommunication services using the new technology model known as power line communications and broadband over power lines communications.

In January 2010, the SCT began an auction process from the CFE of two of its dark fiber optics strands. The consortium formed by Telefónica Móviles, Televisa and Megacable, won the auction process for the CFE's fiber optic infrastructure, driving more competition to the data market.

As a result of the World Trade Organization settlement between Mexico and the United States regarding the disputes over U.S. telecommunications companies' access to the Mexican telecommunications market, on August 12, 2005, the COFETEL published regulations authorizing the issuance of permits for the resale of national and international long-distance public switched telecommunications services, through the use of minutes of service obtained from concessionaires and using their infrastructure at all times. This authorization has increased competition in the long-distance segment.

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Employees

As of December 31, 2011, we had 2,075 employees, a 10% increase compared to 1,874 employees as of December 31, 2010. 179 of our employees are unionized and covered by the terms of a collective bargaining agreement that we entered into with the National Union of Telecommunications, Telephony, Communications, Cybernetics, Electric, Electronic and Similar Products Workers of the Mexican Republic (Sindicato Nacional de Trabajadores de Telecomunicaciones, Telefonía, Comunicaciones, Cibernética, Productos Eléctricos, Electrónicos, Similares y Conexos de la República Mexicana). This agreement is renewable every year and next expires on March 22, 2012. We have not experienced any strikes or work stoppages and believe that our relations with our employees are satisfactory.

We also had 706 sales representatives as of December 31, 2011, compared to 633 sales representatives as of December 31, 2010.

Facilities

We currently lease the buildings and land where our operations are carried out and our microwave transmission equipment and switching centers are located. We lease space for administrative offices in Mexico City and in the cities of Puebla, Queretaro and San Luis Potosi. Our main headquarters are located in Santa Fe, Mexico City in a building leased for a 7-year term that expires on December 31, 2012 and is renewable for one additional 5-year term. The Santa Fe lease area is comprised of 85,271 square feet. Our offices in the city of Puebla are leased for a 5-year renewable term that expires on March 25, 2013. These offices in Puebla are comprised of 14,100 square feet and hold one of our Lucent Technologies 5ESS switches. We also have a branch office in Puebla that is leased under a 5-year lease which expires on September 1, 2015. This building is comprised of 2,100 square feet. Our offices in the City of Queretaro are leased for a 15-year renewable term that expires on August 1, 2017. These offices in Queretaro are comprised of 12,015 square feet. We have a branch office in Queretaro that is leased for a 15-year term that expires on June 23, 2017. This branch office is comprised of 33,947 square feet and holds one of our other Lucent Technologies 5ESS switches. On August 1, 2008, we renewed the lease of a warehouse in Mexico City comprised of 28,616 square feet for a 3-year term that expires on July 31, 2013. On April 1, 2007 we increased the leased space to an additional 10,753 square feet on a 2-year lease expiring March 31, 2013, to add an on-site vault to our warehouse. On April 1, 2008 we leased a 7,190 square feet office for a 5-year term, and on March 15, 2008 we leased a 16,900 square feet warehouse on a 5-year term in San Luis Potosi. In addition, we lease approximately 200 other sites that are used as walk-in centers, hosts or single-site buildings and are located throughout the cities of Mexico City, Puebla, Queretaro, and San Luis Potosi. Additionally, we own thirteen portions of land in the City

We believe that our facilities are adequate for our present needs and are suitable for their intended purposes.

Legal Matters and Administrative Proceedings

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

Mexican Federal Power Commission (Comisión Federal de Electricidad or CFE) Litigation

In July 2006, we acquired Grupo Telereunión from the Grupo VAC Investors, a group comprised of certain members of the Vazquez family. Telereunión was a party to a lawsuit initiated by the Mexican Federal Power Commission for Ps.39.7 million in rents due for the 30-year lease of infrastructure plus interest, entered into on June 23, 1999, that should have been paid in advance.

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Although Telereunión was found ultimately liable for Ps.42.7 million (the contested amount plus interest) following its appeal and has been ordered to pay the amount claimed by the Mexican Federal Power Commission, the Grupo VAC Investors undertook to negotiate with the Mexican Federal Power Commission, on behalf of Telereunión, more favorable terms for the payment of the amount due to the Mexican Federal Power Commission. On January 9, 2007, Telereunión executed an agreement with the Mexican Federal Power Commission to pay the amount due over a two-year period in semi-annual payments beginning May 29, 2007 and ending November 29, 2008. As part of this agreement, Telereunión obtained a stand-by letter of credit issued to the Mexican Federal Power Commission to secure payment of the amount due. The Grupo VAC Investors have covered all of the expenses and costs associated with the issuance of this letter of credit. The Grupo VAC Investors have lent us Ps.39.7 million which we have agreed to repay them over a 30-year period in monthly installments of no more than Ps0.110 million per month, bearing an interest rate of "Equilibrium Interbanking Interest Rate" (or "TIIE" for its initials in Spanish) plus 300 basis points. The resulting was paid to CFE by Telereunion on November 27, 2008.

REGULATION

Overview

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

Under the Federal Telecommunications Law, the Mexican telecommunications industry is regulated for administrative and operational matters by the Mexican Federal Telecommunications Commission, or the COFETEL. The COFETEL was created in 1996 as an autonomous entity from the SCT to regulate and promote the efficient development of the telecommunications industry in Mexico. The COFETEL is responsible for, among other things:

- enacting regulations and technical standards for the telecommunications industry;
- ensuring that holders fulfill the terms of their concessions and permits;
- suspending operators without concessions;
- resolving interconnection controversies between competitors; and
- maintaining a registry of applicable rates.

The SCT retains the authority to grant all concessions and permits. The COFETEL makes recommendations to the SCT on major issues, such as amending existing telecommunications laws, allocating spectrum frequencies, granting, transferring, renewing or revoking concessions and applying penalties for concession violations. The SCT has final decision making power on these issues. Once a final decision is made, the COFETEL implements the related regulations. Effective April 11, 2006, the Mexican Congress enacted amendments to the Law on Radio and Television and to the Federal Telecommunications Law. Pursuant to these amendments, which were highly controversial, the COFETEL now also has the ability to regulate broadcasting (radio and television). We cannot predict how the SCT or the COFETEL will interpret and implement the amendments to the Federal Law on Radio and Television and the Federal Telecommunications Law and thus how these new rules could affect our business. Furthermore, the Mexican Supreme Court recently resolved that several articles of the Federal Law on Radio and Television and to the Federal Telecommunications Law are unconstitutional. Although we believe that this Supreme Court ruling does not directly affect us, we cannot predict the impact of the future interpretation and implementation of this ruling by the SCT or the COFETEL, or the amendment by the Mexican Congress of these laws as a result of the Mexican Supreme Court ruling could have on the regulation of the telecommunications industry and on our business, results of operations and financial condition.

The terms of our concessions require us to satisfy a number of technical, build out and financial conditions. A failure to comply with any of the terms of our concessions or to obtain the waiver or modification could result in the revocation of any of our concessions or imposition of fines. The Mexican government would not be required to compensate us in case of such revocation. See "— Concessions and Permits — Termination" below. A failure to comply with any of the terms of our concessions could also result in the loss of surety bonds (fianzas) that we have issued to the SCT. We have issued surety bonds in the amount of Ps.0.44 million with respect to our local telephony and long-distance concessions, Ps.1.53 million with respect to all seven of our point-to-point microwave concessions and Ps.0.22 million with respect to all three of our point-to-multipoint microwave concessions.

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Concessions and Permits

The SCT grants concessions to operators of public telecommunications networks to provide specific telecommunications services in designated areas of Mexico or nationwide. Public telecommunications network concessions granted by the SCT can cover a broad range of services, from local and long-distance telephone services, value added services, such as Internet, to restricted television services, including cable television services. However, once the SCT grants a concession, the concessionaire can expand the scope of its concession to cover new services by submitting an application to, and obtaining the approval from, the SCT

To provide telephony services in Mexico through a public network, a service provider must first obtain a concession from the SCT. Pursuant to the Federal Telecommunications Law, concessions for public telephony networks may not exceed a term of 30 years and concessions for spectrum frequencies may not exceed a term of 20 years. Generally, concessions for public telephony networks may be extended for a term equivalent to the term for which the concession was originally granted if the concessionaire is in compliance with the terms of the concession and has received SCT approval. Concessions for spectrum frequencies and microwave transmission concessions will be reauctioned at least three years prior to their expiration date. Concessions specify, among other things:

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

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

Ownership Restrictions

Under the Federal Telecommunications Law and the Mexican Foreign Investment Law (Ley Federal de Inversión Extranjera), concessions may be granted only to:

- Mexican individuals; and
- Mexican corporations in which non-Mexicans own 49% or less of the full voting stock and that are not otherwise controlled by non-Mexicans, except in the case of concessions for cellular and personal communications services, where foreign investment participation may exceed 49% of the voting stock with prior approval of the Mexican Foreign Investment Bureau of the Mexican Ministry of Economy (Secretaría de Economía).

Pursuant to the Mexican Foreign Investment Law, the Mexican Ministry of Economy may also authorize the issuance of non-voting or limited-voting stock (also known as "Neutral Shares") or ordinary participation certificates (certificados de participación ordinarios), or CPOs, evidencing voting shares and neutralizing their vote, that are not counted for purposes of determining the foreign investment percentage of a Mexican corporation's ceiling allowed under the Mexican Foreign Investment Law. Foreign governments may not own an interest in the concession holder nor own the assets used to operate the relevant concession. Any share transfers resulting in a violation of these foreign ownership requirements are invalid under Mexican law and could result in the revocation of the applicable public telecommunications network concession.

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Transfer

Concessions are transferable after the first three-year period of the concession if the SCT approves the transfer of the concession title, the assignee agrees to comply with the terms of the concession and such a transfer does not violate the foreign ownership requirements of the Federal Telecommunications Law and the Mexican Foreign Investment Law.

Termination

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

- expiration of its term;
- resignation by the concession holder or the permit holder;
- · revocation; or
- dissolution or bankruptcy of the concession holder or the permit holder.

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

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

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

Temporary Seizure

The Mexican government, through the SCT, may also temporarily seize all assets related to a telecommunications concession or permit in the event of a natural disaster, war, significant public disturbance, threats to internal peace or for economic reasons or for other reasons related to national security. If the Mexican government temporarily seizes such assets, except in the event of war, it must indemnify the concession holder for all losses and damages, including lost revenues. We are not aware of any instance in which the SCT has exercised its temporary seizure powers in connection with a telecommunications company.

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Expropriation

The Mexican government has the statutory right to permanently expropriate any telecommunications concession and claim any related assets for reasons of public interest. Under Mexican law, the Mexican government is obligated to compensate the owner of such assets in the case of a statutory expropriation. The amount of the compensation is determined by appraisers. If the party affected by the expropriation disagrees with the appraisal amount, such party may initiate judicial action against the government. In such a case, the relevant judicial authority will determine the appropriate amount of compensation to be paid. We are not aware of any instance in which the SCT has exercised its expropriation rights in connection with a telecommunications company.

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

Rates for Telecommunications Services

Under the Federal Telecommunications Law, rates for telecommunications services (including local, mobile and long-distance services) are freely determined by the providers of such services, except that such rates may not be set below a service provider's long-term incremental cost. All rates for telecommunications services (other than value-added services) must be registered with the COFETEL prior to becoming effective.

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

COFETEL resolution

On June 14 2011, our Company received from the COFETEL, the Mexican Federal Telecommunications Commission, the final outcome regarding the dispute filed with the COFETEL on December 22, 2010 about the interconnection tariffs between our Company and the mobile operators: "Calling Party Pays" (CPP) and "Calling Party Pays National" (CPPN), based on the articles 42°, 43° and 44° of the Mexican Telecommunications Law issued by the Secretaría de Comunicaciones y Transportes (SCT for its acronym in Spanish), the Mexican Ministry of Communications and Transportation.

COFETEL has resolved that the CPP and CPPN tariffs to be paid by Maxcom to the main mobile telecommunication carriers is Ps.0.3912 per minute (without any rounding), for the period, January 1, 2011 to December the 31, 2011. During 2010 our Company paid Ps.1.0 per minute for these interconnection tariffs. The COFETEL set these tariffs based on the principle of Long Term Incremental Total Cost (CITLP for its acronym in Spanish).

Our Concessions

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

Local Telephony

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

The concession expressly permits us to provide the following services:

- basic local telephony;
- the sale or lease of network capacity for the generation, transmission or reception of signs, signals, writings, images, voice, sounds or other information of any nature;

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- the purchase and lease of network capacity from other carriers, including the lease of digital circuits;
- value-added services;
- operator services;
- data, video, audio and video conference services, except for cable or other restricted television, continuous music or digital audio;
- credit or debit telephone cards; and
- · public telephony.

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

The concession required us to comply with service quality specifications and, starting in September 2001, to install infrastructure on the basis of a yearly schedule, including a certain number of lines along routes between certain cities in Mexico. Although we complied with the requirement in our concession for the number of lines installed, we were in default with respect to the coverage obligations in certain cities and towns required by our concession. However, in December 2004, we obtained an amendment to both our local and long distance telephony concessions. The amendment to the national concession to install and operate a public telecommunications network in Mexico, entered into on December 2, 2004, sets forth a capacity installation program to attend a certain number of lines at the end of 2006. Moreover, it sets forth a geographic expansion commitment up to 2014. We, among other terms, should comply with the capacity installation and geographic expansion commitment discussed above in order for the concession to remain in effect. As of December 31, 2011 we fulfilled all the material requirements required under the amendment, being released of any further capacity and/or geographic expansion commitments.

Long-distance

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

The concession expressly permits us to provide the following services:

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

The concession expressly prohibits the following services:

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

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

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The concession required us to comply with service quality specifications and to install infrastructure on the basis of the schedule for our local telephony concession. According to this schedule, we must provide nationwide long-distance service in the same locations and at the same time in geographic areas where we provide local telephony services. As described above, in December 2004, both our local and long-distance concessions were amended and we are in compliance with the obligations of our amended concessions.

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

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

Microwave Transmissions

Point-to-point

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

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

These concessions, which were issued in June 1998, have a term of 20 years. The COFETEL will re-auction the frequencies covered by the concessions at least three years before the expiration date of the concessions. The concessions do not impose any limitations on the setting of our rates other than the requirement that we file with the COFETEL a notification of any rate change prior to becoming effective. The concessions require us to provide available capacity to the general public. We are currently in compliance with all the material terms of the concessions.

Point-to-multipoint

In October 1997, we were awarded three regional point-to-multipoint microwave concessions covering telecommunications regions 3, 5 and 8, which include states in the north and southeast of Mexico's Gulf region, in the 10.5 GHz frequency band with a 60MHz bandwidth. These concessions, which were issued in April 1998, have a term of 20 years. The COFETEL will re-auction the frequencies covered by the concessions at least three years before the expiration date of the concessions. These concessions originally required us to install a network and offer service to at least 30% of the population in each concessioned region by the end of the second year after the issuance of the concession.

Until December 2003, Maxcom and 14 other concessionaires were unable to start operations in some of our concessioned regions because of a lack of commercially feasible technological solutions and equipment for those frequencies. As a result, the COFETEL granted us several extensions on the deadlines specified in the concession, with the last extension expiring in February 2004. On March 31, 2004, we notified the COFETEL that we had started operating in Puebla and therefore were in compliance with our initial coverage obligations for region 8. Although we have the capability to initiate operations in regions 3 and 5, to date no customer has requested such service and we therefore have not initiated operations in these regions.

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

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Cable Television

On August 4, 2006, the SCT granted Maxcom a traditional cable concession to provide cable TV and radio services in the city of Puebla. Shortly thereafter, the SCT filed the Convergence Regulations through which different types of carriers could be authorized to provide additional services to those included in their original concessions. On October 13, 2006, we notified the SCT of our compliance and voluntary affiliation with the Convergence Regulations and, as a result, the SCT authorized us to provide cable TV and radio services in addition to those services already granted in our original public telecommunication network concession.

As a result, Maxcom is now authorized to provide nationwide cable TV and radio services through two concessions and was the first telecommunication concessionaire to be authorized to provide "triple-play" services. We are able to service cities by notifying the SCT and to date have notified them of service provision in 99 cities. We intend to add more cities in the future.

Mobile Network Operation

On January 17, 2007, the COFETEL granted us authorization to provide Mobile Virtual Network Operator services based on our 1996 concession. This authorization enables Maxcom to provide mobile service nationwide under its own brand by acquiring capacity from other mobile telephony concessionaires in Mexico. As a result of this authorization, Maxcom is the first and only telecommunications concessionaire to offer unbundled "quadruple-play" services exclusively under its own brand name.

The terms of both the cable TV and radio and Mobile Virtual Network Operator authorizations match our 1996 concession term of 30 years (expiring in 2026) and do not impose other obligations, including minimum coverage or investment commitments.

Material Ongoing Obligations Relating to Our Concessions

Each concession sets forth the ongoing obligations that we must meet on a monthly, quarterly or annual basis vis-à-vis the SCT and the COFETEL. Our principal ongoing obligations include the following:

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

Failure to comply with the above-mentioned obligations usually entails penalties investigated and proposed by the COFETEL and imposed by the SCT.

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Interconnection

In accordance with the Mexican telecommunications laws, all local telecommunications carriers are required to provide interconnection to each local, long-distance and mobile carrier operating in Mexico. All terms of interconnection (such as point of interconnection) are negotiated between telecommunication carriers under the COFETEL's supervision. Should telecommunication carriers be unable to agree on the terms of interconnection (including rates) after a certain period of negotiation, either carrier may request the COFETEL to resolve any interconnection term at issue. Telecommunications carriers are prohibited from adopting discriminatory practices in the application of rates or any other terms of interconnection.

Local Interconnection

We use Telmex's network for call termination to service virtually all of our customers' calls to Telmex's customers. In November 1998, we entered into an interconnection agreement with Telmex. This agreement calls for reciprocal interconnection rates for local-to-local services. As of December 31, 2011, the interconnection rate is Ps.0.1205 (U.S.\$0.00975) per minute.

This agreement was amended in February 1999 to incorporate a "bill and keep" procedure under which we do not pay Telmex an interconnection fee unless we exceed a certain level of traffic imbalance. Our interconnection agreement with Telmex provides for an allowed percentage of imbalanced traffic of 5%, subtracting from such calculation traffic from Internet Service Providers, call centers, long duration calls, trunking operations and customers who have had contracts for less than 180 days. Under the "bill and keep" arrangement, if the imbalance between calls originated by Telmex and terminated by Maxcom and calls originated by Maxcom and terminated by Telmex during a month does not exceed 5%, then no interconnection fee amounts are payable by the net carrier of interconnection services. If the imbalance exceeds 5% in any given month, the "bill and keep" feature will not apply for that month.

If we fail to maintain a significant percentage of residential users, the "bill and keep" arrangement will be terminated and asymmetrical interconnection rates may apply. The COFETEL has not yet defined what constitutes a "significant percentage of residential users" in this case, although in our local concession and in those granted to Alestra and Avantel it is defined as having at least 50% residential customers of total customers.

Through December 31, 2011, no material interconnection fees have been paid.

Mobile Interconnection

We have also signed reciprocal interconnection agreements with Telcel and certain affiliates of Telefónica Móviles and Iusacell. For more information on each of these carriers, see "Item 4 Information on the company — B. Business Overview — Industry Overview."

Long-distance Interconnection

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

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

Mexican Ministry of Communications and Transportation Approvals

The terms of most public telecommunications network concessions, including ours, require Mexican Ministry of Communications and Transportation, or SCT, approval in the event of a transfer of more than 10% of a concessionaire's outstanding capital stock, except shares representing "neutral stock." Mexican Ministry of Communications and Transportation approval is not required for the transfer of the shares of a holding company that controls a company with a public telecommunications network concession. As a result, in the event we decide to complete a merger through an exchange offer, or an acquisition through the purchase of a controlling interest in a potential target that is not a holding company, we would need Mexican Ministry of Communications and Transportation approval. The transfer of an existing public telecommunications network concession from one operator to another operator also requires the approval of the Mexican Ministry of Communications and Transportation, as well as the approval of the Mexican Antitrust Commission (Comisión Federal de Competencia), if applicable. See below "— Antitrust Approvals."

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Antitrust Approvals

Mergers, acquisitions and other business combinations, to the extent they exceed specific threshold amounts, generally are regulated and must be approved by the Mexican Antitrust Commission. Once a merger, acquisition or business combination is submitted to the Mexican Antitrust Commission for approval, the Commission generally has 45 days to object the transaction. If the Mexican Antitrust Commission does not object to the transaction within this 45-day time frame, the transaction is deemed approved. In addition to having the power to approve some mergers, acquisitions and business combinations, the Mexican Antitrust Commission can condition its approval of a particular merger, acquisition or other business combination upon the satisfaction of terms that it may determine, as well as reverse a transaction that was previously approved if it believes it has had an adverse effect on the market.

In addition, according to a resolution issued by the Mexican Antitrust Commission, the consummation of any future acquisitions, regardless of the value of the transaction, may be subject to approval by the Commission. We cannot assure you that we will obtain the required approvals from the Mexican Antitrust Commission to consummate any future acquisitions. If we are unable to obtain the required approvals, we will be unable to complete any proposed acquisitions.

Municipal and Other Regulatory Approvals

Our transmission antennas and telecommunication sites are located in sites that may require municipal and federal approvals to operate. See "Item 3 Key Information — D. Risk Factors — Risks Relating to Maxcom — Our telecommunications network infrastructure has several vulnerabilities and limitations."

C. Organizational structure

The following table set forth our subsidiaries as of December 31, 2011:

	Jurisdiction of organization or	Percentage
Name of the subsidiary	incorporation	Ownership(1)
Maxcom Servicios Administrativos, S.A. de C.V.(2)	Mexico	99.9
Corporativo em Telecomunicaciones, S.A. de C.V. (2)	Mexico	99.9
Maxcom SF, S.A. de C.V.	Mexico	99.9
Maxcom TV, S.A. de C.V. (3)	Mexico	99.9
TECBTC, Estrategias de Promocion, S.A. de C.V.(2)(5)	Mexico	99.9
Outsourcing Operadora de Personal, S.A. de C.V. (2)(5)	Mexico	99.9
Asesores Telcoop, S.A. de C.V.(2)(5)	Mexico	99.9
Telereunión, S.A. de C.V.	Mexico	99.9
Telscape de Mexico, S.A. de C.V.	Mexico	99.9
Sierra Comunicaciones Globales, S.A.de C.V,	Mexico	99.9
Celmax Movil, S.A. de C.V. (3)	Mexico	99.9
Servicios MSF, S.A. de C.V.(2)(5)	Mexico	99.9
Maxcom USA, Inc.	USA	100
Sierra Communications, Inc.	USA	100
Fundacion Maxcom A.C. (4)	Mexico	99.9

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This organizational structure is due to the fact that Mexican law requires that corporations have a minimum of two shareholders

- 1. Percentage of equity owned by us directly or indirectly throught subsidiaries.
- 2. Direct and indirect personnel subsidiaries.
- 3. These companies are in pre-operational stage.
- 4. A Mexican nonprofit foundation that will provide social services, such as education, culture and housing aids to people in need in the areas where we serve Fundación Maxcom is an unrestricted subsidiary and will not consolidate in our financial statements.
- Indirect subsidiaries

In October 2011, we incorporated Servicios MSF, S.A. de C.V. an indirect subsidiary that provides personnel services to Maxcom.

All of our subsidiaries are wholly-owned, directly or indirectly, by us.

All of our subsidiaries (except Fundación Maxcom, A.C.) act as guarantors under the indenture (as supplemented and amended) governing our senior notes due 2014.

In January 20, and November 16, 2011, Celmax Móvil, S.A. de C.V., and Servicios MSF, S.A. de C.V., respectively, were designated as new guarantors in accordance with the indenture dated December, 2006 governing our senior notes due 2014.

D. Property, plant and equipment

The majority of our assets are allocated to telephone network systems and equipment and are mainly related to or a part of our telecommunications network that as of December 31, 2011, encompasses 892 route kilometers of metropolitan fiber optic cable and over 4,888 kilometers of high-quality copper loops capable of high speed data transmission. We have in service four state-of-the-art Lucent Technologies 5ESS switches located in the cities of Mexico City (two switches), Puebla and Queretaro and two softswitches, one Alcatel A5020 located in Mexico City and one Nortel located in Monterrey. We also operate a 170-kilometer fiber optic link connecting the cities of Puebla and Mexico City and a 6,426- kilometer long haul fiber optic backbone connecting Mexico City and Laredo, Texas. We have a point-to-point concession in the 15 GHz and 23 GHz frequency bands forming a complex microwave network through the cities of Mexico City, Puebla, Queretaro, San Luis Potosi, Aguascalientes, Guadalajara, Leon, Monterrey and Toluca. We also have a point-to-multipoint concession in the 10.5GHz frequency band, covering telecommunications regions 3, 5 and 8 (North, Gulf and South East) of Mexico.

Maxcom pledged certain fixed assets, defined as "systems and telephone network equipment," which included construction, transportation equipment and vehicles, computers, information electronic processing equipment, telecommunications and office furniture and equipment in favor of the bondholders according to the offerings for our senior notes due 2014. We implemented the pledge on February 13, 2007 through a first priority voluntary mortgage. All of our subsidiaries act as guarantors under the indenture (as supplemented and amended) governing our senior notes due 2014. Our concessions to provide telecommunication services are not subject to the mortgage mentioned above and remain free of liens or restrictions of use and ownership. Additionally, although the assets mentioned above have been pledged in favor of the holders of our senior notes due 2014, we may be able to dispose of such assets so long as we comply with the requirements and conditions established in the indenture governing the senior notes.

We currently lease the buildings and/or the land where our operations are carried out and our microwave transmission equipment and switching centers are located.

We lease space for administrative offices in Mexico City and in the cities of Puebla, Queretaro and San Luis Potosi. Our main headquarters are located in Santa Fe, Mexico City in a building leased for a 7-year term that expires on December 31, 2012 and is renewable for one additional 5-year term. The Santa Fe lease area is comprised of 85,271 square feet.

In May 2003, we reached an agreement with our landlord at our former headquarters in Magdalena, Mexico City, giving us the right to retain a leasehold interest through May 2013 on the first floor, where one of our Lucent 5ESS switches is located, and a portion of the roof-top, where we have microwave transmission antennas. We were also released from the leasing obligation on approximately 35,887 square feet plus parking space of the building originally expiring on September 30, 2013. In exchange, we agreed to prepay the full, ten-year lease obligations on the first floor and a portion of the roof-top, which amounted to U.S.\$2.7 million, payable in installments through May 2004.

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Our offices in the city of Puebla are leased for a 5-year renewable term that expires on March 25, 2013. These offices in Puebla are comprised of 14,100 square feet and hold one of our Lucent Technologies 5ESS switches. We also have a branch office in Puebla that is leased under a 5-year lease which expires on September 1, 2015. This building is comprised of 2,100 square feet.

Our offices in the City of Queretaro are leased for a 15-year renewable term that expires on August 1, 2017. These offices in Queretaro are comprised of 12,012 square feet. We have a branch office in Queretaro that is leased for a 15-year term that expires on June 23, 2017. This branch office is comprised of 33,947 square feet and holds one of our other Lucent Technologies 5ESS switches.

On August 1, 2008, we renewed the lease of a warehouse comprised of 28,616 square feet for a 3-year term that expires on July 31, 2013. On April 1, 2007 we increased the leased space to an additional 10,753 square feet on a 2-year lease expiring March 31, 2009, to add an on-site vault to our warehouse.

On April 1, 2008 we leased a 7,190 square feet office for a 5-year term, and on March 15, 2008 we leased a 16,900 square feet warehouse on a 5-year term in San Luis Potosi. In addition, we lease approximately 200 other sites that are used as walk-in centers, hosts or single-site buildings and are located throughout the cities of Mexico City, Puebla, Queretaro and San Luis Potosi. Additionally, we own thirteen portions of land in the City of Puebla, San Luis Potosi and Estado de Mexico that are used as part of our infrastructure. We believe that our facilities are adequate for our present needs and are suitable for their intended purposes.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

All peso amounts for the year ended December 31, 2008 and henceforth are presented in nominal pesos. You should read the following discussion and analysis in conjunction with the audited consolidated financial statements as of December 31, 2011, 2010 and 2009 and for the years ended December 31, 2011, 2010 and 2009 and accompanying notes appearing elsewhere in this annual report, which are henceforth referred to as "financial statements". The U.S. dollar translations provided in this annual report are solely for the convenience of the reader and are, unless otherwise indicated, calculated utilizing the buying rate at December 31, 2011, which was Ps.13.98 per U.S.\$1.00 as reported by the Banco de México (Central Bank of México). Sums may not add due to rounding.

The following discussion and analysis is intended to facilitate an understanding and assessment of significant changes and trends in our historical consolidated results of operations and financial condition and factors affecting our financial resources. It should be read in conjunction with the financial statements.

Our financial statements, which appear elsewhere in this annual report for the years ended December 31, 2011, 2010 and 2009 have been prepared in accordance with Mexican Financial Reporting Standards (Normas de Información Financiera), which we refer to as MFRS or NIF (for its initials in Spanish). Pursuant to MFRS, we have prepared the financial statements and the selected financial data presented below in accordance with Statement B-10 of the Mexican Institute of Public Accountants (MIPA), which up to December 31, 2007 provided for the recognition of the effects of inflation. MFRS differ in certain significant aspects from U.S. GAAP (Generally Accepted Accounting Principles in the United States). See note 21 to the financial statements for the years ended 2009, 2010 and 2011 for a description of the principal differences, other than inflation accounting, between MFRS and U.S. GAAP applicable to us and for a reconciliation of our net income and stockholders' equity to U.S. GAAP.

Our financial statements have been prepared in accordance with Statement B-10, "Recognition of the Effects of Inflation on Financial Information," as amended, issued by the Mexican Institute of Public Accountants which provides guidance for the recognition of the effects of inflation and translation of foreign currency transactions. See "Critical Accounting Policies — Effect of Inflation on Financial Information." Financial statements for 2007 and prior years are expressed in constant pesos as of December 31, 2007 the last date when the restatement was made according to the previous Statement B-10 "Recognition of the Effect of Inflation in Financial Information" which was replaced by NIF B-10, Effects of Inflation. The new NIF B-10, Effects of Inflation does not require the financial statements for 2008 and the following years to be restated, as long as the accumulated inflation for the last three years ended is not 26% or higher. The rates of inflation in Mexico, as measured by changes in the Mexican national consumer price index, were 3.8% in 2007, 6.5% in 2008, 3.6% in 2009, 4.4% in 2010 and 3.8% in 2011.

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Recent Developments

Appointment of new of our Chief Executive Officer.

On February 23, 2011, the Board of Directors accepted the resignation of Mr. William Nazaret as Chief Executive Officer and appointed Mr. Salvador Álvarez Valdés as new Chief Executive Officer who took position to the office on March 7, 2011.

Formation of our Board of Directors, Audit and Corporate Practices Committee and the Operating Advisory Committee.

On April 20, 2012, through a General Shareholders Meeting, the shareholders of Maxcom ratified the appointment of all the directors of the Company.

Mr. Jacques Gliksberg was reelected as Chairman of the Board of Directors of the Company, Mr. Adrian Aguirre was reelected as Vice chairman of the Board of Directors.

On the same shareholders meeting, the shareholders approved the designation of Adrian Aguirre Gomez and Eduardo Augusto Jose Molina Llovera as new members of the Audit Committee and approved the designation of Juan Miguel Gandoulf Castellanos replacing Jorge Garcia Segovia who resigned as Chairman of the Audit Committee

All the members of the Operating Advisory Committee were reelected.

Currency Swap Transaction

The peso-to-dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar-denominated obligations, including our senior notes due 2014. In order to diminish the negative effects of a peso devaluation in May 2007, we entered into currency swap transactions with the banks Morgan Stanley A.G. and Merrill Lynch Capital Markets A.G. to minimize the exchange rate risks related to the coupon payments with respect to U.S.\$150 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2008 to December 2010. In December 2009, the company unwound the swap with Morgan Stanley A.G. and entered into a new swap with the same bank that covers the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

In March 2010 the company unwound the swap with Merrill Lynch Capital Markets A.G. and entered into a new cross currency swap transaction with Morgan Stanley, A.G. that minimize the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

In May 2011 we amended the cross currency swap agreements with Morgan Stanley (France), SAS to delete from the agreements the clause authorizing Morgan Stanley to terminate the agreements in case the credit rating of Maxcom continues to decline. In counterpart, Maxcom agreed to deposit U.S.\$1.5 million in a collateral account in Morgan Stanley.

A. Operating Results

Devaluation and Inflation

Relative to the U.S. dollar, the peso depreciated 13.2% in 2011, appreciated 5.4% in 2010, appreciated 3.5% in 2009, depreciated 24.6% in 2008, appreciated 0.1% in 2007. Peso depreciations contribute to increases in inflation. The following table summarizes the general economic conditions and inflation in Mexico for the periods specified below:

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Year Ended December 31	Inflation Rate	Average 28-day Cetes	Mexican GDP Annual Growth Rate*	Res	s International erves as of the of Each Year (Billion)
2011	3.8%	4.2%	3.9%	U.S.\$	149.2
2010	4.4%	4.4%	5.4%	U.S.\$	120.6
2009	3.6%	5.4%	(6.2)%	U.S.\$	99.9
2008	6.5%	7.7%	1.2%	U.S.\$	95.3
2007	3.8%	7.2%	3.3%	U.S.\$	87.2

Source: Central Bank of Mexico

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

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

As a result of the adoption of MFRS B-10, until December 31, 2007 we recorded non-cash gains or losses on net monetary position, which represent the increase or decrease of purchasing power resulting from the effect of inflation on our holdings of monetary assets and liabilities. Our monetary liabilities, consisting primarily of our senior notes due 2014 and accounts payable, have exceeded, and are expected to continue to exceed, our monetary assets, which consist primarily of cash and cash equivalents and accounts receivable. This resulted in a gain to our monetary position recognized in the comprehensive financial result up until December 31, 2007.

Impact of Foreign Currency Fluctuations

Our principal foreign currency fluctuation risk involves changes in the value of the peso relative to the U.S. dollar. Although U.S. dollar-denominated revenues and expenses, including capital expenditures, are exposed to foreign currency fluctuations, our financial debt instruments have greater exposure. As of December 31, 2011, the amount of debt denominated in U.S. dollars was Ps.2,810.1 million.

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

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

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

The peso-to-dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar-denominated obligations, including our senior notes due 2014. In order to diminish the negative effects of a peso devaluation in May 2007, we entered into currency swap transactions with the banks Morgan Stanley A.G. and Merrill Lynch Capital Markets A.G. to minimize the exchange rate risks related to the coupon payments with respect to U.S.\$150 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2008 to December 2010. In December 2009, the company unwound the swap with Morgan Stanley A.G. and entered into a new swap with the same bank that covers the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

The Central Bank of Mexico no longer publishes the Mexican GDP and/or its variations according to the calculation methodology used for the figures presented for the year ended December 2007, hence calculation methodology for the figures for the years ended December 31, 2011, 2010, 2009 and 2008 differs

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In March 2010 the company unwound the swap with Merrill Lynch Capital Markets A.G. and entered into a new cross currency swap transaction with Morgan Stanley A.G. that minimize the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

In May 2011 we amended the cross currency swap agreements with Morgan Stanley (France), SAS to delete from the agreements the clause authorizing Morgan Stanley to terminate the agreements in case the credit rating of Maxcom continues to decline. In counterpart, Maxcom agreed to deposit U.S.\$1.5 million in a collateral account in Morgan Stanley.

At December 31, 2011, an immediate 10% devaluation of the peso relative to the U.S. dollar would have increased our interest expense (related to the interest payments on the U.S.\$50 million aggregate principal amount of our senior notes due 2014 not covered by the currency swaps) by approximately Ps.7.7 million over a one-year period. In addition, any further decrease in the value of the peso may negatively affect the value of Mexican securities such as ours.

See "Item 3. Key Information — Selected Financial Data — Exchange Rates" for a discussion of exchange rates.

Capitalization of Pre-operating Expenses

All expenses incurred during the development stage or in specific projects in progress up to December 31, 2002 were capitalized. Those expenses are amortized by the straight-line method over a 10-year period. The amortization period begins when the corresponding project starts up operations.

For the years ended on December 31, 2008, 2007 and 2006, we recorded amortization expenses in the amounts of Ps.22.1 million, Ps.20.7 million and Ps.36.4 million, respectively, also as of December 31, 2008 we made an adjustment based on the impairment recorded of Ps.4.9 million. Accumulated amortization was Ps. 334.8 million and Ps.312.6 million as of December 31, 2008 and 2007, respectively.

Since January 1, 2009, the Company adopted the new NIF C-8 "Intangible Assets" which required the full cancelation of the remaining balance of preoperating expenses. As a result of this change, the Company wrote off Ps.50.9 million directly against accumulated deficit.

Revenues

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

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

- installation charges of voice lines:
- monthly fees for the rental of voice lines, which depending on the product, include a certain number of free local calls;
- usage charges of voice lines, which can include a combination of local calls above those already included in the monthly fees, long distance minutes, as well as minutes to mobile numbers under the "Long Distance Calling Party Pays" system; and
- · charges relating to value-added services such as voice mail, call waiting, call forwarding, three-way calling and caller identification;
- public telephony services;
- · mobile services;
- revenues derived from our strategic and commercial alliances with cable television operators, which are offset by the corresponding amount we are charged by the cable television operator; and

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the sale of telephone sets.

Revenues from data services include:

- Internet dial-up access;
- asymmetric digital subscriber line;
- dedicated Internet access:
- · managed services;
- digital private lines; and
- · lease of backbone capacity.

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

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

Average Revenue Per User (ARPU)

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

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

Revenue Generating Units

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

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

Operating Costs and Expenses

Our operating costs and expenses include:

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

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· depreciation and amortization mainly related to pre-operating expenses, frequency rights, telephone network systems and equipment and intangibles.

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

Comprehensive Cost of Financing

For presentation purposes, "comprehensive cost of financing" refers to the combined financial effects of:

- interest expense and interest income;
- effects of valuation of financial instruments;
- · net foreign exchange gains or losses; and
- net gains or losses on monetary position up to December 31, 2007.

Critical Accounting Policies

Applications of Critical Accounting Policies and Estimates

We have identified certain key accounting estimates on which our consolidated financial condition and results of operations are dependent. These key accounting estimates most often involve complex matters or are based on subjective judgments or decisions that require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience, where applicable and other assumptions that we believe are reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. In addition, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. In the opinion of our management, our most critical accounting estimates under both MFRS and U.S. GAAP are those that require management to make estimates and assumptions that affect the reported amounts related to the carrying amount of telephone network systems and equipment, intangible assets, pre-operating expenses and frequency rights, including depreciation and amortization rates, assumptions made for the calculation of the impairment test to long lived assets; valuation allowances for receivables, inventories, construction in progress of telephone network systems and equipment and deferred income tax assets; valuation of financial instruments; and obligations related to employee benefits. For a full description of all of our accounting policies, see notes 5 and 21 to the consolidated financial statements included in this document.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and
- changes in the estimate or different estimates that we could have selected would have had a material impact on our financial condition or results of operations.

Fair Value of Stock Options and Warrants

Stock options and warrants granted to members of our board of directors, officers and employees require a fair value-based accounting at the grant date. The total amount of compensation costs recognized for an award of stock based employee compensation is based on the fair value so determined. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's-length transaction. We estimate fair values using option pricing models, which require the use of certain assumptions, such as expected term of the option, expected volatility, risk-free interest rate during expected term and expected dividend yield. Those assumptions are subjective and involve management judgment. The imprecision in estimating these factors may affect the amount of compensation cost recorded for stock-based employee compensation.

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Allowance of Doubtful Accounts Receivable

The allowance for doubtful accounts represents our estimate of losses resulting from the failure or inability of our customers to make required payments. Determining our allowance for doubtful accounts receivable requires significant estimates. Due to the large number of customers that we serve, it is impractical to review the creditworthiness of each of our customers, although a credit review is performed for business customers that request more than two lines. We consider a number of factors in determining the proper size and timing for the recognition of and the amount of the allowance, including historical collection experience, customer base, current economic trends and the aging of the accounts receivable portfolio. From this analysis, our current policy is to reserve in the amount of 90% and 100% of account receivable balance due over 90 but less than 119 days, and over 120 days, respectively, except when there is a negotiated agreement with a customer. In such cases, the allowance amount is 30% with balances due over 90 days if there is not a settlement negotiated with the client.

In addition, in order to mitigate collection risk, our collection procedures include, but are not limited to, periodic reminder phone calls once a customer is past due, suspension of service, use of a collection agency and disconnection of service, if needed. Furthermore, within our network we have systems to detect fraudulent call activity. If these systems fail to identify this activity, we may have to recognize a higher degree of uncollectible accounts. While we believe that our estimates are reasonable, changes in our customer trends or any of the factors mentioned above could materially affect our bad debt expense. At December 31, 2011, our provision for bad debt was Ps.504.6 million. We consider this provision sufficient to cover the potential risk of uncollectible accounts; however, we cannot assure that we will not be required to increase the amount of this provision in the future.

Revenue Recognition under MFRS

Revenues from the sale of telephone equipment to clients are recognized at the time of delivery of said equipment and the risk and rewards are transferred to the customer. Revenues from services are recognized as rendered.

Generally installation expenses are charged to our residential customers and related revenues are recognized when installation is complete.

Revenues from public telephony services are recognized based on the cash collected and the estimated uncollected cash from services rendered at the date of the financial statements.

Revenues from interconnection services are recognized on accrued basis. We entered into local interconnection agreements with various telephone companies under the "bill and keep" compensatory clause. In accordance with these agreements, if the imbalance between local calls originated from the other telephony company and completed by Maxcom, and the calls originated from Maxcom and completed by the other telephony company over the course of one month do not exceed an established percentage, there will be no payment of an interconnection rate charge to the user for interconnection services. However, if the imbalance exceeds that percentage in a particular month, Maxcom or the other party is subject to a charge per minute. The allowed aforementioned percentage of imbalance was 5% during 2011, 2010, 2009, 2008 and 2007.

We also have interconnection agreements for long-distance and mobile services with other telephony companies. However, they do not include the clause of the "bill and keep" compensatory agreement.

Revenues from pay television services are recognized as rendered.

Revenues from lease of transmission capacity through the fiber optic ring are recorded in deferred revenue when billed in advance and then recognized ratably into revenue over the term of the contract.

Revenue from bundled services is recognized in the month in which the services are provided. Bundle revenues are distributed among voice, data, pay tv or mobile services.

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We record an allowance in the amount of 90% of accounts receivable with balances due over 90 but less than 119 days old, and of 100% of accounts receivable due over 120 days old, except when there is a collection agreement with a client. In such cases, the allowance amount is 30% with balances due over 90 days if there is not a settlement negotiated with the client. Accounts handed over to our legal collection services are reserved up to 100%, or less depending on the success rate indicated by the attorney handling the account.

Revenue Recognition under U.S. GAAP

Revenues from mobile telephone services are recognized on monthly basis when the traffic with suppliers of mobile telephony has been recorded and the charge to the client has been recorded.

Also, for the mobile telephony revenues we recognize through the suppletory application of ASC 605-25-65 the "Revenue Recognition: Multiple Deliverable Revenue Arrangements s" that evaluates the time and manner in which revenues for the different accounting units should be recognized. For the Company the separated accounting units are the sale of mobile telephony equipment and mobile services.

ASC Topic 605-25-75, "Multiple-Deliverable Revenue Arrangements", establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This Standard provides amendments to the criteria for separating deliverables, measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this guidance also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendor's multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in this Standard are effective prospectively for revenue arrangements entered into or materially modified in the fiscal years beginning on or after June 15, 2010.

Under U.S. GAAP, customer arrangements that include both equipment and services are evaluated to determine whether the elements are separable based on objective evidence. If the elements are separable, each value is assigned based on the relative fair value of each separate element and the revenue associated with such element is recognized as earned. If the elements are not deemed separable, total consideration is deferred and recognized ratably over the longer of the contractual period or the expected customer relationship period. We believe that the accounting estimates related to customer relationship periods and to the assessment of whether bundled elements are separable are "critical accounting estimates" because: (i) they require management to make assumptions about how long we will retain customers; (ii) the assessment of whether bundled elements are separable can be subjective; (iii) the impact of changes in actual retention periods versus these estimates on the revenue amounts reported in our consolidated statements of operations could be material; and (iv) the assessment of whether bundled elements are separable may result in revenues being reported in different periods than significant portions of the related costs.

Installation Revenues and Costs

Installation costs include labor, tools and supplies. Installation costs related to commercial customers are capitalized and amortized on a straight line basis for a period of 20 years. Installation costs capitalized are expensed once the relationship with the customer is terminated. Generally installation expenses are charged to our residential customers and related revenues are recognized when installation is complete. When we invoice our residential customers for installation fees, any associated cost is recognized as an expense in the statement of operations. Under U.S. GAAP, installation revenues and the related direct installation costs are deferred and amortized over the expected customer's relationship period. According to U.S. GAAP, when installation costs are not billed to customers, the related costs are expensed immediately.

Valuation of Long-Lived Assets

We review fixed, definite lived intangible and other long-lived assets at least annually under NIF C-15, "Impairment of the Value of Long Lived Assets and their Disposal." Impairment reviews require a comparison of the estimated future undiscounted cash flows to the carrying value of the asset for MFRS. If the total of the undiscounted cash flows is less than the carrying value under U.S. GAAP or discounted cash flows is less than the carrying value under MFRS, an impairment charge is recorded for the difference between the estimated fair value and the carrying value of the asset. In making such evaluations, we estimated the fair value of the long-lived assets as well as the undiscounted and discounted cash flows. In determining our undiscounted and discounted cash flows, we make significant assumptions and estimates in this process regarding matters that are inherently uncertain, such as estimating remaining useful lives and the possible impact that inflation may have on our ability to generate cash flow, as well as customer growth and the appropriate discount rate. Although we believe that our estimates are reasonable, different assumptions regarding such remaining useful lives or future cash flows could materially affect the valuation of our long-lived assets.

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We also evaluate the useful lives used to depreciate our long-lived assets, periodically considering their operating and use conditions. As a result, we changed the useful lives of our long-lived assets during 2007 based on reports from an independent third party specialist. The useful lives of our public telephony equipment were changed from 17 to 8 years and we recognized additional depreciation charges in the amount of Ps.17.2 million in 2007.

During 2009, the Company performed a technical study on the remaining useful lives of the public telephony, fiber-optic networks and IPTV (Internet Protocol Television) equipment, based on the opinion of a specialist. As a result thereof, useful lives were increased from 17 to 23 years for public telephony equipment, from 17 to 24 years for fiber-optic networks equipment and from 10 to 23 years for IPTV equipment. As a result of this change, the Company reduced depreciation charges by Ps.57.3 million related to these assets.

Upon adoption of the ASC Topic 360-10 (formerly Statement of Financial Account Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets") and NIF C-15 we were required to reassess the useful lives of our intangible assets, which primarily consist of Mexican government telecommunications concessions and infrastructure rights. Upon reassessment, we concluded that our concessions would be definite lived intangibles. We periodically reassess the useful lives of our concessions, in case there is evidence of impairment the value for such assets is adjusted.

We evaluate values of long lived assets when there are events or changes that reveal an indication of potential impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net income expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated net income, an impairment charge is recognized by the amount that the carrying amount of the asset exceeds the fair value of the asset. Given the current adverse economic circumstances Maxcom has faced, there have been indicators of potential impairment which have led us to test, our longlived assets for impairments; involving significant judgment for the determination of fair value.

As of December 31, 2011, no impairment charges were recognized as a result of such impairment test.

As of December 31, 2010, under MFRS the carrying amount of long-lived assets was higher than the expected discounted income at our theoretical rate for weighted average cost of capital under current market conditions. The impairment charge (a non-cash item) calculated for 2010 amounted to Ps.528.7 million. Said charge was proportionately distributed throughout the different asset classes.

As of December 31, 2009, no impairment charges were recognized as a result of such impairment test.

Deferred Taxes

Deferred income tax and, since January 1, 2008, deferred employees' statutory profit sharing, are accounted for under the asset and liability method. Deferred income tax and employees' statutory profit sharing assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of income taxes, for operating loss and asset tax carry forwards. Deferred income tax and employees' statutory profit sharing assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax and employees' statutory profit sharing assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. The valuation allowance is based on management projections of future financial results. Accordingly, we have created a valuation allowance for the total amount of our deferred tax asset as we feel it is unlikely we will use our net operating loss carry forwards before they expire.

As of December 31, 2011, we had cumulative tax losses in aggregate of Ps.1,574.2 million that will be carried forward against future taxable income as follows:

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Year of Loss	Amount	Year of Maturity
	(in thousa	ands of pesos)
2011	Ps. 185,91	3 2021
2010	3,50	
2008	483,10	2018
2007	292,43	9 2017
2006	80,66	53 2016
2005	135,68	33 2015
2004	86,61	1 2014
2003	38,53	3 2013
2002	267,75	58 2012
Total	Ps. 1,574,20	8

Under the tax law in force through December 31, 2007, companies must pay the greater of their Income Tax or Asset Tax. Both taxes recognize the effects of inflation.

Starting January 1, 2008, we and our subsidiaries are subject to Income Tax and IETU at a legal entity level, which means that our subsidiaries are not consolidated for tax payment calculations.

Because management estimates that the tax payable in future years will be Income Tax, deferred tax effects as of December 31, 2011 and 2010 have been recorded on the Income Tax basis.

Results of Operations

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

	Year I	Year Ended December 31				
	2011	2010	2009			
Net revenues	100%	100%	100%			
Operating cost and expenses:						
Network						
operating costs	32.4	43.5	44.1			
Selling, general and administrative expenses	33.8	30.7	31.2			
Depreciation and amortization	28.6	27.2	25.0			
Total operating cost and expenses	94.9	101.4	100.3			
Operating profit (loss)	5.1	(1.4)	(0.3)			
Other expenses:						
Other expenses	(4.8)	(2.5)	(2.1)			
Restructuring charges	(0.5)	(2.6)	(0.3)			
Impairment of long-lived assets		(20.5)	_			
Comprehensive cost of financing	22.9	9.1	11.6			
Income tax	0.7	(9.8)	2.4			
Net loss (income) for the year	22.6%	46.0%	11.8%			

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net revenues

Our net revenues decreased 7.8%, from Ps.2,577.4 million in 2010 to Ps.2,375.9 million in 2011. The decrease primarily resulted from:

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Residential revenues represented 41.9% of total revenues during 2011, compared with 40.3% in the previous year of 2010. Revenues in the residential business reached Ps.994.7 million in 2011, a decrease of 4.3% or Ps.45.2 million in comparison to Ps.1,039.9 million in 2010. The decrease in revenues is a combination of an decrease in voice services by approximately Ps.134.6 million, an increase in paid TV services by approximately Ps.31.1 million, an increase in data revenues by approximately Ps.58.4 million and an decrease in mobile services by Ps.0.1 million.

- Commercial revenues represented 25.5% of total revenues during 2011, compared with 27.0% in 2010. Revenues in the commercial business totaled Ps.607.0 million in 2011, a decrease of 12.4% or Ps.85.8 million in comparison to Ps.692.7 million in the year 2010. This decrease in revenues was explained by a decrease of Ps.94.4 million in voice services and a increase of Ps.8.6 million in data services.
- Public Telephony represented 9.8% of total revenues during 2011 in comparison with 14.7% in 2010. Revenues in this segment totaled Ps.232.8 million in 2011, a decrease of 38.5% compared to Ps.378.3 million in 2010. The decrease in the public telephony business was primarily driven by the availability of the number of public telephones and a decrease in the average usage per phone.
- In 2011, wholesale revenues totaled Ps.526.9 million, an increase of 16.3% in comparison to Ps.452.9 million in the same period in 2010. The increase in the wholesale business was mainly driven by higher traffic.
- Revenue from other services accounted for 0.6% or Ps.14.6 million of total revenues in 2010 an increase, from the Ps.13.4 million recorded in the same period last year. Other revenues are primarily comprised of lease of microwave frequencies and Customer Premise Equipment (CPE) sales.

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

	Year Ended December 31					
	2011		2010		%	
			(In n	nillions)		
Residential	Ps.	994.7	Ps.	1,040.0	(4.3)%	
Commercial		607.0		692.7	(12.3)%	
Public Telephony		232.8		378.4	(38.4)%	
Wholesale		526.9		452.9	16.3%	
Other Revenue		14.6		13.4	8.9%	
Total revenues	Ps.	2,375.9	Ps.	2,577.4	(7.8)%	

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

		ARPU				
		2011		2010	%	
			(In m	nillions)		
Monthly charges	Ps.	125.3	Ps.	158.2	(20.8)%	
Usage		175.2		229.9	(23.8)%	
Subtotal		300.5		388.1	(22.6)%	
Non-recurring		6.5		3.7	75.6%	
Total	Ps.	307.1	Ps.	391.8	(21.6)%	

Total ARPU (we calculate average revenue per user by dividing the total voice revenues for a given period by the average number of voice lines, excluding wholesale lines, in service during such period) decreased 21.6% from Ps.391.8 in 2010 to Ps.307.1 in 2011. The major changes in absolute and relative terms were: (i) a decrease in monthly charges of 20.8% from Ps.158.2 in 2010 to Ps.125.3 in 2011; (ii) a 23.8% decrease in usage from Ps.229.9 in 2010 to Ps.175.2 in 2011; and (iii) a 76.6% increase in non-recurring charges from Ps.3.7 in 2010 to Ps.6.5 in 2011.

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Revenue Generating Units

The term RGU represents an individual service subscriber who generates recurrent revenue for us. During 2011, we reduced a total of 1,100 revenue generating units. As of December 31, 2011, Maxcom reported a total of 555,464 RGUs, a decrease of 0.2% in comparison to the same period last year.

The following table presents a breakdown of our RGUs by type of customer at December 31, 2011 and 2010 and the percentage variation:

	At December 31			
	2011	2010	%	
Residential	424,121	417,756	1.5%	
Commercial	67,826	68,600	(1.1)%	
Public Telephony	37,769	41,124	(8.1)%	
Wholesale lines	25,748	29,084	(11.4)%	
Total lines	555,464	556,564	(0.1)%	

Operating Costs and Expenses

Our operating costs and expenses decreased 13.8% from Ps.2,614.7 million in 2010 to Ps.2,254.0 million in 2011. This decrease was primarily the result of:

- a Ps.346.9 million, or 35.1% decrease in network operating services resulting mainly from:
 - a Ps.124.9 million lower fixed-to-mobile interconnection costs.
 - o a Ps.107.0 million lower fixed-to-mobile national interconnection costs.
 - o a Ps.70.1 million decrease related to long distance interconnection costs.
 - o a Ps.69.2 million decrease related to public telephony, circuit and port leases and internet services.
 - o This decrease was partially offset by a Ps.24.3 million increase mainly due to higher data and TV content cost.
- a Ps.1.9 million, or 1.6% increase in technical expenses primarily due to:
 - a Ps.0.7 million decrease in insurance costs; and,
 - o a Ps.1.2 million decrease in other technical expenses.
- Installation expenses for 2011 decrease Ps.2.4 million or 18.2%.
- a Ps.21.3 million, or 3.0% decrease in depreciation and amortization expenses mainly related to reduction on capital investments; and,
- Selling, general and administrative expenses increase Ps.11.9 million, or 1.5% primarily due to:
 - o a Ps.20.1 million decrease in salaries, wages and benefits;
 - o a Ps.31.9 million in higher external advisors expenses and bad debt expenses.

Comprehensive Cost of Financing

Our comprehensive cost of financing was Ps.543.7 million in 2011, a 132.8% increase compared to Ps.233.5 million in 2010.

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

	Year Ended December 31						
	2011		2010	%			
		(In millions)					
Interest expense — Net	Ps.	(311.9) P	Ps. (310.6)	0.4%			
Exchange gain (loss) — Net		(245.8)	73.3	(335.3)%			
Capitalized interest		14.0	3.8	268.4%			
Total comprehensive cost of financing	Ps.	(543.7) P	Ps. (233.5)	(132.8)%			

The increase of comprehensive cost of financing was primarily due to:

- a Ps.1.3 million or 0.4% increase in net interest paid and interest gain. For 2011 interest paid was Ps.9.9 million lower when compared to 2010, due to the change in exchange rate. For 2011 the interest gain was Ps.11.2 million lower than 2010 due to a lower cash investment;
- a Ps.245.8 million exchange rate loss compared to a net exchange rate gain of Ps.73 million recognized in the same period last year mainly due to an depreciation of the Mexican peso of 13.1% during 2011 compared with a peso appreciation of 5.4% during 2010;
- a Ps.10.2 million higher capitalized interest mainly due to an depreciation of the Mexican peso as previously explained.

Tax Provisions

We recorded a credit of Ps.16.6 million in taxes during 2011 mainly due to a tax provision of some companies of the group, compared to the debit of Ps.253.1 million registered in 2010, mainly derived from the impairment charge that was recognized in 2010.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net revenues

Our net revenues increased 0.6%, from Ps.2,562.5 million in 2009 to Ps.2,577.4 million in 2010. The increase primarily resulted from:

- Residential revenues represented 40.6% of total revenues during 2010, compared with 36.2% in the previous year of 2009. Revenues in the residential business reached Ps.1,039.9 million in 2010, an increase of 12.0% or Ps.111.2 million in comparison to Ps.928.7 million in 2009. The increase in revenues is a combination of an increase in voice services by approximately Ps.34.7 million, an increase in paid TV services by approximately Ps.48.3 million, an increase in data revenues by approximately Ps.27.1 million and an increase in mobile services by Ps.1.0 million.
- Commercial revenues represented 27.0% of total revenues during 2010, compared with 30.7% in 2009. Revenues in the commercial business totaled Ps.692.7 million in 2010, a decrease of 12.1% or Ps.95.3 million in comparison to Ps.788 million in the year 2009. This decrease in revenues was explained by a decrease of Ps.73 million in voice services and a decrease of Ps.21.6 million in data services.
- Public Telephony represented 14.8% of total revenues during 2010 in comparison with 17.9% in 2009. Revenues in this segment totaled Ps.378.3 million in 2010, a decrease of 17.9% compared to Ps.460.7 million in 2009. The decrease in the public telephony business was primarily driven by the availability of the number of public telephones and a decrease in the average usage per phone.
- In 2010, wholesale revenues totaled Ps.452.9 million, an increase of 21.7% in comparison to Ps.372.2 million in the same period in 2009. The increase in the wholesale business was mainly driven by higher traffic.
- Revenue from other services accounted for 0.5% or Ps.13.4 million of total revenues in 2010 an increase, from the Ps.12.9 million recorded in the same period last year. Other revenues are primarily comprised of lease of microwave frequencies and Customer Premise Equipment (CPE) sales.

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

	Year Ended December 31					
	-	2010		2009	%	
			(In m	illions)		
Residential	Ps.	1,040.0	Ps.	928.7	12.0%	
Commercial		692.7		788.0	(12.1)%	
Public Telephony		378.4		460.7	(17.9)%	
Wholesale		452.9		372.2	21.7%	
Other Revenue		13.4		12.9	3.5%	
Total revenues	Ps.	2,577.4	Ps.	2,562.5	0.6%	

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

		ARPU				
		2010	2009	%		
			(In millions)			
Monthly charges	Ps.	158.2	Ps. 161.	9 (2.3)%		
Usage		229.9	249.	4 (7.8)%		
Subtotal		388.1	411.3	9 (5.6)%		
Non-recurring		3.7	5.	2 (28.8)%		
Total	Ps.	391.8	Ps. 415.	3 (5.6)%		

Total ARPU decreased 5.6% from Ps.415.3 in 2009 to Ps.391.8 in 2010. The major changes in absolute and relative terms were: (i) a decrease in monthly charges of 2.3% from Ps.161.9 in 2009 to Ps.158.2 in 2010; (ii) a 7.8% decrease in usage from Ps.249.4 in 2009 to Ps.229.9 in 2010; and (iii) a 28.8% decrease in non-recurring charges from Ps.5.2 in 2009 to Ps.3.7 in 2010.

Revenue Generating Units

The term RGU represents an individual service subscriber who generates recurrent revenue for us. During 2010, we added a total of 42,979 revenue generating units. As of December 31, 2010, Maxcom reported a total of 556,564 RGUs, an increase of 8.4% in comparison to the same period last year.

The following table presents a breakdown of our RGUs by type of customer at December 31, 2010 and 2009 and the percentage variation:

		At December 31				
	2010	2009	%			
Residential	417,756	366,001	14.1%			
Commercial	68,600	81,081	(15.4)%			
Public Telephony	41,124	41,393	(0.6)%			
Wholesale lines	29,084	25,110	15.8%			
Total lines	556,564	513,585	8.4%			

Operating Costs and Expenses

Our operating costs and expenses increased 1.7% from Ps.2,569.7 million in 2009 to Ps.2,614.7 million in 2010. This increase was primarily the result of:

- $\bullet \quad$ a Ps.3.8 million, or 0.4% increase in network operating services resulting mainly from:
 - o a Ps.77.0 million higher fixed-to-mobile interconnection costs.
 - o a Ps.5.1 million increase related to our paid TV content and internet services;
 - o a Ps.4.7 million increase related to public telephony, circuit and port leases and internet services.
 - o This increase was partially offset by a Ps.83.0 million decrease on long distance interconnection costs as a result of lower customer usage.

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- a Ps.15.0 million, or 11.2% decrease in technical expenses primarily due to:
 - o a Ps.4.2 million decrease in utilities costs; and,
 - o a Ps.10.8 million decrease in other technical expenses.
- Installation expenses for 2010 increase Ps.1.4 million or 11.6%.
- a Ps.62.6 million, or 9.8%, increase in depreciation and amortization expenses mainly related to new capital investments; and,
- Selling, general and administrative expenses decreased Ps.7.8 million, or 1.0% primarily due to:
 - o a Ps.37.2 million decrease in salaries, wages and benefits;
 - o These expenses were partially offset by Ps.29.4 million in higher marketing expenses, leases expenses, external advisors expenses and billing expenses.

Comprehensive Cost of Financing

Our comprehensive cost of financing was Ps.233.5 million in 2010, a 21.3% decrease compared to Ps.296.8 million in 2009.

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

		Year Ended December 31								
		2010		2009	%					
			(In	millions)						
Interest expense — Net	Ps.	(310.6)	Ps.	(322.9)	(3.8)%					
Exchange gain (loss) — Net		73.3		8.0	816.3%					
Capitalized interest		3.8		18.1	(79.0)%					
Total comprehensive cost of financing	Ps.	(233.5)	Ps.	<u>(296.8)</u>	(21.3)%					

The decrease of comprehensive cost of financing was primarily due to:

- a Ps.12.3 million or 3.8% decrease in interest paid as a result of a lower average outstanding balance of debt during 2010 compared to 2009;
- a Ps.73.3 million exchange rate gain compared to a net exchange rate gain of Ps.8.0 million recognized in the same period last year mainly due to an appreciation of the Mexican peso of 5.4% during 2010 compared with a peso appreciation of 3.5% during 2009;
- a Ps.14.3 million lower capitalized interest mainly due to an appreciation of the Mexican peso as previously explained and a reduction on the CAPEX program for 2010.

Tax Provisions

We recorded a debit of Ps.253.1 million in taxes during 2010 mainly due to a tax provision as a result of consecutive financial losses, compared to the credit of Ps.61.5 million registered in 2009, mainly derived from the impairment charge that was recognized in 2010.

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B. Liquidity and capital resources

Financing Sources and Liquidity

Our business is capital intensive. We have historically met our working capital and capital expenditure requirements through our various debt arrangements, vendor financings and the sale of equity to investors. As of December 31, 2011, we had Ps.396.9 million (U.S.\$28.4 million) of cash and cash equivalents. As of December 31, 2011 we had Ps.601.9 million (U.S.\$43.1 million) in working capital as defined by us (see footnote (1) for the definition). We maintain the majority of our cash in U.S. dollar currency accounts with financial institutions in the United States of America. These security accounts bear interest at money market levels. The remainder of our cash is deposited with Mexican banks and invested daily in Mexican peso denominated interest bearing securities.

Our principal uses of cash have included debt service, capital expenditures and working capital. We expect that these will remain our principal uses of cash in the future; however, we may use cash to pursue acquisitions. We expect to use approximately Ps.425.1 million (U.S.\$33.1 million) of cash during 2012 to fund capital expenditures in connection the expansion of our network, of which we have expended Ps.21.4 million (U.S.\$2.0 million) as of January 31, 2011. As of December 31, 2011 the estimated cost remaining to conclude the network build out construction in progress was Ps.48.8 million and management expects to conclude them before December 31, 2012.

On October 18, 2007, we issued a total of 355,517,292 shares of Series A common stock, including the primary and secondary portions and the overallotment option, in our initial public offering. During the initial public offering 853,592 options were exercised. Immediately following the closing of our initial public offering, our outstanding capital stock consisted of 789,818,829 shares of Series A common stock, 1,528,827 shares of which represent the fixed portion of our capital stock and 788,290,002 shares of which represent the variable portion of our capital stock. We received U.S.\$244.0 million in net proceeds from the initial public offering. The principal purpose of the initial public offering was to raise capital resources which we currently intend to use for capital expenditures to further expand our network.

On July 21, 2006, the Grupo VAC Investors subscribed for 78,813,503 common shares resulting in a U.S.\$31.2 million increase in our equity, equivalent to 16.34% of Maxcom's then-current total shares. As part of the transaction, we received U.S.\$22.7 million in cash.

On December 20, 2006, we completed a private placement of U.S.\$150 million aggregate principal amount of our senior notes due 2014. In addition, on January 10, 2007 and September 5, 2007, we completed supplemental private placements of our senior notes due 2014, each in the amount of U.S.\$25 million. Interest on the senior notes due 2014 accrues at the rate of 11% per annum and is payable semi-annually in arrears on June 15 and December 15, commencing on June 15, 2007. We used approximately U.S.\$100.5 million of the proceeds from these offerings to redeem our outstanding senior notes due 2007 and senior stepup notes due 2009 and to repay our 133/4% B series bonds, our then existing credit facilities and certain vendor financings.

The indenture governing our senior notes due 2014 contains certain covenants that, among other things, limit our ability to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of our subsidiaries to pay dividends or other payments by them, sell assets, merge or consolidate with other entities and enter into transactions with affiliates. As of December 31, 2011, we are in compliance with all of the covenants contained in the indenture governing our senior notes due 2014. The indenture governing the senior notes due 2014 prohibits us from incurring additional indebtedness (other than permitted indebtedness) unless our leverage coverage ratio would be no greater than (i) 4.00 to 1 in the case of any incurrence or issuance on or after January 1, 2008 and on or before December 31, 2009 and (ii) 3.50 to 1 in the case of any incurrence or issuance on or after January 1, 2010, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom). Our leverage ratio as of a specific date is the ratio of (i) the aggregate principal amount of our outstanding indebtedness plus the amount of all obligations in respect of the repayment of certain specified stock and the liquidation preference of preferred stock of our restricted subsidiaries (no such stock was outstanding as of December 31, 2009) to (ii) our aggregate EBITDA for the period consisting of the last two full fiscal quarters for which financial statements are publicly available multiplied by two. Regardless of our leverage ratio, we may incur permitted indebtedness, which includes, among other things:

- indebtedness, not to exceed U.S.\$10.0 million at any time outstanding, represented by capital lease obligations, financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the permitted business of the company, in an aggregate principal amount, including all permitted refinancing indebtedness incurred to renew, refund, refinance, replace, defease or discharge any such indebtedness;
- hedging obligations for the purpose of managing our exposure to fluctuations in interest rates with respect to indebtedness permitted to be incurred by us pursuant to the indenture or protecting us against currency fluctuations in the ordinary course of business and not for speculative purposes; and

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indebtedness not to exceed U.S.\$10.0 million in an aggregate principal amount at any time outstanding, including all permitted refinancing indebtedness incurred to renew, refund, refinance, replace, defease or discharge such indebtedness

The indenture governing our senior notes due 2014 contains events of default, including, without limitation, (subject to customary grace periods, cure rights and materiality thresholds) defaults based on (i) the failure to make payments of interest or principal when due, (ii) breaches of covenants, (iii) cross-defaults and cross acceleration to other material indebtedness, (iv) bankruptcy events, (v) material judgments and (vi) the actual or asserted invalidity of any guarantee. If any such event of default occurs, the notes could be declared due and immediately payable. Subject to certain exceptions, the indenture prohibits us and any of our restricted subsidiaries from entering into an affiliate transaction, unless (i) the transaction is on terms no less favorable to us or the relevant restricted subsidiary than those that would have been obtained in a comparable transaction by us or such restricted subsidiary with an unrelated entity; (ii) in transactions involving in excess of U.S.\$1.0 million, a majority of the disinterested directors have determined that the transaction complies with (i); and (iii) in transactions involving in excess of U.S.\$6.0 million, we deliver to the trustee a fairness opinion from an investment banking firm of national standing.

Indebtedness

Our consolidated debt as of December 31, 2011 was Ps.2,810.1 million (U.S.\$201.0 million), of which Ps.2,795.7 million (U.S.\$200.0 million) was long-term debt. Ps.2,810.1 million (U.S.\$201.0 million) of our consolidated debt outstanding as of December 31, 2011 was denominated in U.S. dollars. Our leverage ratio, as defined by the indenture governing our senior notes due 2014, was 3.5:1.0 as of December 31, 2011.

During 2007, we entered into currency swap transactions with the banks Morgan Stanley A.G. and Merrill Lynch Capital Markets A.G. to minimize the exchange rate risks related to the coupon payments with respect to \$150 million aggregate principal amount of our senior notes due 2014, for the payments during period from June 2008 to December 2010.

In December 2009, the company unwound the swap with Morgan Stanley A.G. and entered into a new swap with the same bank that covers the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

In March 2010 the company unwound the swap with Merrill Lynch Capital Markets A.G. and entered into a new cross currency swap transaction with Morgan Stanley, A.G. that minimize the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

In May 2011 we amended the cross currency swap agreements with Morgan Stanley (France), SAS to delete from the agreements the clause authorizing Morgan Stanley to terminate the agreements in case the credit rating of Maxcom continues to decline. In counterpart, Maxcom agreed to deposit U.S.\$1.5 million in a collateral account in Morgan Stanley.

The following table presents a breakdown of our consolidated debt for 2011 and 2010:

	As of December 31, 2011(1)			As of December 31, 2010(2)		31,			
		Pesos	D	ollars		Pesos	D	ollars	_
	(In thousands)						_		
Short Term and Long Term Vendor Financing:									
Vendor financing denominated in pesos	Ps.	9,116.0	U.S.\$	_	Ps.	6,613.4 U	J. S. \$	_	_
Vendor financing denominated in dollars				<u> </u>		<u></u>		_	
Total vendor financing		9,116.0		_		6,613.4		_	_
Long Term Payable Notes Denominated in U.S. Dollars:									
U.S.\$175 million senior secured notes (U.S.\$150 million issued on December									
20, 2006 and U.S.\$25 million issued on January 10, 2007) bearing interest at a									
rate of 11%, maturing on December 15, 2014		2,795,740.0		200,000.0		2,471,420.0		199,953.	1
Accrued interest		14,372.0		1,028.1		12,705.0		1,027.9)
Total long term payable bonds denominated in U.S. dollars	Ps.	2,810,112.0	U.S.\$	201,028.1	Ps.	2,484,125.0 U	J. S. \$	200,981.0)

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- (1) Nominal pesos as of December 31, 2011. Peso amounts were converted to U.S. dollars solely for the convenience of the reader at the rate of Ps.13.98 per U.S.\$1.00 as reported by the Banco de México on December 30, 2011. Such conversions should not be construed as a representation that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated, or at any other rate.
- (2) Constant pesos as of December 31, 2010. Peso amounts were converted to U.S. dollars solely for the convenience of the reader at the rate of Ps.12.36 per U.S.\$1.00 as reported by the Banco de México on December 31, 2010. Such conversions should not be construed as a representation that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated, or at any other rate.

Resources from Operating, Financing and Investing Activities

Since 2008, the NIF B-2 "Statement of cash flows"- NIF B-2 supersedes Bulletin B-12 "Statement of changes in financial position" and paragraph 33 of Bulletin B-16. The principal considerations established by this NIF are the following:

- i. Instead of the statement of changes in financial position, the financial statements shall include the statements of cash flows for all the periods presented comparatively with those of the current year, except for financial statements of periods prior to 2008;
- ii. Cash inflows and cash outflows are reported in nominal currency units, thus not including the effects of inflation;
- iii. Two alternative preparation methods (direct and indirect) are established, without stating preference for either method. Furthermore, cash flows from operating activities are to be reported first, followed by cash flows from investing activities and lastly by cash flows from financing activities;
- iv. Captions of principal items are to be reported gross, with certain exceptions and require disclosure of the composition of items considered cash equivalents.

Accordingly, we present the statement of changes in financial position for 2008 as issued and the statement of cash flows for 2010 and 2009 under the indirect method.

		At December 31,				
		2011	2010	%		
		(Thousands of constant pesos)				
Net resources provided by operating activities	Ps.	760,979 Ps.	378,417	101.1%		
Net resources used in investing activities		(438,397)	(712,686)	(38.5)%		
Net resources (used in) provided by financing activities		(301,226)	(277,850)	8.4%		
		At December 31,				
		2010	2009	%		
		(Thousands of constant pesos)				
Net resources provided by operating activities	Ps.	378,417 Ps.	597,212	(36.6)%		
Net resources used in investing activities		(712,686)	(909,989)	(21.7)%		
Net resources (used in) provided by financing activities		(277,850)	(291,285)	(4.6)%		

Historically, our resources generated from operating activities have not been sufficient to meet our debt service, working capital and capital expenditure requirements. We have relied on private equity, capital markets and vendor financing. Under MFRS our earnings were insufficient to cover our fixed charges by Ps.540.8 million (U.S.\$38.7 million) in 2011, Ps.910.5 million (U.S.\$73.66 million) in 2010 and Ps.359.3 million (U.S.\$27.5 million) in 2009.

As of December 31, 2011, we had Ps.396.6 million of cash and cash equivalents, compared to Ps.375.2 million in December 31, 2010.

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Resources Provided by Operating Activities

For the year ended December 31, 2011, resources provided by operating activities was Ps.382.6 million higher than in 2010. This increase was mainly driven by a increase of Ps.206.1 million in cash generation as a result of a decrease of Ps.378.7 million of net loss and a decrease of Ps.172.6 million in non-cash items included in the net loss. In addition Ps.176.5 million increase in resources were result of changes in working capital items, as detailed below:

- Ps.78.0 million increase in resources resulting from an increase in cash generation from accounts receivable when compared to the Ps.18.1 million used in 2010 with the Ps.59.9 million generated in 2011;
- Ps.72.3 million increase in resources resulting from an increase in liabilities when compared the Ps.127.0 million resources used in 2010 with the Ps.54.7 million resources used in 2011; and
- Ps.26.1 million increase in resources resulting from a decrease in inventory, when compared to the Ps.9.3 million used in 2010 with the Ps.16.8 million generated in 2011.

For the year ended December 31, 2010, resources used by operating activities was Ps.218.8 million lower than in 2009. This decrease was mainly driven by a decrease of Ps.20.6 million as a result of an increase of Ps.566.7 million of net loss and an increase of Ps.546.1 million in non-cash items included in the net loss. In addition Ps.198.2 million decrease in resources were result of changes in working capital items, as detailed below:

- Ps.37.8 million decrease in resources resulting from a decrease in accounts receivable when compared to the Ps.19.6 million generated in 2009 with the Ps.18.1 million used in 2010;
- Ps.126.7 million decrease in resources resulting from a decrease in liabilities and increase in other assets when compared to the Ps.0.4 million used in resources provided in 2009 with the Ps.127.0 million used in resources provided in 2010; and
- Ps.33.8 million decrease in resources resulting from a decrease in inventory, when compared to the Ps.24.5 million generated in 2009 with the Ps.9.3 million used in 2010.

For the year ended December 31, 2009, resources used by operating activities was Ps.383.4 million higher than in 2008. This increase was mainly driven by a Ps.610.1 million decrease in resources generation, as a result of Ps.306.4 million decrease, year over year, in Net loss and Ps.916.4 million decrease in non-cash items.

In addition Ps.226.6 million increase in resources were result of improvements in working capital items, as detailed below:

- Ps.218.6 million increase in resources resulting from an increase in accounts receivable when compared to the Ps.199.0 million used in 2008 with the Ps.19.6 million generated in 2009;
- Ps.24.1 million decrease in resources resulting from a decrease in liabilities and increase in other assets when compared to the Ps.23.6 million increase in resources provided in 2008 with the Ps.0.4 million used in resources provided in 2009; and
- Ps.32.1 million increase in resources resulting from a decrease in inventory, when compared to the Ps.7.6 million usage in 2008 with the Ps.24.5 million generated in 2009.

Resources Provided by Financing Activities

For the year ended December 31, 2011, net resources generated by financing activities decreased by Ps.23.4 million compared to 2010. This decrease was mainly due to:

- Ps.3.8 million used to the payment for the senior notes interest,
- Ps.0.7 million generated from the stock option program in 2011;
- Ps.9.1 million used for the vendor financing in 2011;

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Ps.9.8 million used for shares repurchase program.

For the year ended December 31, 2010, net resources generated by financing activities increased by Ps.13.4 million compared to 2009. This decrease was mainly due to:

- Ps.10.9 million used to the payment for the senior notes interest,
- Ps.12.4 million generated from the stock option program in 2010;
- Ps.4.4 million generated from the vendor financing in 2010;
- Ps.2.5 million generated from shares repurchase program and other financing activities in 2010; and
- Ps.5.0 million generated from other financing activities.

For the year ended December 31, 2009, net resources generated by financing activities decreased by Ps.23.5 million compared to 2008. This decrease was mainly due to:

- Ps.66.7 million used to the payment for the senior notes interest,
- Ps.63.7 million generated from the stock option program in 2009;
- Ps.4.1 million generated from the vendor financing in 2009; and
- Ps.630.3 million decrease due to the Mexican peso appreciation during 2009, resulting in a net effect of Ps.95.9 million compared to the depreciation of the Mexican peso during 2008, resulting in a net effect of Ps.534.4 million.
- Ps.28.6 million generated from shares repurchase program and other financing activities in 2009;
- Ps. 6.3 used in other financing activities.

Resources Used for Investing Activities

For the year ended December 31, 2011, net resources used for investing activities increased Ps.274.3 million. This decrease was mainly attributable to a decrease in investment in telephone equipment.

For the year ended December 31, 2010, net resources used for investing activities decreased Ps.197.3 million. This decrease was mainly attributable to a decrease in investment in telephone equipment.

For the year ended December 31, 2009, net resources used for investing activities decreased Ps.703.9 million. This decrease was mainly attributable to a decrease in investment in telephone equipment.

Capital Expenditures

Through December 31, 2011, we have invested Ps.10,278.4 million in the build out of our network operating support system and other capital expenditures, excluding cumulative pre-operating expenses and the expenses related to the issuance of several debt instruments. This amount includes Ps.143.9 million paid to obtain all of our frequency rights. Our 2011 capital expenditures amounted to Ps.438.4 million (U.S.\$31.4 million) and our expected capital expenditures for 2012 are approximately Ps.426.0 million (U.S.33.1 million) which will be funded with the cash generated from the operating activities.

Dividend Policy

Our current policy is to reinvest profits into our operations. In addition, the indenture that governs the terms of our senior notes due 2014 allows us to pay cash dividends only if we meet the following conditions:

• a minimum consolidated leverage ratio of less than 4.00 to 1.00 on or after January 1, 2008 and on or before December 31, 2009, and 3.50 to 1.00 on or after January 1, 2010;

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- a minimum fixed charge coverage ratio of 2.00 to 1.00;
- no default (as defined in the indenture) must have occurred and be continuing or result from the payment of the cash dividend; and
- the dividend payments together with the aggregate amount of all other restricted payments (as defined in the indenture) do not exceed certain amount determined in the indenture based on, among other things: (i) the consolidated net income of the company, (ii) the net cash flows from equity offerings, (iii) the lesser of the return on the restricted investments or the original amount of the restricted investment, (iv) the lesser of the fair market value (as defined in the indenture) of the company's investment on a subsidiary after its redesignation as a restricted subsidiary or the original fair value as of the date in which such subsidiary was originally designated as unrestricted subsidiary.

In addition, we may not pay any dividend unless (i) such dividend is paid from our net profit account and the financial statements including such net profit have been approved by a shareholder resolution and (ii) the payment of the relevant dividend is approved by a shareholder resolution.

Effects of Inflation on Financial Information

Our financial statements have been prepared in accordance with Mexican Financial Reporting Standards ("MFRS") in effect as of the balance sheet date and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the Mexican National Consumer Price Index ("NCPI") published by Banco de México (central bank of México).

The accumulated percentage of inflation for the previous three year periods and the indexes used to recognize the effects of inflation for the year, are the following:

		Inflat	ion
December 31,	NCPI	Year	Accumulated
2011	103.551	3.82%	12.26%
2010	144.639	4.40%	15.19%
2009	138.541	3.57%	14.48%
2008	133.761	6.53%	15.01%
2007	125.564	3.76%	11.56%
2006	121.015	4.05%	13.10%

NIF B-10 "Effects of inflation" — NIF B-10 supersedes Bulletin B-10 "Recognition of the effects of inflation on the financial information" and its five amendment documents, as well as the related bulletins and Interpretation of Financial Reporting Standards (IFRS) 2. The principal considerations established by this NIF are:

(i) Recognition of the effects of inflation — An entity operates in a) an inflationary economic environment when cumulative inflation over the immediately preceding 3-year period is equal to or greater than 26%; and b) non-inflationary economic environment, when inflation over the aforementioned period is less than 26%.

For case a), the comprehensive recognition of the effects of inflation is required, (similarly to Bulletin B-10 being superseded). For case b), the effects of inflation are not recognized; however, at the effective date of this NIF and when an entity ceases to operate in an inflationary economic environment, the restatement effects determined through the last period in which the entity operated in an inflationary economic environment (in this case 2008), must be kept and shall be reclassified on the same date and using the same procedure as that of the corresponding assets, liabilities and stockholders' equity. Should the entity once more operate in an inflationary economic environment, the cumulative effects of inflation not recognized in the periods where the environment was deemed as non-inflationary should be recognized retrospectively.

- (ii) Price index the use of the National Consumer Price Index (NCPI) or the change in the value of the Investment Unit (UDI) may be used for determining the inflation for a given period.
- (iii) Valuation of inventories and of foreign machinery and equipment The possibility of using replacement costs for inventories and specific indexation for foreign machinery and equipment is no longer allowed.

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- (iv) Equity adjustment for non-monetary Assets On the effective date of this NIF, the unrealized portion of the equity adjustment for non-monetary assets, which is maintained in stockholders' equity, should be identified to be reclassified to earnings of the year when the originating item is realized. The realized portion or when is not practical to identify the unrealized portion, the realized and unrealized portions should be reclassified to retained earnings.
- (v) Monetary Position Gains or Losses (included in Deficit/Excess in Equity Restatement) will be reclassified to retained earnings on the effective date of this NIF.

The 2007 and prior consolidated financial statements are presented expressed in constant pesos at December 31, 2007, the date on which the comprehensive method for recognizing the effects of inflation was last used.

Principal Differences between MFRS and U.S. GAAP

The financial information included in this annual report is prepared and presented in accordance with MFRS, which differs in certain significant respects from U.S. GAAP. See note 21 to the consolidated financial statements for a description of the principal differences between MFRS and U.S. GAAP applicable to us; for a reconciliation of stockholders' equity to U.S. GAAP as of December 31, 2011 and 2010; for a reconciliation of our net income (loss) for each of the years ended December 31, 2011, 2010 and 2009 and for a description of the principal differences in classification between the statements of cash flows as of December 31, 2011, 2010 and 2009 under MFRS and the requirements under U.S. GAAP for statements of cash flows.

Recent United States Accounting Pronouncements

Accounting Standards Codification

On July 1, 2009, FASB Accounting Standards CodificationTM (ASC) became the sole source of authoritative GAAP recognized by the Financial Accounting Standards Board (FASB) to be applied by nongovernmental entities for financial statements issued for interim and annual periods ending after September 15, 2009. ASC did not change GAAP, but rather combined the sources of GAAP and the framework for selecting among those sources into a single source. Accordingly, the adoption of ASC had no impact on the Company. The Company did not have any material effect on its overall financial position or results of operations.

Amendments to ASC 855, Subsequent Events (formerly FAS 165, Subsequent Events)

In May 2009, the FASB issued guidance now codified as FASB ASC Topic 855, Subsequent Events. This guidance establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The new guidance under FASB ASC Topic 855 is effective for interim or annual periods ending after June 15, 2009. The Company did not have any material effect on its overall financial position or results of operations.

ASC 810 Consolidation (FAS 167, Amendments to FASB Interpretation No. 46(R))

In June 2009, the FASB issued ASC 810, Consolidations (FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)). ASC 810 requires a qualitative analysis to determine the primary beneficiary of a VIE. The analysis identifies the primary beneficiary as the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The standard also requires additional disclosures about an enterprise's involvement in a VIE. FAS 167 is effective for a company's first reporting period beginning after November 15, 2009. Accordingly, the adoption of ASC had no impact on the Company.

ASC 605-25 Multiple-Element Arrangements

On September 23, 2009, the FASB ratified ASC 605-25 Multiple-Element Arrangements . This ASC updates the current guidance pertaining to multipleelement revenue arrangements included in ASC Subtopic 605-25, which originated primarily from EITF 00-21, also titled "Revenue Arrangements with Multiple Deliverables." This ASC will be effective for annual reporting periods beginning January 1, 2011 for calendar-year entities. The Company did not have any material effect on its overall financial position or results of operations.

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Recent Mexican Accounting Pronouncements

The CINIF has issued the following FRS, applicable for years beginning on or after January 1, 2010 or 2011, as indicated.

- (a) FRS B-5 "Segment information"- FRS B-5 is effective as of January 1, 2011. Changes as compared to superseded Bulletin B-5 "Segment Information" include the following:
 - The information to be disclosed by operating segment is that regularly used by senior management and it does not require the segmentation into primary and secondary information, nor is it to be referred to segments identified based on products or services (economic segments), geographical areas and homogeneous groups. Additionally, disclosure of information on the whole entity's products or services geographical areas and principal clients and suppliers is required.
 - FRS B-5 does not require that the entity's business areas be subject to different risks to qualify as operating segments.
 - FRS B-5 allows business areas in pre-operating stage to be catalogued as operating segments.
 - FRS B-5 requires disclosure by segment and separately, revenue and interest expense as well as all other components of comprehensive financial results (CFR). In specific cases, the FRS B-5 permits disclosure of net interest income.
 - FRS B-5 requires disclosure of the liability amounts included in the usual operating segment information normally used by senior management in making the entity's operating decisions.

Management estimates that the initial effects of this new FRS will not be material.

- (b) FRS B-9 "Interim financial reporting"- FRS B-9 is effective as of January 1, 2010. Changes as compared to superseded Bulletin B-9 "Interim financial reporting" include the following:
 - FRS B-9 requires that the interim financial information includes a comparative and condensed balance sheet, income statement, statement of stockholders' equity and statement of cash flows and, for non-profit entities, it expressly requires the presentation of a statement of activities.
 - FRS B-9 establishes that the financial information at the end of an interim period should be presented comparatively with the equivalent interim period of the immediately preceding year and, in the case of the balance sheet, compared also to such financial statement at the immediately preceding year-end date.
 - FRS B-9 includes and defines new terminology.

Management estimates that the initial effects of this new FRS will not be material.

- (c) FRS C-1 "Cash and cash equivalents"- FRS C-1 supersedes Bulletin C-1 "Cash" and is effective as of January 1, 2010. The principal changes with respect to the former standard include the following:
 - FRS C-1 requires the presentation of cash and cash equivalents, restricted, within the balance sheet caption of "Cash and cash equivalents".
 - The term "demand temporary investments" is replaced by "available demand investments".
 - To be identified as cash equivalents, the investments should be highly liquid, for example those with original maturities of three months or less when purchased.
 - FRS C-1 includes the definition of the terms: acquisition cost, restricted cash and cash equivalents, highly liquid investments, net realizable value, nominal value and fair value.

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Management estimates that the initial effects of this new FRS will not be material.

The CINIF has issued the following NIFs, effective for years beginning after January 1, 2009, early application is not permitted.

NIF B-7 "Business acquisitions"- NIF B-7 supersedes Bulletin B-7 and establishes, among other things, the general rules for the initial valuation and recognition at the acquisition date of net assets, stressing that all business acquisitions should be accounted for using the purchase method.

The Company did not have any material effect on its overall financial position or results of operations.

- NIF B-8 "Consolidated and combined financial statements"-NIF B-8 supersedes Bulletin B-8 "Consolidated and combined financial statements and valuation of permanent investments in shares" and establishes the general rules for the preparation and presentation of consolidated and combined financial statements and related disclosures. Amendments include:
 - (i) The obligation to consolidate special purpose entities (SPEs) when controlled.
- (ii) The possibility, under certain rules, of presenting unconsolidated financial statements when the parent is, in turn, a subsidiary with no minority interest or when the minority stockholders do not object to the fact that consolidated financial statements are not issued.
- (iii) Consideration is given to the existence of potential voting rights that might be exercised or converted in favor of the entity as parent and that may change its involvement in decision making at the time of assessing the existence of control.
 - (iv) Additionally, regulations relating to the valuation of permanent investments have been transferred to a different bulletin.

The Company did not have any material effect on its overall financial position or results of operations.

- NIF C-7 "Investments in associates and other permanent investments" NIF C-7 sets forth the rules to account for investments in associates as well as other permanent investments where there is no control, joint control or significant influence. The principal changes with respect to the former standard include the following:
 - (i) Equity method of accounting is required for SPEs where significant influence is exercised.
- (ii) Consideration is given to the existence of potential voting rights that might be exercised or converted in favor of the entity as parent and that may change its involvement in decision making at the time of assessing the existence of significant influence.
 - (iii) A specific procedure and a limit for recognizing the associated entity's losses are provided.

The Company did not have any material effect on its overall financial position or results of operations.

- NIF C-8 "Intangible assets"- NIF C-8 supersedes Bulletin C-8 and establishes general rules for the initial and subsequent recognition of intangible assets acquired individually, either through the acquisition of a business or arising internally during the normal course of the entity's operations. Main changes include:
 - (i) The definition of intangible assets is narrowed to establish that separability is not the only condition for the intangible asset to be identifiable;
- (ii) Subsequent outlays for research and development projects in progress should be expensed as earned if they are part of the research phase or as an intangible asset if they meet the criteria to be recognized as such;
 - (iii) Greater detail is provided to account for the exchange of an asset, in accordance with the provisions of international standards and other NIF;
 - (iv) The presumption that an intangible asset may not exceed a useful life of twenty years was eliminated;

The effect of the adoption of this accounting pronouncement has been disclosed in note 6 to the financial statements.

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NIF D-8 "Share based payments"- NIF D-8 Establishes the valuation and accounting methods for goods or services paid for by shares. NIF D-8 is applicable to all purchases whose payments are liquidated by shares whether they are exercised through cash, shares, stock options payments or any combination of the aforementioned, excluding transactions with shareholders.

It is established within the NIF that any goods or services must be appraised at its fair value upon receipt.

Management has determined that there was no effects as a result of the adoption of this NIF based on the fact that Maxcom applied International Financial Reporting Standard (IFRS) 2 "Share based payments", which is consistent with NIF D-8.

Accounting changes.

The CINIF has issued the following NIF, effective for years beginning after December 31, 2008. Early application is not permitted.

- (a) NIF B-10 "Effects of inflation" NIF B-10 supersedes Bulletin B-10 "Recognition of the effects of inflation on the financial information" and its five amendment documents, as well as the related bulletins and Interpretation of Financial Reporting Standards (IFRS) 2. The principal considerations established by this NIF are:
 - (i) Recognition of the effects of inflation An entity operates in a) an inflationary economic environment when cumulative inflation over the immediately preceding 3-year period is equal to or greater than 26%; and b) non-inflationary economic environment, when inflation over the aforementioned period is less than 26%.

For case a), the comprehensive recognition of the effects of inflation is required, (similarly to Bulletin B-10 being superseded). For case b), the effects of inflation are not recognized; however, at the effective date of this NIF and when an entity ceases to operate in an inflationary economic environment, the restatement effects determined through the last period in which the entity operated in an inflationary economic environment (in this case 2008), must be kept and shall be reclassified on the same date and using the same procedure as that of the corresponding assets, liabilities and stockholders' equity. Should the entity once more operate in an inflationary economic environment, the cumulative effects of inflation not recognized in the periods where the environment was deemed as non-inflationary should be recognized retrospectively.

- (ii) Price index the use of the National Consumer Price Index (NCPI) or the change in the value of the Investment Unit (UDI) may be used for determining the inflation for a given period.
- (iii) Valuation of inventories and of foreign machinery and equipment The possibility of using replacement costs for inventories and specific indexation for foreign machinery and equipment is no longer allowed.
- (iv) Equity adjustment for non-monetary Assets On the effective date of this NIF, the unrealized portion of the equity adjustment for non monetary assets, which is maintained in stockholders' equity, should be identified to be reclassified to earnings of the year when the originating item is realized. The realized portion or when is not practical to identify the unrealized portion, the realized and unrealized portions should be reclassified to retained earnings.
- (v) Monetary Position Gains or Losses (included in Deficit/Excess in Equity Restatement) will be reclassified to retained earnings on the effective date of this NIF.

The 2007 and 2006 consolidated financial statements are presented expressed in constant pesos at December 31, 2007, date on which the comprehensive method for recognizing the effects of inflation was last used.

- (b) NIF D-3 "Employee benefits"-NIF D-3 supersedes Bulletin D-3 "Labor Obligations", the sections applicable to Employee Statutory Profit Sharing (ESPS) of Bulletin D-4 and IFRS 4. The principal considerations established by this NIF are:
 - (i) Elimination of the recognition of an additional liability and the related intangible asset or any comprehensive item as a separate element of stockholders' equity.
 - (ii) Employee benefits are classified in four principal categories; direct short-term and long term, termination and post-employment benefits. NIF D-3 establishes a maximum five-year period for amortizing unrecognized/unamortized items while actuarial gains or losses may be recognized as earned or incurred. Unlike termination benefits, post-employment benefits actuarial gains or losses may be immediately recognized in results of operations or amortized over the expected service life of the employees.

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- (iii) The use of nominal rates and the incorporation of the term salary increases due to promotions.
- (iv) ESPS, including deferred ESPS, shall be presented in the statement of income as ordinary operations, preferably within "other income and expenses". Furthermore, NIF D-3 establishes that the asset and liability method should be used for determining deferred ESPS; any effects arising from the change in method shall be recognized in retained earnings, without restatement of prior years' financial statements.

As a result from the adoption of this NIF, in 2008 the intangible asset of \$17,650 reflected in the balance sheet as of December 31, 2007 was eliminated. As of December 31, 2008 the effect of the recognition of items pending to be amortized on a five year period amounts to \$2,776.

- (c) NIF D-4 "Taxes on income"- NIF D-4 supersedes Bulletin D-4 "Accounting for income and asset taxes and employee statutory profit sharing" and Bulletins 53 and 54. The principal considerations established by this NIF are:
- (i) the balance of the cumulative IT effects resulting from the initial adoption of Bulletin D-4 in 2000 is reclassified to retained earnings, unless identified with any other comprehensive item pending reclassification. On January 1, 2008 there were no IT effects reclassified to retained earnings.
- (ii) the accounting treatment of ESPS (current and deferred) is transferred to NIF D-3, as mentioned in paragraph (b) above.
- (d) NIF B-2 "Statement of cash flows"- NIF B-2 supersedes Bulletin B-12 "Statement of changes in financial position" and paragraph 33 of Bulletin B-16. The principal considerations established by this NIF are shown on the following page.
- (i) Instead of the statement of changes in financial position, the financial statements shall include the statements of cash flows for all the periods presented comparatively with those of the current year, except for financial statements of periods prior to 2008;
- (ii) Cash inflows and cash outflows are reported in nominal currency units, thus not including the effects of inflation;
- (iii) Two alternative preparation methods (direct and indirect) are established, without stating preference for either method. Furthermore, cash flows from operating activities are to be reported first, followed by cash flows from investing activities and lastly by cash flows from financing activities;
- (iv) Captions of principal items are to be reported gross, with certain exceptions and require disclosure of the composition of items considered cash equivalents.

Accordingly, we present the statement of changes in financial position for 2007 and 2006 as issued and the statement of cash flows for 2008 under the indirect method.

- (e) NIF B-15 "Translation of foreign currencies"- NIF B-15 supersedes Bulletin B-15 "Foreign currency transactions and translation of financial statements of foreign operations". The principal considerations established by this NIF are:
- (i) Replacing integrated foreign operation and foreign entity concepts by those of recording, functional and reporting currencies, requiring that translation be made based on the economic environment in which the entity operates, regardless of its dependency on the holding company.

Includes translation procedures for instances where the recording and reporting currencies differ from the functional currency and provides for the option not to conduct such translation in companies not subject to consolidation or valuation based on the equity method.

(ii) The accounting changes produced by the initial application of this standard shall be recognized based on the prospective method; that is, in a non-inflationary economic environment, without modifying the translation already recognized in the consolidated financial statements of prior periods, at the time of issue.

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C. Research and development, patents and licenses, etc.

We do not undertake research and development activities.

D. Trend information

The Mexican Telecommunications industry is highly influenced by various U.S. telecommunications industry trends, including:

- The growth in broadband access;
- · The convergence of services and industries, as evidenced by the introduction of voice, data and video bundles in the market;
- Industry competitors forming alliances to sell and package bundles under one simple price strategies;
- Multi-service IP services; and
- Mobile services.

The growth of competition has been substantial and we expect it to continue. We are continuously improving our competitive position by strengthening our voice and data products and services. The increase in competition negatively affects our profit margins.

Our current financial constraints, including the uncertainty as to the availability of financing and the historical insufficiency of our earnings to cover fixed charges, has and may continue to negatively affect our plans for growth, including the build out of our network.

E. Off — balance sheet arrangements

We do not have any off-balance sheet arrangements.

F. Tabular disclosure of contractual obligations

The following table summarizes our minimum payments as of December 31, 2011 relating to long-term debt, operating leases, unconditional purchase obligations and other commercial commitments for the periods indicate. Certain provisions of our obligations could result in such payments being made in earlier periods than indicated below. For example, if a default exists under the indenture governing our senior notes due 2014, the holders of such notes could, subject to the terms of the indenture, cause the acceleration of all principal and accrued interest payable in respect of such notes.

	Payment Due by Period							
		L	ess Than				Mo	re Than
	Total		1 Year	1-3 Years	3	-5 Years	5	Years
			(In	thousands of pes	sos)	s)		
Contractual Obligations:								
Long-Term Debt Obligations*	Ps. 2,795,740.0	Ps.	_	Ps. 2,795,740.0	Ps.	_	Ps.	_
Capital (Finance) Lease Obligation	_		_	_		_		_
Vendor Financing	_		_			_		_
Capital Lease and Vendor Financing Accrued Interest at December 31,								
2010	10,675.6		3,829.4	6,846.2		_		_
Accounts Payable to Grupo VAC**	26,267.2		1,276.1	2,552.3		2,552.3		19,886.5
Debt Obligations Interest	971,028.9		337,749.2	633,279.7		_		_
Operating Lease Obligation	263,970.3		61,141.0	96,923.1		105,906.2		_
Interest to Account Payable to Grupo VAC**	21,849.1		2,067.3	3,826.5		3,415.6		12,539.6
Total	Ps. 4,089,531.1	Ps.	406,063.0	Ps. 3,539,167.8	Ps.	111,874.1	Ps.	32,426.1

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G. Safe Harbor

See "Special Note Regarding Forward-Looking Statements" on page 5.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and senior management

Directors

Our board of directors is responsible for the management of our business and is composed of ten members, each of whom is elected annually at our general ordinary meeting of shareholders. All board members hold the positions for one year and may be reelected.

On April 20, 2012, through a General Shareholders Meeting, the shareholders of Maxcom ratified the appointment of all the directors of the Company.

Mr. Jacques Gliksberg was reelected as Chairman of the Board of Directors of the Company, Mr. Adrian Aguirre was reelected as Vice chairman of the Board of Director.

On the same shareholders meeting, the shareholders approved the designation of Adrian Aguirre Gomez and Eduardo Augusto Jose Molina Llovera as new members of the Audit Committee and approved the designation of Juan Miguel Gandoulf Castellanos replacing Jorge Garcia Segovia who resigned as Chairman of the Audit Committee.

All the members of the Operating Advisory Committee were reelected.

Name	Age	Position
Jacques Gliksberg	54	Director and Chairman of the Board
Adrián Aguirre Gómez*	61	Director and Vice Chairman of the Board
Eduardo Vázquez	49	Director
Rodrigo Guerra Botello *	70	Director
Lorenzo Barrera Segovia *	53	Director
Juan Jaime Petersen Farah *	53	Director
Jorge Garcia Segovia *	54	Director
Eduardo Augusto José Molina Llovera *	63	Director
Juan Miguel Gandoulf Castellanos *	52	Director
Salvador Álvarez Valdés	46	Director (and also our CEO)

^{*} Independent Directors pursuant to New York Stock Exchange listing standards, applicable federal U.S. securities laws including Rule 10 A-3, and the Mexican Securities Market Law.

^{*} For further information see "Item 5. Operating and Financial Review and Prospects — B. Liquidity and capital resources - Financing sources and liquidity"

^{**} For further information see "Item 4. Information on the Company — B. Business overview-Legal Matters and Administrative Proceedings-Mexican Federal Power Commission (Comisión Federal de Electricidad) Litigation"

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Jesus Gustavo Martinez, Efrain Ruvalcaba, María Guadalupe Aguirre Gómez, Marco Viola and Jose Antonio Solbes serve as alternate directors during the absence of Eduardo Vázquez, Salvador Álvarez, Adrian Aguirre Gomez, Jacques Gliksberg and Eduardo Molina Llovera, respectively. Gonzalo Alarcón I. is the secretary of the Board and our General Counsel. Christian Cassereau serves as alternate secretary of the Board of Directors. The secretary and alternate secretary do not form part of the Board of Directors.

Adrián Aguirre Gómez and María Guadalupe Aguirre Gómez are siblings.

Adrian Aguirre Gomez Juan Miguel Gandoulf Castellanos, Rodrigo Guerra Botello, Juan Jaime Petersen Farah, Lorenzo Barrera Segovia, Jorge Garcia Segovia and Eduardo José Augusto Molina Llovera are independent directors.

Set forth below is a brief biographical description of each of our directors:

Jacques Gliksberg has been a director since 2002. Mr. Gliksberg served as a Series N director of Maxcom from 1998 until 2002 and in April 2011, was appointed Chairman of the Board of Directors of Maxcom. He also sits on the board of directors of Geoplan Brasil Development Ltd. (Brazil), Organización Rescarven, C.A. (Venezuela), Crown Linen, LLC, Fippex LLC and is the president of Difusión Panorámica, S.A. de C.V. Mr. Gliksberg was a managing partner of Bank of America Equity Partners from 1994 until 2005. He is now a managing partner of Nexus Partners, LLC. Mr. Gliksberg holds a bachelor of arts degree in economics and political science from the University of Rochester and a master's degree in business administration from the J. L. Kellogg Graduate School of Management at Northwestern University.

Adrián Aguirre Gómez has been a Chairman of the board of Maxcom since March 1996. In December 2008 was appointed Vice President of the Board. Mr. Aguirre also sits on the board of directors of Corporativo en Telecomunicaciones, S.A. de C.V., Maxcom Servicios Administrativos, S.A. de C.V., Maxcom SF, S.A. de C.V., Maxcom TV, S.A. de C.V. (all of which are Maxcom's subsidiaries), INCO Energía, S.A. de C.V. Fundacion Teletón and Aurcana Corporation where he also sits in the Governance & Compensation Committee and Chairs the Audit Committee . . He has been the chairman of the board for Operadora Plusgamma, S.A. de C.V. since 1992. Previously, Mr. Aguirre was chief executive officer and director of Grupo Radio Centro, S.A. de C.V. from 1980 to 1999, where he began working in 1968. Mr. Aguirre is a certified public accountant and holds an undergraduate degree in accounting from the Instituto Tecnológico Autónomo de México.

Eduardo Vázquez has been a director and vice president of Maxcom since July 2006 and in December 2008 was appointed Chairman of the Board until 2011. Mr. Vázquez has served as chairman of Grupo Telereunión since July 2004. Since April 2004, Mr. Vázquez has also served as chairman of the board of BBG Wireless, S.A. de C.V., a major supplier of infrastructure and operating facilities to some of the most important cellular telephone companies in Mexico, such as Telefónica Móviles. In 1990, Mr. Vázquez founded Baja Celular Mexicana, and through a joint venture with Motorola in 1994, he managed and served as chairman of four cellular companies: Baja Celular Mexicana, Movitel del Noroeste, Celular de Telefonía Moviles and Telefonía Celular. All four companies were combined into a regional operation covering the northern territory of Mexico, and were subsequently sold to Telefónica in 2000. Outside of the telecommunications industry, Mr. Vázquez has founded and operated several companies in a variety of sectors, including software development, automobile dealerships and real estate. Mr. Vázquez holds a bachelor's degree in business administration from the United States International University of San Diego,

Rodrigo Guerra Botello has been a director of Maxcom since June 2002. Mr. Guerra is also president of the Universidad Regiomontana in Monterrey, Mexico. Previously, Mr. Guerra was executive president of CETRO (a private trust for the development of small private business in Mexico), the national vice president of COPARMEX and the general director and treasurer of the Businessman Coordination Council. Mr. Guerra worked for AT&T México from March 1995 to January 1999 and served as president and chief executive officer of IBM de México from October 1980 to February 1995. Mr. Guerra was also director of Sidek and Situr. Mr. Guerra holds an undergraduate degree in chemical engineering from the Instituto Tecnológico de Estudios Superiores de Monterrey.

Lorenzo Barrera Segovia. Mr. Barrera was appointed director since December 2008. He is Managing Director, Principal Partner and Member of the Board of Directors for Base Internacional Casa de Bolsa, S.A. de C.V, a company that is in the business of Foreign Exchange, Money Market, Investment Funds and serves as a Financial Adviser. Base Internacional has an authorization from the Ministry of Finance, from the Comisión Nacional Bancaria y de Valores, Banco de México and is an EXIM Bank lender. Additionally, the company is rated by Standard & Poors and Fitch Ratings and audited by Deloitte & Touche. In addition, Mr. Barrera is member of Young Presidents Organization de Monterrey, Partner and member of the Board of Directors of Fraccionamiento Campestre Sierra Madre, S.A. de C.V., Casino Monterrey, A.C., Instituto de Atención Integral al Discapacitado Retos, ABP, American Chamber México Monterrey Chapter and The Chamber of Commerce of Canada in Monterrey. Prior to this, Mr. Barrera served as Chairman of the Board of Base Capital, S.A. de C.V. and as Managing Director, Principal Partner and member of the Board of Directors of Base Internacional Casa de Cambio, S.A. de C.V. Mr. Barrera was also Sub-Director of Fund Administration and Conciliation for foreign banks and held several positions at Banpais, S.A. Mr. Barrera holds an accounting degree from the Instituto Tecnológico y de Estudios Superiores de Monterrey and a master's degree in finance from the same University.

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Jorge García Segovia. Mr. García was appointed director since December 2008. He is currently member of the Board of Directors of Cemex México, S.A. de C.V., Compañía Minera Autlán, S.A.B. de C.V., Hoteles City Express, S.A de C.V., Ameq de México, S.A. de C.V., and Koviva, S.A. de C.V., Casino Monterrey, A.C., and of the State Council of Flora and Fauna of Nuevo Leon, A.C., and he is the current Chairman of Club de Niños y Niñas de Nuevo Leon, A.B.P. In addition, Mr. García was Investment Advisor for Vector Casa de Bolsa, held various positions within Banca Serfin, S.A. de C.V., Director of Northern Operations for Operadora de Bolsa, S.A. de C.V., Investment Advisor for Casa de Bolsa Interamericana, S.A. de C.V. and Project Analyst for Compañías Cuauhtémoc, S.A. de C.V. Mr. García is a Biochemical Engineer and obtained a diploma in the finance program from the Instituto Tecnológico y de Estudios Superiores de Monterrey. Mr. García is also a certified financial adviser. He is also an Honorary Consul of the Slovakian Republic in Northeastern México.

Juan Jaime Petersen Farah. Mr. Petersen was appointed director since December 2008. He is Founding Partner of Geltung Asesores, a Mexican firm that supports its clients in strategic planning and in the search for capital to grow existing businesses by issuing debt and private equity. In addition, Mr. Petersen is member of the Board of Directors of Convertidora Industrial, S.A. de C.V., Consorcio Terrenos, S.A. de C.V., and Chairman of the Board for Minsa, S.A. de C.V. and Almer, S.A. de C.V. Prior to this, Mr. Petersen was also member of the Board of Directors of Motor Coach Industries, Inc., Pacific Star, Inc. in which he also served as adviser in the sale of that business and for Tequila Herradura, S.A. de C.V. in which he worked on the Tequila Herradura's share buyback to Grupo Osborne and the sale of assets among other activities. In addition, Mr. Petersen was Managing Director of Blockbuster Video México, S.A. de C.V., Advisor for American Breco, Inc. and Director of Finance for Grupo Sidek, S.A. de C.V. Mr. Petersen has a degree in economics from the University of Guadalajara.

Eduardo Augusto José Molina Llovera. Mr. Molina is a founding partner and CEO of Difusión Panorámica, S.A. de C.V., an outdoor advertising company operating nationwide in Mexico. Since 2004 and until February 2011, he was President of the Asociación Mexicana de Publicidad Exterior, A.C. and member of the Consejo de Publicidad Exterior in Mexico City. From October 1997 to August 2001, he was CEO of Vendor, S.A. de C.V. Previously, since 1977, he held various positions in Grupo Televisa, S.A. de C.V. including Head of the Telemarketing and Promotions business and Head of Information Technologies and Data Communications. Mr. Molina holds an industrial engineering degree from the Universidad Iberoamericana and a master's degree in Business Administration from the Instituto Tecnológico y de Estudios Superiores de Monterrey.

Salvador Alvarez Valdes. Mr. Alvarez has been our Chief Executive Officer since February 2011, Prior to joining Maxcom, Mr. Alvarez served as Chief Executive Officer (CEO) of Medicus. He served as Managing Director of Red Legal; earlier in his career, Mr. Alvarez also served as General Manager of Corporativo Corvi, President and General Manager of ConAgra Foods, President and General Manager of Productos del Monte-ConAgra Grocery Products, SVP and GM of ConAgra Refrigerated Prepared Foods, VP and GM of ConAgra Refrigerated Prepared Foods, VP of International Operations of ConAgra, CEO of Campofrio Mexico. Mr. Alvarez holds a Post Graduate Degree by Instituto Panamericano de Alta Dirección de Empresa (IPADE), a Bachelor in Economics for the Universidad Complutense de Madrid and CEU San Pablo both located in Spain.

Juan Miguel Gandoulf Castellanos. Mr. Gandoulf was appointed as director and member of the Audit and Corporate Practices Committee of Maxcom in April 2011. Mr. Gandoulf also serves as director and member of the Audit Committee of El Puerto de Liverpool, S.A.B. de C.V. since 2002. Previously, since 2005, he has been CEO of Sagnes Constructores, S.A. de C.V. and since 2003 Mr. Gandoulf has been Treasurer of Colegio Franco Mexicano, A.C. From January 1994 to October 2003, Mr Gandoulf served as Administrative Manager of Eurotecno, S.A. de C.V. He also served in several positions in Fabricas de Francia, S.A. de C.V. Mr. Gandoulf holds an accounting degree from the Universidad Autonoma de Guadalajara and a master's degree in Business Administration from the United States International University at San Diego, Cal.

Senior Management

Our executive officers are appointed by the board of directors for an indefinite term and may be removed by the board of directors at will, provided the corresponding severance payments are made in accordance with Mexican labor law and the applicable labor contract.

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On February 23, 2011, the Board of Directors accepted the resignation of Mr. William Nazaret as Chief Executive Officer and appointed Mr. Salvador Álvarez Valdés as new Chief Executive Officer who took position to the office on March 7, 2011.

In September 2010, Mr. Miguel Cabredo Benites was appointed as Chief Financial Officer due to a resignation of Mr. Solbes.

In September, 2011, Mr. Luis Sarabia Ramirez was appointed as Chief Information Technology and Operating Officer of the Company.

Set forth below are the name, age, position and a description of the business experience of each of our executive officers not described above. The business address of our executive officers is that of our principal office.

Name	Age	Position
Salvador Álvarez Valdés	46	Chief Executive Officer
Miguel Cabredo Benites	47	Chief Financial Officer
Carlos Palacios de la Cruz	45	Chief Commercial Officer
Luis Sarabia Ramirez	53	Chief Information Technology and Operating Officer

Mr. Salvador Alvarez's biographical information is in the section above.

Miguel Cabredo was appointed chief financial officer in September 2010. He has held various positions of increasing responsibility with Maxcom since December 2000, including Financial Planning Manager and Treasurer. Prior to joining Maxcom, Miguel Cabredo was previously employed with Bufete Industrial S.A., where he acted as Director of Financial Planning and Corporate Finance. Mr. Cabredo holds an Industrial Engineering degree from Universidad de Piura in Peru and an MBA from IPADE in Mexico City.

Carlos Palacios has been our chief commercial officer since April, 2011. Mr. Palacios has 15 years of experience as chief commercial and marketing officer in many companies as Del Monte Foods, Shering - Plough and SCA. Mr. Palacios holds a Business Administration degree from Brighman University in Utah,

Luis Sarabia Ramirez has been our Chief Operating Officer since September 2011. Mr. Sarabia has 30 years of experience in the IT industry. Prior to join Maxcom, he served as independent business consultant from 2010 to 2011, the Business Process Director of Grupo Interacciones from 2009 to 2010 and Financial Sector Sales Director of SAP de México. Mr. Sarabia has a computer science bachelor degree from Universidad Iberoamericana in Mexico, City.

B. Compensation

The only agreements that we currently maintain for purposes of compensating our employees with our capital stock are our executive stock option plans described below.

We paid an aggregate of Ps.1.1 million in cash compensation to the members of our board of directors during 2011.

In 2009, our executive officers and other senior managers received aggregate compensation of approximately Ps.42.9 million, including performance bonuses. They did not receive any stock options in 2009. For more information about the options, see "- Second Executive Stock Option Plan" below.

Our senior management is not entitled to any benefits upon termination, except for what is due to them according to the Federal Labor Law (Ley Federal del Trabajo), except in the case of a change in control, where a third party takes control of the company and terminates the labor agreement of our senior management. In this case our senior management will be entitled to receive a termination bonus equivalent to up to two years of their salary in certain circumstances.

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First Executive Stock Option Plan

In May 1998, we implemented an executive stock option plan. This plan provided that Maxcom would grant options on every April 1, commencing in April 1999 through April 2001, to its executive officers. Under this plan, a technical committee determined the executive officers to whom options to purchase shares were granted, as well as the terms of those options. Once the options were awarded, holders had the right to immediately exercise 20% of such options. The right to exercise the amount of the remaining options is accrued on a yearly basis in a fifth part each remaining year. In case the officer ceases to work for us, all options not exercised are forfeited. Options expire ten years from the date of grant.

As of December 31, 2009, Maxcom has reserved an aggregate amount of 575,000 shares with respect to options issued for officers due to their performance for the years of 1998, 1999 and 2000. As of December 31, 2008, 575,000 options of this plan had been granted, of which 304,502 remain to be exercised and 256,094 are fully exercisable. Options are subject to a trust established on June 20, 1999 and managed by Banco Nacional de México, S.A. The exercise price of the options granted in accordance with the First Executive Stock Option Plan ranges from U.S.\$8.70 to U.S.\$12.55 per option. The First Stock Option Plan is no longer in effect.

Second Executive Stock Option Plan

As part of the capital increase and acquisition of Grupo Telereunión, see "Operating and Financial Review and Prospects — Recent Developments — Capital Stock Increase and Acquisition of Grupo Telereunión," in July 2006, we amended the executive stock option plan granted to our officers for the services rendered during the years 2002, 2003 and 2004. The plan is divided into five levels, depending on the ranking of the different members of management. The first and second levels include the highest management level of Maxcom and depend upon achieving certain targets that the board fixes for the company every year. The participants of the three following levels are guaranteed a minimum amount of options. The granting of options for the members of the last level, which is comprised of the junior management, is discretionary. The underlying security of the options of this executive option plan is comprised of Series A common stock

Once options are granted, holders can immediately exercise 25% of such options. The remaining 75% of the options become exercisable pro rata over the succeeding three-year period. In the event the officer ceases to work for us, all options not exercised are forfeited. Options expire five years from the date of grant.

As of December 31, 2009 our board of directors and shareholders had reserved an aggregate of 11,000,000 shares to be issued upon the exercise of options granted under the new executive stock option plan, as well as for a special plan granted to the chairman of our board of directors. As of December 31, 2009, options to purchase 42,382,206 shares had been granted, of which options to purchase 26,787,494 shares were fully exercisable. The exercise price of the Second Executive Stock Option Plan is U.S.\$0.31 per option. The previous amounts includes options to purchase 7,569,007 shares pursuant to arrangements with certain of our key officers that, upon a change of control or an initial public offering of Maxcom, thus becoming fully exercisable without restriction on October 2007 because of the initial public offering. The exercise price of these options is U.S.\$0.01 per option.

On January 28, 2010, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders' ratified the Executive Incentive Plan and the compensation or emoluments awarded to directors and members of our different committees. In both cases the plan is comprised of a part payable in cash and a part payable in our stock options.

Under this plan there have not been any options granted, due to the fact that the conditions required at the Shareholder's Meeting to grant the incentives were not met when they were measured on December 31, 2011.

Composition of the Board of Directors

Our bylaws provide that the board of directors be comprised of at least five and no more than 21 members and their corresponding alternates, in which at least 25% of the members and their corresponding alternates are independent pursuant to Mexican law. A determination about independence must be made by our shareholders and it may be challenged by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*).

Meetings of the board of directors are validly convened and held if a majority of the members are present. Resolutions passed at these meetings will be valid if approved by a majority of the disinterested members of the board of directors present at the meeting. If required, the chairman of the board of directors may cast a tie-breaking vote.

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Authority of the Board of Directors

The management of our company is entrusted to the board of directors and the chief executive officer. The board of directors sets forth the guidelines and general strategy for the conduct of our business and supervises the execution thereof.

Pursuant to the Mexican Securities Market Law, the board of directors must approve, among other matters:

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

The Mexican Securities Market Law also imposes duties of care and of loyalty on directors.

C. Board practices

The members of our board of directors are elected annually at our ordinary general meeting of shareholders. All board members hold the positions for one year and may be reelected. The current members of the board of directors were reelected or appointed at the general annual ordinary shareholders' meeting held on April 20, 2012.

Our executive officers are appointed by the board of directors for an indefinite term and may be removed by the Board at will, provided the corresponding severance payments are made in accordance with Mexican labor law and the applicable labor contract.

Members of the board of directors are not entitled to any benefits upon termination.

Committees

In connection with the completion of our initial public offering in October 2007, our board of directors established an audit and corporate practices committee and an operating advisory committee to assist the board of directors to manage our business.

Audit and Corporate Practices Committee

Our board of directors has established an audit and corporate practices committee responsible for advising the board on, and overseeing, our financial condition and matters regarding accounting, taxation and release of financial information, as well as to oversee and mitigate the risks of doing business in general and with related parties such as our shareholders, and to supervise the compliance of laws and securities regulations that apply to us. The charter of our audit and corporate practices committee contains the rules of operation of such committee. Under the charter, the audit and corporate practices committee must be composed of at least three members. Each member of the audit and corporate practices committee (including its president) must be independent under the rules of the United States Securities Exchange Act of 1934, as amended, or Exchange Act and the Mexican Securities Market Law.

The audit and corporate practices committee is comprised of Jorge Garcia Segovia (who acts as Chairman of the committee), Juan Jaime Petersen Farah and Juan Miguel Gandoulf Castellanos, all of whom are independent under the rules of the New York Stock Exchange, Rule 10A-3 promulgated under the Exchange Act and the Mexican Securities Market Law. If requested, our external independent auditor and certain of our executives, including our chief financial officer, will be required to participate in each meeting, although they are not formal members of the committee.

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The audit and corporate practices committee's principal role is to supervise the execution of related party transactions, require the chief executive officer to prepare reports when deemed necessary, supervise the activities of the chief executive officer and provide an annual report to the board of directors.

The mandate of the audit and corporate practices committee is to establish and review procedures and controls to ensure that the financial information we distribute is useful, appropriate, reliable, and accurately reflects our financial position. The mandate of our audit and corporate practices committee includes the following functions, among others:

- advise the board of directors with respect to matters assigned to it under the Mexican Securities Market Law, including: (a) our internal control and internal audit guidelines, (b) our accounting policies by referenced to financial reporting standards, (c) our financial statements, (d) the appointment of our external auditors, and (e) transactions that either are outside the ordinary course of our business or, in relation to the results of the immediately preceding fiscal quarter, constitute (i) the acquisition or disposition of assets or (ii) the provision of guaranties or the assumption of liabilities, in each case, equal to or greater than 5% of our consolidated assets;
- evaluate, analyze and supervise the work performed by our external auditors, including (a) review with them our annual and interim financial statements; (b) approve non-audit services provided by them; (c) resolve any disagreements between them and management; and (d) ensure their independence and objectivity;
- discuss our financial statements with the chief financial officer for their preparation and review and issue a recommendation to the board of directors with respect to committee's approval;
- · inform the board of directors of the status of the internal control and internal audit system, including any detected irregularities;
- advise the board of directors with respect to the annual report of our chief financial officer;
- assist the board of directors in preparation of the report on our principal accounting and financial information policies and criteria;
- seek the opinion of independent experts and other advisors when required or deemed necessary;
- investigate possible violations of operational guidelines and policies or of the internal control, internal audit and accounting records system;
- request periodic meetings with management and any information related to internal control and internal audit;
- call a shareholders' meeting and request the inclusion of matters it considers appropriate on the agenda;
- supervise and discuss with the board of directors our internal control system relating to risk management and compliance with applicable laws;
- ensure the existence of control mechanisms to provide that consistent unaudited financial information is presented to the board of directors;
- report to the board of directors on any detected significant irregularities and on its activities in general and review and propose amendments to its rules;
- supervise, review and discuss the audit procedures of our internal audit;
- receive from our external auditors a report that includes an analysis of: (a) all critical accounting policies utilized by us; (b) all policies and financial reporting standards that differ from those utilized by us and that have been discussed with management, including the implications of using such policies and practices; and (c) any other written communications regarding significant matters between our external auditors and management, including the annual letter to management, in which our external auditors summarize their recommendations regarding our internal controls identified during the audit process:

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- establish procedures for receiving, retaining and addressing complaints regarding accounting, internal controls and audit matters, including procedures for confidential submission of such complaints;
- review and analyze with management and our external auditors this annual report and the quarterly results presented to the Securities and Exchange Commission, or SEC;
- oversee the execution of resolutions adopted at shareholders' meetings by the board of directors; and
- perform any other functions pursuant to its mandate or expressly conferred by the board of directors.

Our audit and corporate practices committee has reviewed this annual report, as well as our consolidated financial statements and notes thereto included elsewhere in this annual report, and recommended that such financial statements be included herein.

Operating Advisory Committee

Our operating advisory committee is responsible for advising the board on and overseeing Maxcom's operations. In April 20, 2012, the shareholders' meeting decided to reelected all the members of the Operating Advisory Committee.

This Committee is comprised of Messrs. Jacques Gliksberg, Adrián Aguirre Gómez and Eduardo Vázquez.

Director and Officer Indemnification and Limitation on Liability

Our bylaws provide that none of our directors, members of committees of our board of directors or officers shall be liable to us or our stockholders for (1) any action taken or failure to act which was in good faith and was not a violation of a material provision of our bylaws and which was not grossly negligent, willfully malfeasant or knowingly in violation of the Mexican Securities Market Law, (2) if applicable, any action or inaction that is based upon the opinion or advice as to legal matters of legal counsel or as to accounting matters of accountants selected by any of them with reasonable care the competence of which is not the subject of a reasonable doubt and (3) any action or omission that was, to the best knowledge of the board member, committee member or officer, the most adequate choice or where the adverse effects of such action or omission were not foreseeable, in each case based upon the information available at the time of the decision. To the extent a director, committee member or officer is found to have acted in bad faith, with gross negligence or with willful malfeasance in connection with an action or failure to act in good faith which is not a violation of the material provisions of the bylaws, such director, committee member or officer may be liable for damages and losses arising under Mexican law.

Our bylaws also provide that each director, member of a committee of the board of directors and officer who is made or threatened to be made a party to a proceeding as a result of his or her provision of services to us will be indemnified and held harmless by us to the fullest extent permitted by Mexican law against all expenses and liabilities incurred in connection with service for or on behalf of us. There is doubt as to whether, under Mexican law, this indemnification will be enforceable in respect of the breach of the duty of loyalty. However, in the event that a director, officer or committee member initiated a proceeding, they will only be indemnified in connection with such proceeding if it was authorized by our board of directors.

We may maintain insurance policies under which our directors and certain officers are insured, subject to the limitations of such policies, against certain expenses in connection with the defense of, and certain liabilities which might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been such directors or officers.

Unless otherwise determined by our board of directors, expenses incurred by any of our directors, members of a committee or officers in defending a proceeding shall be paid by us in advance of such proceeding's final disposition subject to our receipt of an undertaking, in form and substance satisfactory to our board of directors, to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by us.

Persons which are not covered by the foregoing indemnification rights and who are or were our employees or agents, or who are or were serving at our request as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may also be indemnified to the extent authorized at any time or from time to time by our board of directors. Such expenses related to a proceeding incurred by such other employees and agents may also be paid in advance of a proceeding's final disposition, subject to any terms and conditions on such payment as our board of directors deems appropriate.

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D. Employees

See "Item 4. Information on the Company — B. Business Overview — Our Company — Employees."

E. Share ownership

Beneficial ownership percentages calculated in the table below are based on 789,818,829 shares of Series A common stock issued and outstanding as of December 31, 2011.

	Series A Common Stock			
	Beneficial C	Shares		
Shareholders	Number	Number Percentage		
Jacques Gliksberg(1)	317,886,835	40.24%	285,886,834	
Marco Viola(1)**	317,886,835	40.24%	285,886,834	
Eduardo Vázquez (2)	71,382,446	9.03%	43,382,445	
Jesus Gustavo Martinez (2)**	71,382,446	9.03%	43,382,445	
Efrain Ruvalcaba (2)**	71,382,446	9.03%	43,382,445	
Adrián Aguirre Gómez	*	*		
Maria Guadalupe Aguirre Gómez**	*	*	_	
Rodrigo Guerra Botello	*	*		
Salvador Alvarez	*	*	_	
Lorenzo Barrera Segovia	*	*		
Juan Jaime Petersen Farah	*	*	_	
Jorge Garcia Segovia	*	*	_	
Eduardo Molina	*	*	_	
All executive officers and directors as a group (14 persons)	389,269,281	49.27%	328,269,279	

^{*} Less than one percent. Pursuant to the Instruction to Item 6E of Form 20-F, individual share ownership is not disclosed.

(2) Includes shares of Series A common stock beneficially owned, directly or indirectly, by the Vazquez Family.

The only agreements that we currently maintain for purposes of compensating our employees with our capital stock are our executive stock option plans, described above under "- B. Compensation."

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to beneficial ownership of our capital stock, including shares underlying CPOs as of the dates of their last Schedule 13G/A filed, by each person that is a beneficial owner of 5% or more of our outstanding shares of capital stock, other than any persons described in Item 6E above.

^{**} Alternate director.

⁽¹⁾ The shares of Series A Common Stock beneficially owned by (a) the Nexus-Maxcom Holdings entities as well as (b) the Bank of America Corporation entities set forth in Item 7A below may be deemed to be beneficially owned indirectly by Messrs. Gliksberg and Viola, as the managers of Nexus Partners I, LLC. The shares of Series A Common Stock directly owned by Nexus Partners I, LLC may be deemed to be beneficially owned indirectly by Messrs. Gliksberg and Viola, its managers.

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Beneficial ownership percentages calculated in the table below are based on 789,818,829 shares of Series A common stock issued and outstanding as of March 30, 2012.

_	Series A Common Stock				
	Beneficial O	Shares			
Shareholders	Number	Underlying CPOs			
Bank of America Corporation(1)	317,886,835	40.24%	285,886,834		
Nexus Maxcom Holdings (1)	317,886,835	40.24%	285,886,834		

⁽¹⁾Based upon information set forth in the Schedule 13G/A filed on February 14, 2012, includes shares of Series A common stock beneficially owned, directly or indirectly by the following reporting persons: Nexus-Maxcom Holdings I, LLC, Nexus Partners I, LLC, Nexus-Banc of America Fund II, L.P., Nexus Partners II, L.P., Jacques Gliksberg, Marco Viola. Additionally, Bank of America Corporation has retained Nexus Partners and Messrs. Gliksberg and Viola to manage all shares of Series A Common Stock beneficially owned by BAS Capital Funding Corporation ("BAS Capital"), which is the direct beneficial owner of 3,055,035 shares of Series A Common Stock, or approximately 0.4% of the total outstanding Series A Common Stock, BankAmerica Investment Corporation ("BAIC"), which is the direct beneficial owner of 338,347 shares of Series A Common Stock, or approximately 0.04% of the total outstanding Series A Common Stock, BASCFC-Maxcom Holdings I, LLC ("BASCFC"), which is the direct beneficial owner of 85,741,824 shares of Series A Common Stock, or approximately 10.9% of the total outstanding Series A Common Stock and Nexus-Maxcom Holdings. As a result, Nexus Partners and Messrs. Gliksberg and Viola may be deemed to be the indirect beneficial owners of the shares beneficially owned directly by BAS Capital, BAIC, BASCFC and Nexus-Maxcom Holdings.

In accordance with a report issued by The Bank Of New York, as of February 29, 2012 there were 3,188,333 ADSs being traded in the NYSE, through 15 record holders.

Significant Changes in Share Ownership

On July 21, 2006, we reached an agreement with certain entities controlled by the Grupo VAC Investors to acquire Grupo Telereunión. As a result of these transactions, the Grupo VAC Investors became owners of 16.34% of our then -outstanding equity securities. There have been no other significant changes in the percentage share ownership of our shareholders who hold more than 5% of our capital stock during the last three years.

Differences in Voting Rights

With respect to any particular class of our securities, the voting rights of our major shareholders, directors and executive officers is not different than the voting rights of other holders of the same class of securities.

Securityholders Agreement

On July 20, 2006, in connection with the acquisition of Grupo Telereunión, we entered into the Third Amended and Restated Securityholders Agreement among the holders of our previously outstanding Series A, Series B and Series N shares. The primary purpose of the securityholders agreement was to confirm the rights and obligations under the bylaws of each of the parties to such agreement. The securityholders agreement was terminated in connection with our initial public offering in October 2007.

Registration Rights Agreement

In connection with the termination of the securityholders agreement described above, on October 19, 2007 we entered into a registration rights agreement with certain of our shareholders, including certain entities associated with Bank of America Corporation, and the Grupo VAC Investors pursuant to which we agreed to register for sale under the Securities Act shares of our Series A common stock and/or CPOs held by them and, in the case of the shares and/or CPOs currently held by certain entities associated with Bank of America Corporation, certain of their transferees to the extent so designated by BAS Capital Funding Corporation, who we refer to as the BA Transferees, in the circumstances described below. This agreement provides some holders of our Series A common stock and/or CPOs with the right to require us to file a registration statement and provides stockholders who are parties to the agreement with the right to include Series A common stock and/or CPOs owned by them in a registration statement under most other circumstances. The following describes such rights and circumstances.

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Demand Rights. BAS Capital Funding Corporation, Nexus Partners I, LLC, Nexus and the BA Transferees have the right to require us, from time to time, to register shares or CPOs held by them. We call the right to require us to register shares or CPOs a demand right and the resulting registration a demand registration. BAS Capital Funding Corporation, Nexus Partners I, LLC, Nexus and the BA Transferees may make an unlimited number of such demands for registration on Form F-1 or, if available to us, on Form F-3. Additionally, following the sixth anniversary of the completion of our initial public offering, the representative of the Grupo VAC Investors may make an unlimited number of such demands for registration on Form F-1 or, if available to us, on Form F-3.

Piggyback Rights. Shareholders who are party to the registration rights agreement can request to participate in, or "piggyback" on, registrations of any of our securities for sale by us or by a third party. We call this right a piggyback right and the resulting registration a piggyback registration.

Conditions and Limitations; Expenses. The registration rights outlined above will be subject to conditions and limitations, including the right of the underwriters to limit the number of shares to be included in a registration and our right to delay or withdraw a registration statement under specified circumstances. In addition, if so requested by the underwriters, holders of securities with registration rights will not be allowed to make any public sale of our equity securities (including sales under Rule 144) during a period that begins thirty days before the effectiveness of a registration statement and that ends, in the case of our initial public offering, 180 days after our initial public offering and, in any other underwritten offering in which registration rights were exercised, ninety days after effectiveness.

Other than underwriting discounts and commissions and brokers' commissions, we will pay all registration expenses in connection with a registration, as well as all fees and expenses of BAS Capital Funding Corporation, Nexus Partners I, LLC, Nexus and the BA Transferees and certain entities associated with Bank of America Corporation in connection with such demand or piggyback registration and reasonable fees and disbursements of one counsel for all other holders who are party to the registration rights agreement and included in such registration.

B. Related party transactions

General policy

Our general policy is that we will not, and will not permit our subsidiaries to, enter into any contract or transaction with or for the benefit of any affiliate (other than transactions between us and our subsidiaries), which is not at a price and on other terms at least as favorable to Maxcom or our subsidiaries as those which could be obtained on an arm's-length basis from an unaffiliated third party.

Acquisition of Sierra Comunicaciones Globales

In November 2007, we acquired all the equity capital of Sierra Comunicaciones Globales, S. A. de C. V. (Sierra). The purchase price for the shares was U.S.\$3.0 million, U.S.\$1.75 million of which was paid on November 15, 2007, and the remaining U.S.\$1.25 million was paid on November 10, 2008. In addition, we exercised a right of first refusal granted by Grupo VAC in connection with the Grupo Telereunión acquisition (see "Item 7. Major Shareholders and Related Party Transactions - A. Major Shareholders and Share Ownership — Significant Changes in Share Ownership").

C. Interests of experts and counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated statements and other financial information

Financial Statements

See Item 18.

Legal Proceedings

See "Item 4. Information on the Company — B. Business Overview — Legal Matters and Administrative Proceedings."

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Dividend Policy

See "Item 5. Operating and Financial Review and Prospects — B. Liquidity and capital resources - Dividend policy."

B. Significant changes

Designation of Guarantor.

On January 20, and November 16, 2011, Celmax Movil, S.A. de C.V., and Servicios MSF, S.A. de C.V., were designated as new guarantors in accordance with the indenture dated December, 2006 governing our senior notes due 2014.

Formation of our Board of Directors and Audit and Corporate Practices Committee.

On April 20, 2012, through a General Shareholders Meeting, the shareholders of Maxcom ratified the appointment of all the directors of the Company.

Mr. Jacques Gliksberg was reelected as Chairman of the Board of Directors of the Company, Mr. Adrian Aguirre was reelected as Vice chairman of the Board of Director.

On the same shareholders meeting, the shareholders approved the designation of Adrian Aguirre Gomez and Eduardo Augusto Jose Molina Llovera as new members of the Audit Committee and approved the designation of Juan Miguel Gandoulf Castellanos replacing Jorge Garcia Segovia who resigned as Chairman of the Audit Committee.

All the members of the Operating Advisory Committee were reelected.

New appointment of our Chief Executive Officer.

On February 23, 2011, the Board of Directors accepted the resignation of Mr. William Nazaret as Chief Executive Officer and appointed Mr. Salvador Álvarez Valdés as new Chief Executive Officer who took position to the office on March 7, 2011.

ITEM 9. THE OFFER AND LISTING

Trading Market

In connection with our initial public offering on October 24, 2007, our American Depositary Shares, or ADSs, each representing seven (7) Ordinary Participation Certificates (CPOs) in Mexico, were listed and commenced trading on October 19, 2007 on New York Stock Exchange under the symbol "MXT" and on the Mexican Stock Exchange under the symbol "MAXCOM CPO".

The table below shows the reported highest and lowest market prices for our CPOs and ADSs on the Mexican Stock Exchange and the New York Stock Exchange for the periods indicated below:

		Mexican Sto (Mexican pe			_	New York St (U.S. dollar		
		High		Low		High		Low
Annual Highs and Lows 2012 (through April 17, 2012)	Ps.	3.87	Ps.	2.90	\$	2.07	\$	1.59
2012 (tillough April 17, 2012) 2011	гъ.	6.77	rs.	2.90	Ф	4.00	Ф	1.05
2010		11.74		5.99		6.49		3.24
2009		12.40		4.20		6.49		1.70
2008		23.70		5.29		16.03		2.16
2007		31.00		19.00		19.98		12.17
Quarterly Highs and Lows:								
2012: First Quarter	Ps.	3.87	Ps.	2.90	\$	2.07	\$	1.53
Second Quarter (through April 17, 2012)	Г8.	3.30	rs.	2.90	Ф	1.78	Ф	1.53
2011:		3.30		2.72		1.76		1.32
First Quarter	Ps.	6.77	Ps.	5.72	\$	4.00	\$	3.00
Second Quarter	10.	6.30	1 5.	4.48	Ψ	3.70	Ψ	1.07
Chird Quarter		4.94		2.71		2.97		1.56
Fourth Quarter		4.20		2.38		2.15		1.05
2010:								
First Quarter	Ps.	12.10	Ps.	8.20	\$	6.58	\$	4.32
Second Quarter		9.11		6.97		5.24		3.76
Chird Quarter		8.06		5.99		4.47		3.24
Fourth Quarter		7.27		6.25		4.06		3.35
009:	_		-		_			
irst Quarter	Ps.	8.35	Ps.	4.20	\$	4.26	\$	1.86
decond Quarter		6.90		4.51		3.50		1.70
'hird Quarter		7.50		4.95		3.99		2.52
Courth Quarter		12.40		6.00		6.49		3.14
1008:	D	20.20	D-	16.50	Ф	12.05	Ф	0.00
First Quarter	Ps.	20.39	Ps.	16.50	\$	13.25	\$	9.89
econd Quarter		23.70 18.91		16.10 11.00		16.03		9.44
Third Quarter Fourth Quarter		18.91		5.29		12.75 8.00		7.00 2.10
.007:		12.80		3.29		8.00		2.10
Fourth Quarter (beginning October 19, 2007)	Ps.	31.00	Ps.	19.00	\$	19.98	\$	12.17
outin Quarter (beginning october 19, 2007)	15.	31.00	1 5.	17.00	Ψ	17.70	Ψ	12.1
Monthly 2012:								
anuary	Ps.	3.73	Ps.	3.30	\$	1.86	\$	1.53
ebruary		3.87		2.90		2.07		1.59
March		3.46		3.01		1.84		1.66
Monthly 2011:								
anuary	Ps.	6.55	Ps.	6.12	\$	4.00	\$	3.00
ebruary		6.77		5.72		3.81		3.13
March		6.39		5.78		3.65		3.10
April		6.30		5.16		3.70		2.97
Лау		5.41		4.68		3.29		2.6
une		4.96		4.48		2.86		1.0
uly		4.94		4.02		2.97		2.4
August		4.30 3.79		3.22 2.71		2.40 2.09		1.50
eptember October		2.92		2.71		1.55		1.3: 1.0:
November		4.20		2.38		2.15		1.0.
December		3.74		3.15		2.13		1.10
Monthly 2010:		3.74		3.13		2.06		1.4
anuary	Ps.	12.10	Ps.	9.50	\$	6.58	\$	4.92
ebruary	13.	10.85	1 3.	9.60	Ψ	5.87	Ψ	5.00
March		10.55		8.20		5.86		4.3
pril		9.40		8.00		4.36		4.4
Iay		8.22		6.85		4.64		3.0
une		8.30		6.97		4.43		3.7
uly		6.95		6.07		3.86		3.40
August		8.06		5.99		4.47		3.2
eptember		7.47		6.61		4.09		3.5
October		7.00		6.34		3.86		3.52
Vovember		7.27		6.33		4.06		3.4
December		7.11		6.25		3.94		3.3
Aonthly 2009:								
anuary	Ps.	8.35	Ps.	6.20	\$	4.26	\$	3.03
ebruary		7.50		5.80		3.43		2.74
March		6.19		4.20		2.90		1.8
pril		6.50		4.55		3.06		2.13
1 ay		6.90		4.51		3.50		1.70
une		6.53		5.06		3.45		2.6
uly		5.80		4.95		3.04		2.5
ugust		7.28 7.50		4.99 6.10		3.87 3.99		2.6
eptember October		7.50		6.10		4.04		3.0 3.1
october Tovember		8.70		6.00		4.04		3.1
ovember December		12.40		8.45		6.49		4.0
008:		12.40		0.43		0.49		4.0.
anuary	Ps.	19.94	Ps.	16.50	\$	12.90	\$	9.8
ebruary	1 8.	20.39	1 3.	18.53	ψ	13.25	Ψ	11.7
Arch		19.28		17.29		12.52		11.7
pril		19.20		16.38		12.52		9.4
Iay		21.80		16.10		14.66		10.6
ine		23.70		17.51		16.03		11.7
uly		18.91		14.10		12.75		9.7
wgust		14.54		11.05		10.02		7.6
August		14)4		11.(/.)		10.02		7.11

October		12.86	5.80	8.00	2.52
November		8.90	5.29	5.03	2.16
December		9.00	7.16	4.66	3.55
2007:					
October (beginning October 19, 2007)	Ps.	31.00 Ps.	26.60 \$	19.98 \$	17.01
November		27.70	22.67	18.80	14.35
December		26.32	19.00	17.83	12.17

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Trading on the Mexican Stock Exchange

The Mexican Stock Exchange, located in Mexico City, is the only stock exchange in Mexico. Operating continuously since 1907, The Mexican Stock Exchange is organized as a corporation with variable capital, or *sociedad anónima bursátil de capital variable*. Securities are traded on the Mexican Stock Exchange from 8:30 am to 3:00 pm Mexico City time, each business day. Since January 1999, all trading on the Mexican Stock Exchange has been conducted electronically. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price or volume volatility. Under current regulations, this system applies to ADSs. However, the Mexican Stock Exchange may take into account any suspension measures that may or may not have been taken by the New York Stock Exchange in respect of the ADSs, and may resolve not to impose a suspension of trading of our shares.

Settlement is effected two trading days after a share transaction on the Mexican Stock Exchange. Deferred settlement even by mutual agreement is not permitted without approval of the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores) or CNBV. Most securities traded on the Mexican Stock Exchange are on deposit with S.D. Indeval, Institución para el Deposito de Valores, S.A. de C.V., or Indeval, a privately owned securities depositary that acts as a clearinghouse, depositary and custodian, as well as a settlement, transfer and registration agent for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities.

Although the Mexican Securities Market Law provides for the existence of an over-the-counter market, no such market for securities in Mexico currently exists.

ITEM 10. ADDITIONAL INFORMATION

A. Share capital

Not applicable.

B. Memorandum and articles of association

General

Maxcom was incorporated on February 28, 1996, under the name "Amaritel, S.A. de C.V." as a variable capital corporation (sociedad anónima de capital variable) established under the laws of Mexico. Maxcom was registered in the Public Registry of Commerce of the Federal District of Mexico under folio no. 210585 on June 11, 1996. Amaritel changed its name to "Maxcom Telecomunicaciones, S.A. de C.V." on February 9, 1999.

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Maxcom was formed for the purpose of installing, operating and exploiting a public telecommunications network granted by the Mexican federal government for the provision of local and long-distance telephone services.

Maxcom's corporate purposes are found under Article Two of its bylaws. The duration of Maxcom's existence under our bylaws is indefinite.

The following table sets forth our capital structure as of December 31, 2011:

Class of Shares	Number of Shares	% of Total Capital Structure
Series A common stock	789,818,829	100%
Total	789,818,829	100%

We have obtained an authorization from the Mexican Foreign Investment Bureau (Dirección General de Inversión Extranjera) to increase our ability to issue neutral investment shares for up to 95% of our total capital stock and to simplify our equity structure. As of December 31, 2011, we have issued neutral investment shares representing approximately 91.65% of our total capital stock. Our Series A common stock, which may only be subscribed, paid for and held by Mexican investors, collectively represent about 51% of our voting stock.

DESCRIPTION OF CAPITAL STOCK

The following information describes our outstanding capital stock and provisions of our bylaws. This description may not contain all of the information that is important to you. To understand them fully, you should read our bylaws, a copy of which is filed with the SEC as an exhibit to the registration statement filed with the SEC on October 17, 2007. The following descriptions are qualified in their entirety by reference to the bylaws and to applicable provisions of Mexican law.

Outstanding Capital Stock

Because we are a variable capital stock corporation, our capital stock must have a fixed portion and may have a variable portion, both of which will be represented by shares of Series A common stock. Our outstanding capital stock consists of 1,528,827 shares of Series A common stock representing the fixed portion of our capital stock and 788,290,002 shares of Series A common stock representing the variable portion of our capital stock.

Changes to Capital Stock

The fixed portion of our capital stock may be increased or decreased by a resolution adopted at a general extraordinary shareholders' meeting and upon amendment of our bylaws. The variable portion of our capital stock may be increased or decreased by a resolution adopted at a general ordinary shareholders' meeting without amending our bylaws. Increases or decreases in the fixed or variable portion of the capital stock must be recorded in our registry of capital variations. New shares (other than then existing treasury shares) cannot be issued unless the then-issued and outstanding shares have been paid in full.

Registration and Transfer

Our shares of Series A common stock are evidenced by share certificates in registered form. Our shareholders that hold our shares of Series A common stock directly (and not through CPOs) may hold their shares in the form of physical certificates. We maintain a stock registry, and, in accordance with Mexican law, only those holders listed in the stock registry and those holding certificates issued by S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or Indeval, a privately owned securities depositary that acts as a clearinghouse, depositary, and custodian, as well as a settlement, transfer, and registration agent for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities, the depositary for the CPOs, are recognized as our shareholders. Pursuant to Mexican law, any transfer of our shares effected by the transfer of a physical certificate must be registered in our stock registry to be valid.

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Shareholders' Meetings

General shareholders' meetings may be general ordinary shareholders' meetings or general extraordinary shareholders' meetings. Shareholders may also hold special meetings for matters affecting a single class of capital stock. Under Mexican law and our bylaws, shareholders' meetings may be called by:

- our board of directors and the president or secretary of the board;
- shareholders representing at least 10% of our outstanding capital stock who request the board of directors or the audit and corporate practices committee to call a shareholders meeting;
- a Mexican court of competent jurisdiction, in the event the board of directors does not comply with a valid request of the shareholders described immediately above;
- the audit and corporate practices committee; and
- any shareholder, provided that no annual ordinary meeting has been held for two consecutive years or the annual shareholders meeting did not to address the matters required to be addressed in an annual shareholders' meeting.

Calls for shareholders' meetings will be required to be published in any two of the following publications: Reforma newspaper (business section), El Financiero newspaper, the Official Gazette of the Federal District, the Official Gazette of the Federation or in a newspaper of general circulation of our corporate domicile, at least 15 days before the scheduled date of the shareholders' meeting in the case of first calls, and at least 5 days in advance in the case of second and subsequent calls. Calls for shareholders' meetings must set forth the place, date and time of the meeting and the matters to be addressed at the meeting. From the date on which a call is published until the date of the corresponding meeting, we must make available to our shareholders all relevant information at our executive offices. To attend a shareholders' meeting, potential attendees must hold shares of our stock that are registered in their name in the stock registry, present evidence of the deposit of certificates evidencing shares of our stock owned by them with a financial institution or deposit such certificates with our secretary, or present a proxy issued by the CPO trustee, coupled with certificates issued by the custodian of the holder, together with an Indeval certification. See "— Voting Rights," "Description of the CPO Trust" and "Description of American Depositary Shares."

General Ordinary Shareholders' Meetings. General ordinary shareholders' meetings are those called to discuss any issues not reserved for extraordinary meetings. We are required to hold a general ordinary shareholders' meeting at least once a year, during the first four months following the end of our fiscal year, to:

- approve the financial statements for the preceding fiscal year;
- elect directors:
- · discuss and approve the audit and corporate practices committees, the board of directors' and the chief executive officer's annual report;
- determine how to allocate net profits for the preceding year (including, if applicable, the payment of dividends); and
- determine the maximum amount of resources allocated to share repurchases.

In addition, any transaction representing 5% or more of our consolidated assets during any fiscal year must be approved by our shareholders.

Holders of at least 50% of our issued and outstanding voting stock must be present, in person or by proxy, to satisfy the attendance quorum requirements for a general ordinary shareholders' meeting. Assuming a quorum is present, resolutions may be approved by a majority of the voting capital stock represented at a general ordinary shareholders' meeting. If the attendance quorum is not met upon the first call of a general ordinary shareholders' meeting, a subsequent general ordinary shareholders' meeting may be called during which resolutions may be approved by the majority of the capital stock present, regardless of the percentage of outstanding voting stock represented at such meeting.

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General Extraordinary Shareholders' Meetings. General extraordinary shareholders' meetings will be those called to consider:

- an extension of our duration or voluntary dissolution;
- an increase or decrease in the fixed portion of our capital stock;
- any change in our corporate purpose or nationality;
- any merger or transformation into another type of company:
- any issuance of preferred stock;
- the redemption of shares with retained earnings;
- any amendments to our bylaws;
- any other matters provided for by law or our bylaws; or
- the cancellation of the registration of our class A common stock or CPOs representing such shares at the Mexican National Securities Registry or any stock exchange (except for automated quotation systems).

Holders of at least 75% of our issued and outstanding voting stock must be present, in person or by proxy, to satisfy the attendance quorum requirements for a general extraordinary shareholders' meeting. If an attendance quorum is not met upon the first call of a general extraordinary shareholders' meeting, a subsequent meeting may be called, at which the attendance quorum requirements will be satisfied if at least 50% of our issued and outstanding voting capital stock is present, whether in person or by proxy. In either case, at a general extraordinary shareholders' meeting, resolutions must be approved by the vote of at least 50% of our issued and outstanding voting capital stock.

Special Shareholders Meetings. A special shareholders' meeting of holders of a single class of our shares may be called if an action is proposed to be taken that may only affect such class. Because we have a single outstanding class of shares, we do not expect to hold special shareholders' meetings. The quorum for a special meeting of shareholders and the vote required to pass a resolution at a special shareholders' meeting are identical to those required for extraordinary meetings of shareholders, except that the calculations are based upon the number of outstanding shares of the class that is the subject of the special meeting of shareholders.

Cumulative Voting. Holders of our class A common stock, or CPOs representing our class A common stock, will not have cumulative voting rights. However, under the Mexican Securities Market Law, at each shareholders' meeting at which nominees for director stand for election, holders of at least 10% of our issued and outstanding voting capital stock are entitled to appoint one member to the board of directors for each 10% of our issued and outstanding voting capital stock held and, if applicable, one alternate member of the board of directors in addition to the directors elected by the majority.

Voting Rights

Each outstanding share of our Series A common stock is entitled to one vote on all matters submitted to the vote of shareholders. Because of the limitations imposed by Mexico's Foreign Investment Law and the Federal Telecommunications Law, the voting rights of non-Mexicans who hold shares of our Series A common stock directly cannot exceed 49% of the total voting rights and non-Mexican holders of CPOs and ADSs are only entitled to cause the vote of the underlying shares of Series A common stock in limited cases. As a result, the ability of non- Mexican holders of CPOs and ADSs to direct the vote of underlying shares of Series A common stock is limited. See "Description of the CPO Trust — Voting Rights with respect of the underlying shares."

Ownership Restrictions

Our bylaws provide that, so long as Mexican law does not allow unrestricted foreign ownership of our capital stock, no transfer of shares of Series A common stock to or acquisition or subscription of shares of Series A common stock by a non-Mexican shall be permitted if such transfer, acquisition or subscription would result in non-Mexicans holding directly in excess of 49% of the total number of shares of Series A common stock not held by the CPO trustee. See "- Other Provisions — Foreign Investment Regulations."

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Preemptive Rights

Under Mexican law, holders of our Series A common stock have preemptive rights for all share issuances or increases except in the cases noted below. Generally, if we issue additional shares of capital stock, our shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time period set forth by our shareholders at the meeting approving the relevant issuance of additional shares. This period must continue for at least 15 days following the publication of notice of the issuance in the Official Gazette of the Federation and in a newspaper of general circulation in our corporate domicile. Under Mexican law, shareholders cannot waive their preemptive rights in advance and preemptive rights may not be represented by an instrument that is negotiable separately from the corresponding share. These preemptive rights do not apply in the case of shares issued in connection with mergers, sales of shares held in our treasury as a result of repurchases of shares conducted on the Mexican Stock Exchange, the issuance of shares held in treasury previously approved by our shareholders for issuance in a public offering in accordance with Article 53 of Mexican Securities Market Law, the issuance of shares upon the conversion of debentures or other similar debt instruments and the issuance of shares to employees, officers and directors pursuant to stock option plans, stock plans, retirement or similar plans.

Dividends

Our board of directors must submit our financial statements for the previous fiscal year at our annual general ordinary shareholders' meeting for approval. Once our shareholders approve our financial statements, they must allocate net profits for the previous fiscal year. Under Mexican law and our bylaws, prior to any distribution of dividends, 5% of our net earnings must be allocated to a legal reserve fund, until such legal reserve fund is equal to at least 20% of our paid-in capital stock. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including the amount allocated for the repurchase of shares. The remaining balance, if any, constitutes distributable profits that may be distributed as dividends. Cash dividends on shares not held through Indeval will be paid against delivery of the respective dividend coupon, if any.

Redemption

In accordance with our bylaws, shares representing our capital stock are subject to redemption in connection with either a reduction of capital stock or redemption with distributable profits, which in either case must be approved by our shareholders. In connection with a capital reduction, the redemption of shares shall be made *pro rata* among the shareholders, or, if affecting the variable portion of the capital stock, as otherwise determined in the relevant shareholders' meeting, but in no case the redemption price shall be less than the book value of such shares as determined pursuant to our latest balance sheet approved at a general ordinary shareholders' meeting. In the case of redemption with retained earnings, such redemption shall be conducted by means of a tender offer conducted on the Mexican Stock Exchange at prevailing market prices, in accordance with the Mexican Corporations Law, the Mexican Securities Market Law and our bylaws, or *pro rata* among the shareholders.

Dissolution or Liquidation

Upon our dissolution or liquidation, our shareholders will appoint one or more liquidators at an extraordinary general shareholders' meeting to wind up our affairs. Subject to the preferences of other classes or series of stock that may be outstanding at the time, all fully paid, issued and outstanding shares of our Series A common stock (whether or not underlying CPOs) will be entitled to participate equally in any liquidating distributions.

Certain Minority Protections

In accordance with the Mexican Securities Market Law and the Mexican Corporations Law, our bylaws include a number of minority shareholder protections. These minority protections include provisions that permit:

- Holders of at least 5% of our outstanding shares, whether directly or through CPOs or ADSs, are required to initiate action against some or all of our directors for violations of their duty of care or duty of loyalty, for our benefit, in an amount equal to the damages or losses caused to us. Actions initiated on these grounds have a five year statute of limitations.
- Holders of at least 10% of our outstanding share capital, whether directly or through CPOs or ADSs, are able to:

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o request a call for a shareholders' meeting;

- o request that resolutions with respect to any matter on which they were not sufficiently informed be postponed; and
- o appoint one member of our board of directors and one alternate member of our board of directors except that for non-Mexican holders of CPOs or ADSs this right will only be exercisable if a majority of our directors are appointed by Mexican investors. See "Description of the CPO Trust."
- Holders, whether directly or through CPOs or ADSs, of 20% of our outstanding share capital to oppose any resolution adopted at a shareholders' meeting and file a petition for a court order to suspend the resolution within 15 days following the adjournment of the meeting at which the action was taken, provided that the challenged resolution violates Mexican law or our bylaws, the opposing shareholders either did not attend the meeting or voted against the challenged resolution, and the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder.

Other Provisions

Foreign Investment Regulations

Mexico's Foreign Investment Law and the Federal Telecommunications Law restrict ownership by non-Mexicans of our capital stock. Mexican shareholders must hold at least 51% of the shares of Series A common stock directly and the balance may be held by non-Mexican shareholders. We filed an application with the Mexican Foreign Investment Bureau (*Dirección General de Inversión Extranjera*) to amend our existing authorization to issue up to 95% of our capital stock in the form of neutral investment and received authorization allowing that up to 95% of our capital stock can be owned, subscribed or acquired by a banking institution acting as trustee of a neutral investment trust in accordance with the Foreign Investment Law (which would be the securities underlying the CPOs). The remaining 5% of our capital stock must be represented directly by shares of Series A common stock, of which at least 51% must be owned by Mexican holders. As required by Mexican law, our bylaws provide that no transfer to or acquisition or subscription of shares by a non-Mexican can be made if such transfer, acquisition or subscription would result in non-Mexicans holding in excess of 49% of the total number of shares of Series A common stock not underlying the CPOs. The CPOs issued may be freely subscribed, acquired or owned by Mexicans or non-Mexicans. CPOs shall not be counted for purposes of determining the foreign investment percentage limitations under the Foreign Investment Law and the Federal Telecommunications Law. Non-Mexican investors will hold shares of Series A common stock indirectly through CPOs or ADSs. See "Description of the CPO Trust" and "Description of American Depositary Shares."

Purchase of Shares by Us

We will be able to purchase our shares (or CPOs evidencing such shares) through the Mexican Stock Exchange at the prevailing market prices for the shares at the time of purchase. The economic and voting rights corresponding to repurchased shares will not be exercised during the period the shares are owned by us and the shares will not be deemed outstanding for purposes of calculation any quorum or vote at any shareholders meeting. We are not required to create a special reserve for the repurchase of shares and we are not required to obtain the approval of our board of directors to effect share repurchases. However, the maximum amount that may be applied for share repurchases must be approved by our shareholders and our board of directors must appoint an individual or group of individuals for effecting share repurchases. Any share repurchases must be made subject to the provisions of applicable law, including the Mexican Securities Market Law, and carried out, reported and disclosed in the manner specified by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores or CNBV*). If we intend to repurchase shares representing more than 1% of our outstanding share capital at a single trading session, we will be required to inform the public of such intention at least ten minutes before submitting our bid. If we intend to repurchase shares representing 3% or more of our outstanding share capital during a period of twenty trading days, we will be required to conduct a public tender offer for such shares.

Purchases of Shares by our Subsidiaries

Our subsidiaries or other entities controlled by us may not purchase, directly or indirectly, shares representing our capital stock or shares of companies or entities that are our shareholders.

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Conflicts of Interest

Under Mexican law, any shareholder that votes on a transaction in which its interests conflict with our interests may be liable for damages, but only if the transaction would not have been approved without such shareholder's vote.

In accordance with the duty of loyalty imposed on directors, a member of the board of directors with a conflict of interest must disclose such conflict and abstain from any deliberation or vote in connection therewith. A breach by any member of the board of directors of any such obligations may result in the director being liable for damages and lost profits.

Exclusive Jurisdiction

Our amended bylaws will provide that, in connection with any controversy between our shareholders and us, or between our shareholders in connection with any matter related to us, both we and our shareholders must submit to the jurisdiction of the courts of Mexico City, Federal District, Mexico.

Withdrawal Rights

In accordance with applicable Mexican law, only when our shareholders approve a change in our corporate purpose, jurisdiction of organization or transformation from one corporate form to another, will any shareholder entitled to vote that voted against these matters have the right to withdraw and receive the book value for its shares as set forth in the last financial statements approved by our shareholders, provided that the shareholder exercises this right within 15 days after the meeting at which the relevant matter was approved.

Cancellation of Registration in the Mexican National Securities Registry

Pursuant to our bylaws, and as prescribed by the Mexican Securities Market Law, we are required to make a public tender offer for the purchase of stock held by the minority shareholders in the event that the listing of our shares of Series A common stock or CPOs on the Mexican Stock Exchange is cancelled, either by our resolution or by an order of the CNBV. Our controlling shareholders will be secondarily liable for these obligations. A controlling shareholder will be deemed to be a shareholder that holds a majority of our voting stock, if it has the ability to control the outcome of decisions made at a shareholders or board of directors meeting or has the ability to appoint a majority of the members of our board of directors. The price at which the stock must be purchased is the higher of:

- the average quotation price on the Mexican Stock Exchange for the 30 days prior to the date of the offer; or
- the book value, as reflected in the report filed with the CNBV and the Mexican Stock Exchange.

If the tender for cancellation is requested by the CNBV, it must be initiated within 180 days from the date of the request. If requested by us, under the Mexican Securities Market Law, the cancellation must be approved by 95% of our shareholders.

Our board of directors must make a determination with respect to the fairness of the tender offer price, taking into consideration the minority shareholders' interest, and disclose its opinion. The resolution of the board of directors may be accompanied by a fairness opinion issued by an expert selected by our audit and corporate practices committee.

Elimination of Foreign Ownership Restrictions

The provisions of our bylaws restricting foreign ownership of our capital stock are based upon applicable provisions of the Mexican Foreign Investment Law and Mexican Federal Telecommunications Law. If these laws are modified so as to permit the unrestricted ownership of our capital stock and/or control of us by non-Mexicans, the corresponding limitations contained in our bylaws will cease to have effect. Our bylaws also provide that, in such circumstances, we will use our best efforts to take any and all actions necessary or advisable to cause the termination of the CPO trust and the distribution of the underlying shares of Series A common stock to the CPO holders including:

• concurrently with the termination of the CPO trust and distribution of the underlying shares, the registration of the Series A common stock with the Mexican National Securities Registry maintained by the CNBV and, if necessary, the registration of the distribution of such shares under the Securities Act;

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- the listing of the shares on the Mexican Stock Exchange;
- those required to modify our bylaws to permit unrestricted foreign ownership and/or control of our capital stock (and the CPOs);
- the preparation of proxy materials for and the solicitation of shareholder, and CPO holder, approval of the termination of CPO trust and any required or advisable amendments to our bylaws; and
- causing all filings, notices, applications and permits related to, and obtaining approvals and authorizations of, such termination and distribution.

The provisions of the CPO trust agreement contain provisions similar to those of our bylaws.

Forfeiture of Stock

Under our bylaws, the current or future foreign shareholders of Maxcom formally undertake with the Ministry of Foreign Relations (Secretaría de Relaciones Exteriores) to consider themselves as Mexican nationals with respect to the stock of Maxcom that they may acquire or own, as well as with respect to the properties, rights, concessions, securities or interests owned by Maxcom, or the rights and obligations derived from the agreements entered with the Mexican authorities to which Maxcom is a party. The current or future foreign shareholders of Maxcom formally undertake not to invoke the protection of their government, under penalty of forfeiting such shares to the benefit of the Mexican nation.

Duration and Dissolution

Our corporate existence under our bylaws is indefinite. Pursuant to the Mexican Companies Law and our bylaws, we may be dissolved upon the occurrence, among other things, of any of the following events:

- the impossibility of continuing with our current line of business;
- the resolution of our shareholders at an extraordinary general shareholders' meeting;
- the reduction of the number of our shareholders to fewer than two; and
- the loss of two-thirds of our capital stock.

Anti-takeover Provisions

Our bylaws provide that no person or group of persons may acquire (or enter into arrangements to control, possess or exercise rights with respect to) 20% or more of our shares, directly or indirectly, without the prior approval of the board of directors and none of our competitors may acquire 2% or more of our shares, directly or indirectly, without the prior approval of the board of directors. In both cases, the approval of the board of directors must be granted or denied within 90 days after notice of the proposed transaction is given to the board of directors. If our board of directors approves the transaction, the potential purchaser must conduct a tender offer to purchase 100% of our shares on terms approved by our board of directors.

Our board of directors may revoke an approval or approve more than a single offer, in light of competing offers or for other circumstances. Our board of directors may relieve a purchaser from the tender offer obligation at its sole discretion. This restriction will not be applicable to share transfers resulting from inheritance, transfers to affiliates of a shareholder or distributions to equity holders of a shareholder.

DESCRIPTION OF THE CPO TRUST

The following information describes our outstanding CPOs. This description may not contain all of the information that is important to you. To understand it fully, you should read the CPO trust agreement, a translated copy of which is filed with the SEC as an exhibit to our registration statement filed with the SEC on October 17, 2007.

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The following descriptions are qualified in their entirety by reference to the CPO trust agreement and to the applicable provisions of Mexican law.

General

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

The CPO trustee, Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, or NAFIN, will issue the CPOs pursuant to the following agreements:

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

Under Mexican law and our bylaws, ownership of our capital stock by non-Mexican investors is limited. However, Mexican law and our bylaws permit non-Mexicans to hold our shares indirectly through neutral shares or securities. Because the CPO trust qualifies as a neutral investment trust under the Mexican Foreign Investment Law, ownership of the CPOs by non-Mexican investors is not limited. However, except in certain circumstances, non-Mexican holders of CPOs and holders of ADSs, are limited in the right to cause the CPO trustee to vote the shares of Series A common stock underlying the CPOs or underlying the CPOs underlying their ADSs. See "Voting Rights with Respect to Underlying Shares" below.

Authorization

We filed an application with the Mexican Foreign Investment Bureau of the Ministry of Economy (*Secretaría de Economía*) for the authorization of the terms of the CPO trust for purposes of such CPOs being deemed neutral investment instruments, as contemplated by the Mexican Foreign investment Law and received such authorization on September 28, 2007. The CPO trustee registered the CPO trust deed with the Public Registry of Commerce of Mexico City, Federal District. See "Description of Capital Stock — Other Provisions — Foreign Investment Regulations."

Voting Rights with Respect to Underlying Shares

Mexican holders of CPOs may instruct the CPO trustee to vote the shares of Series A common stock underlying the CPOs on all matters or obtain a proxy from the CPO trustee to vote the underlying shares. To the extent Mexican holders of CPOs do not obtain a proxy for shares of Series A common stock underlying their CPOs, fail to vote such stock or fail to instruct the CPO trustee how to vote such shares, the CPO trustee will vote such shares in the same manner as the majority of other shares are voted at the meeting.

Non-Mexican holders of CPOs are not entitled to exercise directly any voting rights with respect to our shares of Series A common stock held by the CPO trustee. Voting rights attributable to shares underlying CPOs held by non-Mexicans are exercisable only by the CPO trustee. Additionally, non-Mexican holders of CPOs are only entitled to instruct the CPO trustee (or in the case of a holder of ADSs, instruct the ADS depositary to instruct the CPO trustee) to exercise the voting rights in respect of the shares of Series A common stock underlying such CPOs in the limited circumstances described below.

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Non-Mexican holders of CPOs will be entitled to instruct the CPO trustee (or in the case of a holder of ADSs, instruct the ADS depositary to instruct the CPO trustee) to exercise the voting rights in respect of the shares of Series A common stock underlying such CPOs only on the following matters: a change in our jurisdiction of incorporation, a transformation of our corporate form, our dissolution or liquidation, a merger to which we are a party, if we will not be the surviving company, a delisting of our shares (including the CPOs) from any stock exchange or an amendment to our bylaws that may adversely affect the rights of the minority shareholders. In such cases, the CPO trustee will vote the shares of Series A common stock underlying CPOs held (directly or through ADSs) by non-Mexicans for which it received timely and proper voting instructions as instructed by the applicable non-Mexican holder. Additionally, for each 10% block of our Series A common stock underlying CPOs held, a non-Mexican holder can instruct the CPO trustee to exercise a right to appoint one director, provided that the election of a majority of our directors was approved by Mexican investors. To the extent non-Mexican holders of CPOs fail to instruct the CPO trustee how to vote shares of Series A common stock underlying their CPOs, the CPO trustee will vote shares for which it did not receive timely and proper instruction in the same manner as the majority of the other shares are voted at the meeting. Under no circumstances are the non-Mexican holders of CPOs (directly or through ADSs) entitled to vote the underlying shares of Series A common stock directly or obtain a proxy to vote such shares.

Except in the limited circumstances described above, the CPO trustee is required by the terms of the trust agreement governing the CPO trust to vote shares of Series A common stock underlying the CPOs held by non- Mexicans in the same manner as the majority of the other shares are voted at the meeting.

The nationality of a CPO holder will be determined under applicable Mexican law and established by reference to the information provided to the CPO trustee. Indeval and Indeval custodians.

Deposit and Withdrawal of Shares

Holders of CPOs do not receive physical certificates evidencing their CPOs. However, CPO holders may request certification from their custodian, coupled with a certification from Indeval as to their ownership of CPOs. In connection with the issuance of ADSs, CPOs underlying ADSs will be credited by book-entry transfer to an account maintained with Indeval by BBVA Bancomer, S.A. de C.V., as custodian for the depositary in Mexico.

Except as described below, holders of CPOs may not withdraw the shares of Series A common stock underlying the CPOs, and holders of ADSs may not withdraw the shares of Series A common stock underlying the CPOs underlying the ADSs, until the CPO trust is terminated. However, upon termination of the CPO trust, non- Mexican holders of CPOs must cause the shares of Series A common stock underlying the CPOs to be sold, create a new trust similar to the current CPO trust to deposit the shares of Series A common stock underlying the CPOs or extend the CPO trust, as a means to comply with our bylaws and Mexican foreign ownership laws. The holders of CPOs may withdraw the underlying shares of Series A common stock at any time if our bylaws do not prohibit such withdrawal, we consent to such withdrawal and the provisions regarding foreign investment ownership and voting, as stipulated by the Mexican Foreign Investment Law, are not breached by such withdrawal.

Registration and Transfer

CPOs may be held directly through physical certificates in registered form or held in book-entry form. The CPOs may be maintained in book entry form by institutions that have accounts with the S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or Indeval, a privately owned securities depositary that acts as a clearinghouse, depositary, and custodian, as well as a settlement, transfer, and registration agent for Mexican Stock Exchange transactions, eliminating the need for physical transfer of securities. Indeval will be the holder of record for CPOs held in book-entry form. Accounts may be maintained at Indeval by authorized brokers, banks and other financial institutions and entities.

Dividends and Other Distributions

If we declare and pay a dividend or a distribution on our Series A common stock, holders of CPOs will be entitled to receive the dividend or the distribution in proportion to the number of shares of Series A common stock underlying their CPOs. Holders of CPOs would also be entitled to a proportional share of the proceeds from the sale of the shares of Series A common stock held by the CPO trustee upon the termination of the CPO trust agreement, if applicable. According to Mexican law, dividends paid and received in pesos by the CPO trustee, may be paid to the ADS depositary and converted into U.S. dollars for distribution. Also any dividends or other distributions from the CPO trust that CPO holders do not receive or claim within three years will become the property of the Mexican Ministry of Health (Secretaría de Salud).

Cash Dividends and Distributions. The CPO trustee will distribute cash dividends and other cash distributions received in respect of our Series A common stock to holders of CPOs, including those represented by ADSs, in proportion to their holdings, in the same currency in which they were received. The CPO trustee will distribute cash dividends and other cash distributions to the relevant custodian acting for the holder of CPOs.

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Stock Dividends. If we distribute our dividends in shares of Series A common stock, dividend shares in respect of shares of Series A common stock will be held in the CPO trust, and the CPO trustee will distribute additional CPOs to holders of CPOs, including those represented by ADSs, in proportion to their holdings. If the CPO deed does not permit additional CPOs to be delivered in an amount sufficient to represent the shares of Series A common stock paid as a dividend, the CPO deed will need to be modified to, or a new CPO deed will need to be entered into that will, permit the delivery of the number of CPOs necessary to represent the shares of Series A common stock issued to the CPO trust as a dividend.

Other Distributions. If the CPO trustee receives a distribution in a form other than cash or additional shares of Series A common stock, the CPO trustee will make the distribution pursuant to the instructions of the technical committee.

Preemptive Rights

Under Mexican law, our shareholders generally have preemptive rights. If we offer our shareholders the right to subscribe for additional shares of Series A common stock, the CPO trustee will only make these rights available to holders of CPOs if the offer is legal and valid in the CPO holders' country of residence. In this regard, the offer of corresponding rights to holders of the ADS, and any sale of additional corresponding CPOs to holders of ADSs, would require registration under the Securities Act or an exemption therefrom. We are under no obligation to register such offers or sales under the Securities Act or any other applicable law. Under Mexican law, preemptive rights may not be sold separately from shares. As a result, if the CPO trustee cannot offer preemptive rights or is effectively prohibited from disposing of preemptive rights, CPO holders would not receive the value of these rights, and their equity interest may be diluted.

If we issue new shares of Series A common stock for cash, in accordance with our amended bylaws and the CPO trust, non-Mexican holders of the CPOs and ADSs may not be able to exercise their preemptive rights associated with shares of Series A common stock underlying such CPOs, unless a sufficient number of CPOs may be available for release under our CPO deed or unless we cause the CPO trustee to issue additional CPOs (to the extent possible), by amending the existing CPO deed or entering into a new CPO deed, to permit the non-Mexican holders of CPOs or ADSs to exercise preemptive rights by purchasing and holding newly issued shares of Series A common stock through CPOs. Although we expect to take all measures necessary to maintain sufficient CPOs available to permit non-Mexican holders of CPOs or ADSs to exercise preemptive rights, no assurances can be made that we will be able to do so, particularly because regulatory approvals in Mexico are necessary for the issuances of CPOs. Mexican holders of CPOs may exercise their preemptive rights if we issue new shares of Series A common stock for cash regardless of whether additional CPOs are available for release because they may acquire direct ownership of our Series A common stock, although we would also expect to make CPOs available to such Mexican holders because the CPOs would be the only listed security. To the extent preemptive rights are extended to holders of the CPOs and any of such holder exercise such rights, we will transfer the additional shares of Series A common stock in the CPO trust, and the CPO trustee will deliver additional CPOs to each CPO holder who exercises the preemptive rights.

Withdrawal Rights

In accordance with applicable Mexican law, only when our shareholders approve a change in our corporate purpose, jurisdiction of organization or transformation from one corporate form to another, will any CPO holder that did not instruct the CPO trustee to vote the shares of Series A common stock underlying such holder's CPOs in favor of these matters have the right to instruct the CPO trustee to cause the withdrawal of the shares and receive the book value, as set forth in the last financial statements approved by our shareholders, for them. If the CPO trustee exercises this right on behalf of the CPO holder within 15 days after the meeting at which the relevant matter was approved, the shares will be withdrawn and the CPO holder will receive the applicable proceeds.

Changes Affecting the CPOs

As set forth in the CPO trust, the CPO trustee will, pursuant to the instructions of the technical committee, issue additional CPOs or call for the surrender of outstanding CPOs to be exchanged for new CPOs should the following circumstances occur:

- a split or a consolidation of our Series A common stock;
- a capitalization affecting or redemption of our Series A common stock;

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- any other reclassification or restructuring of our Series A common stock; or
- · any merger, consolidation, or spin-off.

The CPO trustee, as instructed by the technical committee, will also decide if any changes or required amendments must be made to the CPO trust agreement and the CPO trust deed. If the CPO deed does not permit additional CPOs to be delivered in an amount sufficient to represent the shares of Series A common stock necessary to reflect the corporate events specified above, the CPO deed will need to be modified to, or a new CPO deed will need to be entered into that will, permit the delivery of the number of CPOs necessary to represent the shares of Series A common stock that reflect any such event. If we consolidate our capital stock in a way that is no longer consistent with the structure of the CPO trust, the CPO trustee, as instructed by the CPO trust's technical committee, will determine how the corpus of the CPO trust should be modified to reflect such consolidation. If we call for a redemption of the shares of Series A common stock held in the CPO trust, the CPO trustee will follow the instructions of the CPO trust's technical committee, and will act pursuant to applicable law, to determine which CPOs will be redeemed, in a number equal to the number of shares of Series A common stock held in the CPO trust called for redemption. The CPO trustee will then pay the holders of the redeemed CPOs their proportional share of the consideration.

Administration of the CPO Trust

The CPO trustee will administer the CPO trust under the direction of a CPO technical committee. Actions taken by the CPO technical committee must be approved by a majority vote of committee members present at any meeting of the committee at which at least a majority of the members are present. The CPO technical committee can also act without a meeting, if it has unanimous consent of its members. Among other matters, the CPO technical committee has the authority to instruct the CPO trustee to increase the maximum number of CPOs that may be issued, appoint a representative to vote the shares of Series A common stock held by the CPO trustee and resolve questions not addressed in the CPO trust.

The Common Representative

We appointed Monex Casa de Bolsa, S.A. de C.V. as the common representative of the holders of CPOs. The duties of the common representative include, among others:

- verification of the due execution and terms of the CPO trust;
- verification of the existence of the shares Series A common stock being held in the CPO trust;
- authentication, by its signature, of the certificates evidencing the CPOs;
- exercise the rights of CPO holders in connection with the payment of any dividend to which they are entitled;
- undertaking of any other action required to protect the rights, actions or remedies to which they are entitled;
- · calling and presiding over general meetings of CPO holders; and
- execution of decisions adopted at general meetings of CPO holders.

The common representative may ask the CPO trustee for all information and data necessary to satisfy its duties. The CPO holders may, by resolution at a general CPO holders' meeting, revoke the appointment of the common representative, appoint a substitute common representative or instruct the common representative to take certain actions regarding the CPO trust.

General Meetings of CPO Holders

Under Mexican law, any individual holder or group of holders holding at least 10% of the outstanding CPOs may ask the common representative to call a general meeting of all CPO holders. The request must include the proposed agenda for the meeting. At least ten days before the relevant meeting, the common representative must publish announcements of the CPO general meetings in the Official Gazette of the Federation and in one of the newspapers of its domicile. The announcement must include the meeting's agenda.

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In order for CPO holders to attend CPO general meetings, they must request a receipt of deposit from Indeval for their certificates and, if applicable, a certificate from the relevant custodian (coupled with the necessary Indeval certificates) at least two days before the meeting.

At CPO general meetings, CPO holders will have one vote per CPO held. Resolutions must be approved by a holders of a majority of the CPOs present, whether in person or by proxy, at the applicable CPO meeting. A quorum is required at these meetings. For a meeting held upon first notice of the meeting, a quorum is met by holders representing at least a majority of the outstanding CPOs. If no quorum is present on first call, any CPO holders present at a subsequently called CPO general meeting will constitute a quorum. Duly adopted resolutions will bind all CPO holders, including absent and dissenting holders.

Some special matters must be approved by holders at a special CPO general meeting. These matters include the appointment and removal of the common representative and the granting of consents, waivers or grace periods and the amendment of the CPO deed. At these special meetings, holders of at least 75% of the outstanding CPOs must be present to constitute a quorum at the first call. Resolutions with respect to these special matters must be approved by holders of a majority of the CPOs entitled to vote at this meeting. If a quorum is not present, a reconvened special meeting may be called. At this reconvened meeting, holders of a majority of the CPOs present (whether in person or by proxy), regardless of the percentage of outstanding CPOs represented at such meeting, may take action, by majority of holders of CPOs present.

Enforcement of Rights of CPO Holders

CPO holders may individually and directly exercise certain rights by instituting a proceeding in a Mexican court of law. These rights include:

- the right to cause the CPO trustee to distribute dividends or other distributions it has received;
- the right to cause the common representative to enforce and protect rights of CPO holders; and
- · the right to bring action against the common representative, for civil liabilities in the event of willful misconduct.

Termination of the CPO Trust

The CPO trust agreement and the CPOs issued by the CPO trustee thereunder will expire 50 years after the date of execution of the CPO trust agreement, which is the maximum term permitted by Mexican law. At that time, the CPO trustee, pursuant to the instruction of the CPO trust's Technical Committee, will:

- distribute the shares of Series A common stock underlying CPOs held by Mexican holders of on a pro rata basis; and
- with respect to shares of Series A common stock underlying CPOs held by non-Mexicans, the CPO trustee will:
 - o sell or distribute the applicable shares Series A common stock in the CPO trust, and then distribute the proceeds to CPO holders on a pro rata basis:
 - o extend the period for the CPO trust agreement; or
 - o create a new trust similar to the CPO trust to which it will transfer all of the applicable shares of Series A common stock, so that the non-Mexican holders may be the beneficiaries of economic rights in respect of such shares on a pro rata basis.

Fees of the CPO Trustee and the Common Representative

We will pay the fees of the CPO trustee for the administration of the CPO trust and the fees of the common representative.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

The following information describes the material terms of the ADS deposit agreement. This description may not contain all of the information that is important to you. To understand it fully, you should read the deposit agreement and the form of American Depository Receipt, a copy of which is filed with the SEC as an exhibit to the registration statement filed with the SEC on October 17, 2007.

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General

The Bank of New York, as depositary, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent seven CPOs (or a right to receive seven CPOs) deposited with the Indeval, and credited to an account maintained by BBVA Bancomer, S.A. de C.V. as custodian for the depositary in Mexico. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York's principal executive office is located at One Wall Street, New York, New York 10286.

ADSs may be held either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in the name of the holder, or (ii) by holding ADSs in the Direct Registration System, or (B) indirectly through a broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section.

The Direct Registration System, or DRS, is a system administered by the Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as one of our shareholders and ADS holders will not have shareholder rights under Mexican law and our bylaws. Mexican law governs shareholder rights. The depositary will be the holder of the CPOs underlying the ADSs. The holder of ADSs have certain rights pursuant to a deposit agreement. The deposit agreement among us, the depositary and the ADS holders (including beneficial owners of ADSs) sets forth certain rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

Dividends and Other Distributions

The depositary has agreed to pay to the cash dividends or other distributions it or the custodian receives in respect of the underlying CPOs or other deposited securities, after deducting its fees and expenses described below. ADS holders will receive these distributions in proportion to the number of CPOs their ADSs represent.

Cash Dividends and Distributions. The depositary will convert any cash dividend or other cash distribution we pay on the shares of Series A common stock underlying the applicable CPOs into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest. Before making a distribution, the depositary will deduct any withholding taxes or other governmental charges that must be paid. It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, ADS holders may lose some or all of the value of the distributions.

Share Dividends and Distributions. The depositary may distribute additional ADSs representing any additional CPOs issued as a result of our issuing a share dividend or free distribution. The depositary will only distribute whole ADSs. It will sell CPOs which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new CPOs. The depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution. The depositary may withhold any such delivery of ADSs if it has not received reasonable assurance from us that such distribution does not require registration under the Securities Act of 1933.

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Rights to Purchase Additional CPOs. If the CPO trustee offers CPO holders any rights to subscribe for additional CPOs or any other rights, the depositary may make these rights available to holders of ADSs. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. Under current Mexican law, preemptive rights with respect to our Series A common stock may not be sold apart from the applicable shares of Series A common stock. The depositary will allow rights that are not distributed or sold to lapse. In that case, ADS holders will receive no value for them. If the depositary makes rights to purchase CPOs available to ADS holders, it will exercise the rights and purchase the CPOs on their behalf. The depositary will then deposit the CPOs and deliver ADSs to the applicable ADS holders. It will only exercise rights if ADS holders pay it the exercise price and any other charges required by the terms of the rights. U.S. securities laws may restrict transfers and cancellation of the ADSs representing CPOs purchased upon exercise of rights. For example, ADS holders may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

Other Distributions. The depositary will send to ADS holders anything else the CPO trustee distributes on deposited securities by any means it determines to be legal, fair and practical. If the depositary determines that it cannot make the distribution in that manner, the depositary has a choice. It may decide to sell the distributed assets and distribute the net proceeds, in the same way as it does with cash, or it may decide to hold the distributed assets, in which case ADSs will also represent the newly distributed assets. However, the depositary is not required to distribute any securities (other than ADSs) unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

Unlawful or Impracticable Distributions. The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, CPOs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, CPOs, shares, rights or anything else to ADS holders. This means that ADS holders may not receive the distributions we make on our Series A common stock or any value for such distributions if it is illegal or impractical for us to make them available to such ADS

Deposit, Withdrawal and Cancellation

Issuance of ADS Securities. The depositary will deliver ADSs upon the deposit of CPOs or evidence of rights to receive CPOs with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names requested and will deliver the ADSs at its office to or upon the order of the person or the persons that made the deposit.

Withdrawal of Deposited Securities. ADSs may be surrendered at the depositary's corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the CPOs and any other deposited securities underlying the surrendered ADSs to the person surrendering the ADSs or a person designated by them at the office of the custodian or, at the ADS holder's request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

Interchange between certificated ADSs and uncertificated ADSs. ADRs may be surrendered to the depositary for the purpose of exchanging an ADR for uncertificated ADSs. The depositary will cancel that ADR and will send a statement confirming the ownership of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to an ADR evidencing those ADSs.

Voting Rights

Unless the CPO trust agreement is amended to permit non-Mexican owners of CPOs to have unlimited voting rights with respect to the underlying Series A common stock, non-Mexican owners of ADSs will not have the right to instruct the depositary as to how to vote any Series A common stock underlying the ADSs with respect to matters that are not expressly provided in the CPO trust. See "Description of CPO Trust — Voting Rights with Respect to Underlying Shares." Mexican owners who provide evidence reasonably satisfactory to us and the CPO trustee of their status as Mexican nationals or Mexican corporations whose bylaws exclude non-Mexican ownership of their capital stock may instruct the depositary how to vote the Series A common stock underlying their ADS with respect to any matters.

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Subject to the limitation described above, ADS holders may instruct the depositary to instruct the CPO trustee to vote the shares of Series A common stock underlying the CPOs that the ADSs represent. The depositary will notify ADS holders of shareholders' meetings and arrange to deliver our voting materials to such ADS holders if we ask it to. The materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, the depositary must receive them on or before the date specified by the depositary. The depositary gives no assurance to ADS holders that they will receive the notice required sufficiently prior to the date established by the depositary to ensure that the depositary will be able to vote or give voting instructions with respect to the underlying shares of Series A common stock. The depositary will instruct, as far as practical, subject to Mexican laws and the CPO trust and our bylaws or similar documents, the CPO trustee to vote the underlying shares or other deposited securities as instructed. ADS holders will not be able to directly instruct the CPO trustee as to how to vote the underlying shares unless they withdraw the CPOs. However, ADS holders may not have sufficient notice of a meeting to allow the timely withdrawal of the applicable CPOs.

Right to Deliver Notices to the Company and the Common Representative

If an ADS holder gives a notice to the depositary containing a request for a meeting of holders of CPOs concerning any business of the CPO trust, the depositary will deliver such notice to the common representative. If an ADS holder gives a notice to the depositary containing a request for a meeting of holders of the Series A common stock, exercising the right of a shareholder with respect to the underlying shares or containing a request for the appointment of a director, the depositary will deliver such notice to us. After giving that notice to the common representative or us, as the case may be, the depositary shall have no further duty or liability with respect to the notice received from the ADS holder.

Fees and Expenses

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book entry system accounts of participants acting for them. The depositary may generally refuse to provide fee attracting services until its fees for those services are paid.

The Bank of New York, as depositary, has agreed to reimburse us for expenses we incur that are related to the establishment and maintenance of the ADS program, including investor relations expenses and stock market application and listing fees. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amount of fees the depositary collects from investors.

Payment of Taxes

Holders of ADSs are responsible for any taxes or other governmental charges payable on their ADSs or on the deposited securities represented by any ADSs. The depositary may refuse to register any transfer of the ADSs or allow a holder to withdraw the deposited securities represented by the ADSs until such taxes or other charges have been paid. The depositary may deduct the amount of any taxes owed from any payments to ADS holders. It may also sell deposited securities represented by the ADSs, to pay any taxes owed. ADS holders will remain liable for any deficiency if the proceeds of the sale are not enough to pay the taxes owed. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay or distribute to the applicable ADS holder any proceeds, or send to the ADS holder any property, remaining after it has paid the taxes.

Reclassifications, Recapitalizations and Mergers

If we:

- Change the nominal or par value of the CPOs;
- Reclassify, split or consolidate any of the deposited securities;
- Distribute securities on the CPOs that are not distributed to ADS holders;
- Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action

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Then,

- The cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.
- The depositary may, and will if we ask it to, distribute some or all of the cash, shares or other securities it received. It may also deliver new ADRs or ask ADR holders to surrender their outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and Termination

We may agree with the depositary to amend the deposit agreement and the ADRs for any reason without the consent of the ADR holders. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, ADS holders are considered, by continuing to hold ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

The depositary will terminate the deposit agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice of termination. The depositary may also terminate the deposit agreement if the depositary has told us and the ADS holders then outstanding that it would like to resign and successor depositary has not been appointed and accepted its appointment within 60 days. In either case, the depositary must notify ADS holders at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver CPOs and other deposited securities upon cancellation of ADSs. Six months after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

Limits on our Obligations and the Obligations of the Depositary, Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit
 agreement:
- are not liable if either of us exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement;
- · are not liable for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on an ADS holders behalf or on behalf of any other person; and
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we agree to indemnify the depositary for acting as depositary, except for losses caused by the depositary's own negligence or bad faith, and the depositary agrees to indemnify us for losses resulting from its negligence or bad faith.

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Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of CPOs, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any CPOs or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs generally when the transfer books of the depositary, the CPO trustee or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

ADS Holders' Right to Receive the CPOs Underlying ADRs

ADS holders have the right to surrender their ADSs and withdraw the underlying CPOs at any time except:

- when temporary delays arise because: (i) the depositary, the CPO trustee or the Foreign Registrar has closed its transfer books or we have closed our transfer books; (ii) the transfer of CPOs is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our Series A common stock or any other security deposited with the CPO trustee;
- if the ADS holder owes money to pay fees, taxes and similar charges; and
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to the ADSs or to the withdrawal of CPOs or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying CPOs. This is called a pre-release of the ADSs. The depositary may also deliver CPOs upon cancellation of pre-released ADSs (even if the ADSs are surrendered before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying CPOs are delivered to the depositary. The depositary may receive ADSs instead of CPOs to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (a) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer owns the CPOs or ADSs to be deposited; (b) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and (c) the depositary must be able to close out the pre-release on not more than five business days' notice. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depositary may disregard the limit from time to time, if it thinks it is appropriate to do so.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by the DTC. DRS is the system administered by DTC pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register such transfer.

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In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depositary.

Shareholder Communications and Inspection of Register of Holders of ADSs

The depositary will make available for inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send holders of ADSs copies of those communications if we ask it to. A holder has the right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

DIVIDEND POLICY

We have not paid any cash dividends in the past and do not expect to pay any cash dividends on our common stock for the foreseeable future. We currently intend to retain any additional future earnings to finance our operations and growth. Any future determination to pay cash dividends on our common stock will be at the discretion of our board of directors and will depend on our earnings, financial condition, operating results, capital requirements and contractual, regulatory and other restrictions on the payment of dividends and other factors our board of directors deems relevant. In addition, we may not pay any dividend unless such dividend is paid from our net profit account and the financial statements including such net profit and the payment of the relevant dividend have been approved

Mexican law requires that at least 5% of a company's net income each year (after profit sharing and other deductions required by Mexican law) be allocated to a legal reserve fund until such fund reaches an amount equal to at least 20% of its capital stock from time to time (without adjustment for inflation). Our legal reserve fund was Ps.0 million at December 31, 2010.

Mexican companies may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up), only after such allocation to the legal reserve fund if the dividend is paid out of retained earnings and only if shareholders have approved the payment of the dividend. The reserve fund is required to be funded on a stand-alone basis for each company, rather than on a consolidated basis. The level of earnings available for the payment of dividends is determined under MFRS. Our subsidiaries are required to allocate earnings to their respective legal reserve funds prior to paying dividends to Maxcom. We are also required to allocate earnings to our legal reserve fund prior to distributing any dividend payments to our shareholders.

Under provisions of the Mexican Income Tax Law, dividends paid to Foreign Holders with respect to our CPOs and ADSs are currently not subject to any Mexican withholding.

Dividends paid from distributable earnings that have not been subject to corporate income tax are subject to a corporate-level tax (payable by the Company) at a rate of 30% over the grossed up paid dividend. Dividends paid from distributable earnings, after the corporate tax has been paid with respect to these earnings, are not subject to this corporate-level tax at the moment of distribution.

As of December 31, 2010, we had not accumulated distributable earnings that have been subject to the corporate income tax and that could be declared and paid to shareholders free of the corporate level dividend tax. Accordingly, any dividends we pay in excess of this amount will be subject to the corporate level dividend tax, and we may apply such corporate level dividend tax as a credit to our tax liability in the year paid and in the subsequent two years.

In addition, the indenture that governs the terms of our senior notes due 2014 allows us to pay cash dividends only if we meet the following conditions:

- a minimum consolidated leverage ratio of less than 4.25 to 1.00 on or before December 31, 2007, 4.00 to 1.00 on or after January 1, 2008 and on or before December 31, 2009 and 3.50 to 1.00 on or after January 1, 2010;
- no default (as defined in the indenture) must have occurred and be continuing or result from the payment of the cash dividend; and

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the dividend payments together with the aggregate amount of all other restricted payments (as defined in the indenture) do not exceed a certain amount determined in the indenture based on, among other things: (i) the consolidated net income of the company, (ii) the net cash flows from equity offerings, (iii) the lesser of the return on the restricted investments or the original amount of the restricted investment, (iv) the lesser of the fair market value (as defined in the indenture) of the company's investment on a subsidiary after its re-designation as a restricted subsidiary or the original fair value as of the date in which such subsidiary was originally designated as unrestricted subsidiary.

In the event we were to declare dividends, they would be in pesos. In the case of CPOs represented by ADSs, the cash dividends would be paid to the depositary and, subject to the terms of the deposit agreement, converted into and paid in U.S. dollars, net of withholding taxes or other governmental charges that must be paid. Fluctuations in exchange rates would affect the amount of dividends that ADS holders would receive. For a more detailed discussion, see "Description of American Depositary Shares."

Distributions made by us other than as dividends, including capital reductions, amortization of shares or otherwise, would be subject to taxation in Mexico, with taxes being generally payable by us, as corporate-level taxes. The method of assessing and paying taxes applicable to any such distributions will vary depending on the nature of the distributions.

C. Material contracts

Sale of the Telereunión Concession

On March 13, 2006 we announced the acquisition of Grupo Telereunión, adding a broader national footprint by adding 480 kms of fiber optic rings, 4,300 kms of national backbone with a border crossing into McAllen, and 680 kms of fiber optic infrastructure in the Gulf region.

Given that the license granted to Telereunión to operate as a long distance carrier and value-added service provider in 1998, duplicates the authorized services in the concession granted to Maxcom in 1996, Maxcom decided to sell Telereunion's concession by ceding its rights and obligations to Qualtel, S.A. de C.V., in exchange of USD\$2 million. The operation was authorized by the SCT and was closed in 2007.

Senior Notes due 2014

On December 20, 2006, Maxcom completed a private placement of U.S.\$150 million aggregate principal amount of senior notes due 2014. On each of January 10, 2007 and September 5, 2007, Maxcom completed a supplemental private placement of U.S.\$25 million aggregate principal amount of senior notes due 2014. The notes accrue interest at 11% per annum payable semi-annually in June and December of each year and mature on December 15, 2014. The senior notes due 2014 are governed by indenture that Maxcom and its subsidiaries entered into with The Deutsche Bank Trust Company Americas, acting as trustee. The indenture governing our senior notes due 2014 contains certain covenants that among other things, limit our ability to incur additional indebtedness and issue preferred stock, pay dividends, make other restricted payments and investments, create liens, incur restrictions on the ability of our subsidiaries to pay dividends or other payments to them, sell assets, merge or consolidate with other entities, and enter into transactions with affiliates. As of December 28, 2007 the senior notes due 2014 were exchanged for substantially identical securities that have been registered under the U.S. Securities Act of 1933. The terms of the new senior notes due 2014 issued in the exchange offer were substantially identical to the outstanding senior notes due 2014, except that the transfer restrictions and registration rights relating to the outstanding senior notes due 2014 do not apply to the new senior notes.

Currency Swap Agreement

The peso-to-dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar-denominated obligations, including our senior notes due 2014. In order to diminish the negative effects of a peso devaluation in May 2007, we entered into currency swap transactions with the banks Morgan Stanley A.G. and Merrill Lynch Capital Markets A.G. to minimize the exchange rate risks related to the coupon payments with respect to U.S.\$150 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2008 to December 2010. In December 2009, the company unwound the swap with Morgan Stanley A.G. and entered into a new swap with the same bank that covers the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

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In March 2010 the company unwound the swap with Merrill Lynch Capital Markets A.G. and entered into a new cross currency swap transaction with Morgan Stanley A.G. that minimize the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

In May 2011 we amended the cross currency swap agreements with Morgan Stanley (France), SAS to delete from the agreements the clause authorizing Morgan Stanley to terminate the agreements in case the credit rating of Maxcom continues to decline. In return, Maxcom agreed to deposit U.S.\$1.5 million in a collateral account in Morgan Stanley.

D. Exchange Controls

The peso fluctuates freely against the U.S. dollar. The Mexican Central Bank intervenes occasionally in the market to stabilize the exchange rate. Mexico had an exchange control system from 1982 until November 11, 1991. Under this system, Mexican residents and companies were entitled to purchase, and required to sell, foreign currencies for certain purposes at a controlled rate of exchange that was established daily by the Central Bank of Mexico. Transactions to which the controlled rate applied included payments for virtually all merchandise imports, revenues from virtually all merchandise exports, royalty payments and payments of principal, interest and related expenses with respect to indebtedness to foreign creditors registered with the Mexican government. For all transactions to which the controlled rate did not apply, foreign currencies could also be purchased, if they were available, at the then prevailing domestic free market rate for the type of transactions.

Pursuant to the provisions of North American Free Trade Agreement, or "NAFTA," Mexico remains free to impose foreign exchange controls on investments made in Mexico, including those made by U.S. and Canadian investors.

E. Taxation

Certain Material United States Federal Income Tax Considerations

IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the U.S. Internal Revenue Service, we inform you that any tax advice contained in this document (including any attachments) was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under the U.S. Internal Revenue Code. The tax advice contained in this document (including any attachments) was written to support the promotion or marketing of the transaction(s) or matter(s) addressed by the document. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

The following is a general discussion of certain material United States federal income tax considerations to holders of our CPOs and ADSs and our senior notes due 2014. This discussion is a summary for general information purposes only and does not consider all aspects of U.S. federal income taxation that may be relevant to particular holders in light of their particular investment circumstances or to certain types of holders that are subject to special tax rules, including partnerships, grantor trusts, banks, financial institutions or other "financial services" entities, broker-dealers, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, retirement plans, individual retirement accounts or other tax-deferred accounts, dealers or brokers in securities or currencies, persons that use or are required to use mark-to-market accounting, persons that hold senior notes, CPOs or ADSs as part of a "straddle," a "hedge," a "conversion transaction," or an "integrated transaction," persons to whom the "constructive sale" or "constructive ownership" rules apply, persons with a functional currency other than the U.S. dollar, investors in partnerships and other pass-through entities, persons that own, or are deemed to own, CPOs or ADSs constituting 10% or more of our voting power, United States persons who hold senior notes, CPOs or ADSs through banks, financial institutions or other entities, or branches thereof, located, organized or resident outside the United States, certain former citizens or permanent residents of the United States and persons subject to the alternative minimum tax. This discussion also does not address any federal non-income tax considerations or any state, local or foreign income or non-income tax considerations to holders. This summary assumes that holders own CPOs, ADSs or senior notes exclusively as "capital assets" within the meaning of Section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (generally, property held

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For purposes of this discussion, a "U.S. Holder" is a beneficial owner of CPOs, ADSs or senior notes that, for U.S. federal income tax purposes, is (i) a citizen or an individual resident of the United States; (ii) a corporation (or other entity or arrangement treated as a corporation for U.S. federal income tax purposes) created or organized, or treated as created or organized, in or under the laws of the United States, any state thereof, or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our CPOs, ADSs or senior notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. In this event, the partner and partnership are urged to consult their tax advisors.

EACH HOLDER IS URGED TO CONSULT ITS TAX ADVISOR REGARDING THE SPECIFIC FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSIDERATIONS OF HOLDING CPOS, ADSS, OR SENIOR NOTES.

Senior Notes due 2014

The following discussion assumes that all payments we make on the senior notes are denominated in U.S. dollars.

U.S. Tax Characterization of the Senior Notes

We believe that the senior notes should be treated as debt for U.S. federal income tax purposes, and the following discussion assumes such treatment. However, no assurance can be given that the IRS will not assert that the senior notes should be treated as equity for U.S. federal income tax purposes. If the senior notes were treated as equity for U.S. federal income tax purposes, the timing, amount and character of income, gain and loss recognized by you could be different.

In addition, under certain circumstances we may be obligated to make payments of amounts in excess of stated interest or principal on the senior notes that differ from the payments that were expected to be made as of the date that such senior notes were issued. The fact that we may be obligated to make such payments under certain circumstances may implicate provisions of the Treasury Regulations that relate to "contingent payment debt instruments." According to the Treasury Regulations, the possibility of such payments in excess of stated interest or principal does not cause the senior notes to be considered contingent payment debt instruments if, as of the date the earlier senior notes that were exchanged for the current senior notes pursuant to the exchange offer completed on January 7, 2008 were issued, the likelihood that payments on the senior notes would differ from the payments that were expected to be made was "remote" or if any such difference would be "incidental," as those terms are used in the Treasury Regulations. As of January 7, 2008, we believed that the likelihood that we would be obligated to make any payments that differ from the payments expected to be made as of such date was remote. Therefore, we are not treating, and do not intend to treat, the senior notes as contingent payment debt instruments. Our determination that these contingencies are remote is binding on you unless you disclose a contrary position in the manner required by applicable Treasury regulations. Our determination is not, however, binding on the IRS, and if the IRS were to challenge this determination successfully, the timing, amount and character of income, gain and loss recognized by you could be different.

The remainder of this discussion assumes that the senior notes will neither be treated as equity nor as contingent payment debt instruments.

U.S. Holders of Senior Notes

Payments of Interest

The senior notes were not issued with original issue discount. Accordingly, subject to the discussion of "Acquisition Premium" below, a U.S. Holder of senior notes will be taxed on the stated interest on such senior notes at ordinary income rates at the time at which such interest accrues or is received in accordance with such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. As discussed in more detail below, any Mexican tax withheld from a payment to a U.S. Holder under the Mexican withholding tax rules and paid over to the Mexican government will be treated as if the U.S. Holder received the amount withheld and paid such amount to the Mexican government itself, and the U.S. Holder will be required to include the amount withheld in such U.S. Holder's taxable income in the same manner as payments the U.S. Holder receives on the senior notes. Any income that the U.S. Holder recognizes from a payment on a senior note will be treated as foreign-source income.

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Sale or Other Taxable Disposition of the Senior Notes

If a U.S. Holder sells or otherwise disposes of senior notes, the U.S. Holder will recognize capital gain or loss equal to the difference between such U.S. Holder's adjusted tax basis in the senior notes and the amount of cash plus the fair market value of any property that the U.S. Holder receives in exchange for the senior notes. This capital gain or loss will constitute long-term capital gain or loss if the U.S. Holder's holding period in the senior notes is more than one year at the time of the sale or other taxable disposition and short-term capital gain or loss if the U.S. Holder's holding period in the senior notes is not more than one year at the time of the sale or other taxable disposition. For this purpose, a U.S. Holder's holding period in a senior note will include the U.S. Holder's holding period in a corresponding senior note that the U.S. Holder exchanged for the relevant senior note in the exchange offer completed on January 7, 2008. Your ability to use any capital loss to offset other income or gain is subject to certain limitations. Gain or loss you recognize in connection with a sale or other taxable disposition of the senior notes will generally be treated as U.S.-source gain or loss. A U.S. Holder that sells a senior note between interest payment dates will be required to treat as ordinary interest income an amount equal to the interest that accrues through the date of sale and has not been previously included in income.

Acquisition Premium

If you acquired senior notes (or, if applicable, senior notes that you exchanged for the relevant senior notes in the exchange offer completed on January 7, 2008) for an amount greater than such notes' stated principal amount, you may elect to amortize the premium using the constant yield method over the period from your acquisition date until the notes' stated maturity. The amount amortized in any year will be treated as a reduction of your interest income from the notes. The election to amortize the premium on a constant yield method, once made, applies to all debt obligations held during or after the taxable year in which the election is made and may not be revoked without the consent of the IRS. If you make this election, you will be required to reduce your basis in the notes to the extent that any amortizable bond premium is applied to offset your interest income on the notes. If you do not make this election, the premium on your notes will not offset your interest income on the notes, and instead the premium on your notes will decrease the gain or increase the loss otherwise recognized on a sale or other taxable disposition of the notes.

Market Discount

If you acquired a senior note for an amount less than such note's adjusted issue price, the excess of the note's stated redemption price at maturity over your purchase price will be treated as "market discount." Such market discount, however, will be considered zero if it does not exceed a "de minimis amount" equal to 0.25% of the note's stated redemption price at maturity multiplied by the number of complete years to maturity from the date you purchased the senior note.

Under the market discount rules, you will generally be required to treat any partial principal payment on, and any gain realized on the sale or other taxable disposition of, the senior note as ordinary income (generally treated as interest income) to the extent of the market discount which accrued but was not previously included in income during the period you held such senior note. In addition, you may be required to defer the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry such senior note until the note's maturity or your earlier sale or other taxable disposition of the note.

In general, market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the senior note, unless you make an irrevocable election (on an instrument-by-instrument basis) to accrue market discount under a constant yield method. A noteholder may also elect to include market discount on the senior note in income currently as it accrues (under either a ratable or constant yield method), in which case the rules described above regarding the treatment as ordinary income of gain upon the sale or other disposition of the senior note and the deferral of interest deductions will not apply. The election to include market discount in income currently, once made, applies to all market discount obligations acquired by the noteholder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS. Such currently included market discount will increase the noteholder's tax basis in the senior note and generally is treated as ordinary interest income for U.S. federal income tax purposes.

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Mexican Withholding Tax

You will be entitled to deduct from your taxable income any Mexican tax withheld from payments of interest on the senior notes unless you choose to claim the benefits of the foreign tax credit rules for any foreign tax (including any foreign tax unrelated to the senior notes) in the taxable year to which the Mexican tax relates. In the latter case, you may not deduct the Mexican tax withheld and you may only claim benefits, if any, under the foreign tax credit rules with respect to

The availability of foreign tax credits is subject to certain conditions and limitations (including minimum holding period requirements), and the rules governing foreign tax credits are very complex. Subject to such conditions and limitations and a U.S. Holder's particular tax circumstances, foreign tax withheld on passive income from foreign sources (including Mexican tax withheld from payments on the senior notes) can be credited against your U.S. federal income tax liability that is attributable to passive income from foreign sources (including income from interest payments on the senior notes), but not against your U.S. federal income tax liability that is attributable to non-passive income from foreign sources or attributable to passive or non-passive income from U.S. sources. A noteholder may be required to provide the IRS with a certified copy of the receipt evidencing payment of the Mexican withholding tax imposed in respect of payments on the senior notes in order to claim a foreign tax credit in respect of such Mexican withholding tax.

As discussed above, the rules governing foreign tax credits are very complex. In addition, the Obama administration recently proposed several significant changes to the foreign tax credit rules, which if enacted could change the consequences discussed above. You should consult your tax advisors regarding the rules governing foreign tax credits and the deductibility of foreign taxes.

New Legislation

Recently enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% tax on net investment income, including on interest and capital gains, for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation may require certain U.S. Holders who are individuals to report information relating to the holding of senior notes, subject to certain exceptions (including an exception for senior notes held in a custodial account maintained with a U.S. financial institution). U.S. Holders should consult their own tax advisers regarding the effect, if any, of new U.S. federal income tax legislation.

Information Reporting and Backup Withholding

A noteholder may be subject to information reporting and/or backup withholding with respect to payments on the senior notes or the gross proceeds from a sale or other disposition of the senior notes if, in either case, a payment is made to you within the United States or by a U.S. payor or U.S. middleman. Backup withholding (currently at a rate of 28%) may apply under certain circumstances if you (i) fail to furnish your social security or other taxpayer identification number ("TIN"), (ii) furnish an incorrect TIN, (iii) fail to report interest or dividends properly, or (iv) fail to provide a certified statement, signed under penalty of perjury, that the TIN provided is correct and that you are not subject to backup withholding. Any amount withheld from a payment under the backup withholding rules is allowable as a credit against (and may entitle you to a refund with respect to) your federal income tax liability, provided that the required information is furnished to the IRS. Certain persons are exempt from backup withholding.

Non-U.S. Holders of Senior Notes

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments on senior notes or gain realized from the sale or other disposition of senior notes, unless such income or gain is effectively connected with the conduct of a trade or business in the United States by the Non-U.S. Holder or, in certain unusual circumstances, the Non-U.S. Holder is present in the United States for 183 days or more during a taxable year in which the Non-U.S. Holder realizes gain from a sale or other disposition of senior notes and certain other conditions are met.

A Non-U.S. Holder will generally be exempt from information reporting requirements and withholding but may be required to comply with certification and identification procedures in order to obtain these exemptions. If any amount is withheld under the withholding or backup withholding rules of the Code, such amount is not an additional tax, but rather is credited against the holder's U.S. federal income tax liability. Holders are advised to consult their tax advisers to ensure compliance with the procedural requirements to reduce or avoid backup withholding or, if applicable, to file a claim for a refund of withheld amounts in excess of the holder's U.S. federal income tax liability.

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CPOs or ADSs

For U.S. federal income tax purposes, U.S. Holders who own ADSs will be treated as the beneficial owners of the CPOs represented by those ADSs. Based on the nature of the CPO trust and the applicable legal authorities, a U.S. Holder who owns CPOs, or is treated as owning CPOs, should be treated as the beneficial owner of the Series A common stock represented by the CPOs. However, the U.S. federal income tax treatment of U.S. Holders that are beneficial owners of CPOs is not entirely clear. The IRS could assert that they should be treated as owning an interest in an entity or arrangement treated as a foreign trust for U.S. federal income tax purposes. If they were so treated, the U.S. federal income tax consequences to the U.S. Holder should be the same as outlined below; however, the U.S. Holder would also be subject to certain additional tax reporting obligations under the foreign trust rules. If these tax reporting obligations were determined to apply to a U.S. Holder and the U.S. Holder did not comply with them, the U.S. Holder could be subject to substantial penalties.

The discussion below assumes that the representations contained in the CPO trust agreement and the ADS deposit agreement are true and that the obligations in the CPO trust agreement, the ADS deposit agreement and any related agreements will be complied with in accordance with their terms. Otherwise, a holder's ability to credit any foreign taxes withheld with respect to CPOs or ADSs against its U.S. federal income tax liability, as well as a U.S. Holder's ability to claim the reduced tax rate for dividends (as described below) could be affected.

U.S. Holders of CPOs or ADSs

Taxation of Dividends and Other Distributions.

Subject to the "passive foreign investment company" and "controlled foreign corporation" rules discussed below, distributions of cash or property with respect to the CPOs or ADSs (including the amount of any Mexican taxes withheld on any such distribution, if any) will constitute ordinary dividend income to the extent of our current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), which will be includible in your income on the day on which the dividends are received by the CPO trustee (whether the U.S. Holder holds the CPOs directly or by way of an ADS) and will be treated as foreign source dividend income (generally passive income) for foreign tax credit limitation purposes. Any distributions in excess of such earnings and profits will constitute a nontaxable return of capital and reduce a U.S. Holder's tax basis in the CPOs or ADSs. To the extent such distributions exceed a U.S. Holder's tax basis in its CPOs or ADSs, such excess will constitute capital gain from the sale or other disposition of the CPOs or ADSs and taxed as described below. Dividends on the CPOs or ADSs will not be eligible for the dividends received deduction allowed to U.S. corporations.

Dividends paid in pesos (including the amount of any Mexican taxes withheld therefrom, if any) will be includible in a U.S. Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the pesos are received by the CPO trustee, regardless of whether the dividends are converted into U.S. dollars. In addition, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in your income to the date such payment is converted into U.S. dollars will be foreign currency gain or loss and will be treated as ordinary income or loss. Such gain or loss will generally be treated as income from sources within the U.S. You should consult your tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received by the CPO trustee that are converted into U.S. dollars on a date subsequent to such receipt.

Dividends received by individuals or other non-corporate taxpayers from U.S. and certain foreign corporations for years 2003 through 2012 are subject to U.S. federal income tax at the long-term capital gains rate (whereas under current law, such dividends received for years after 2012 are subject to U.S. federal income tax at ordinary income rates). Recipients of dividends from foreign corporations will benefit from these reduced rates if the dividends are received from certain "qualified foreign corporations." For this purpose, a qualified foreign corporation means any foreign corporation provided that: (i) the corporation was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a "passive foreign investment company" (as discussed below), (ii) certain holding period requirements are met and (iii) either (A) the corporation is eligible for the benefits of a comprehensive income tax treaty with the U.S. that the IRS has approved for purposes of the qualified dividend rules or (B) the stock with respect to which such dividend was paid is readily tradable on an established securities market in the U.S. The ADSs should be considered to be readily tradable on an established securities market in the U.S. so long as they remain listed on the New York Stock Exchange. However, while not completely clear from doubt, we believe that the CPOs will not be treated as readily tradable on an established securities market in the U.S. Nevertheless, the Secretary of the Treasury has indicated that the U.S.- Mexico Tax Treaty would qualify under the qualified dividend rules, and we expect the Company will qualify for the benefits of such treaty. You should consult your tax advisors concerning the availability of the lower rate for dividends paid with respect to the CPOs and ADSs.

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In addition, the Obama administration has proposed several significant changes to the foreign tax credit rules and also proposed to extend the period for which certain dividends are subject to U.S. federal income tax at the long-term capital gains rate, which if enacted could change the consequences discussed above. You should consult your tax advisors concerning the taxation of dividends and concerning the availability of foreign tax credits with respect to any Mexican tax imposed with respect to distributions of cash or property with respect to the CPOs or ADSs.

Sale or Other Disposition of the CPOs or ADSs.

Subject to the passive foreign investment company and controlled foreign corporation rules discussed below, upon the sale or other disposition of the CPOs or ADSs, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other disposition and such U.S. Holder's tax basis in such CPOs or ADSs. Gain or loss recognized by a U.S. Holder on such sale or other disposition will be long-term capital gain or loss if, at the time of the sale or other disposition, the CPOs or ADSs have been held for more than one year. Your ability to use any capital loss to offset other income or gain is subject to certain limitations. Deposits and withdrawals of CPOs by U.S. Holders in exchange for ADSs should not result in the realization of gain or loss for U.S. federal income tax purposes.

A U.S. Holder that receives pesos upon a sale or other disposition of the CPOs will realize an amount equal to the U.S. dollar value of the pesos upon the date of sale (or in the case of cash basis and electing accrual basis taxpayers, the settlement date). A U.S. Holder will have a tax basis in the pesos received equal to the U.S. dollar value of the pesos received translated at the same rate the U.S. Holder used to determine the amount realized on its disposal of the CPOs. Any gain or loss realized by a U.S. Holder on a subsequent conversion of the pesos generally will be a U.S. source foreign currency gain or loss and will be treated as ordinary income or loss. U.S. Holders should consult their own independent tax advisors regarding the treatment of foreign currency gain or loss, if any, on any pesos received that are converted into U.S. dollars on a date subsequent to receipt.

Passive Foreign Investment Company Considerations

The Company does not expect to be treated as a "passive foreign investment company" (a "PFIC"), for U.S. federal income tax purposes. However, as described below, since PFIC status depends upon the composition of the Company's income and assets and the market value of its assets (including, among others, goodwill and less than 25% owned equity investments) from time to time, no assurance can be provided that the Company will not be considered a PFIC for any taxable year. In addition, the Company's PFIC status for any particular taxable year is not determinable until the close of that taxable year and is an inherently factual determination. If the Company were treated as a PFIC for any taxable year during which a U.S. Holder holds CPOs or ADSs, certain adverse consequences could apply to the U.S. Holder.

A non-U.S. corporation is considered to be a PFIC for any taxable year if either (i) at least 75% of its gross income is passive income (the "income test"), or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the "asset test"). The Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which its owns, directly or indirectly, more than 25% (by value) of the stock.

As discussed above, whether the Company is a PFIC is determined on a year-by-year basis. As a result, the Company's PFIC status may change. In particular, because the total value of the Company's assets for purposes of the asset test will be calculated using the market price of the CPOs and ADSs, the Company's PFIC status will depend in large part on the market price of the CPOs and ADSs, which may fluctuate considerably. Accordingly, fluctuations in the market price of the CPOs and ADSs may result in the Company being a PFIC for any year. If the Company is a PFIC for any year during which you hold CPOs or ADSs, the Company generally will continue to be treated, with respect to you, as a PFIC for all succeeding years during which you hold CPOs or ADSs. However, if the Company ceases to be a PFIC, you may avoid some of the adverse effects of the PFIC regime by making a deemed sale election with respect to the CPOs or ADSs, as applicable.

If the Company is a PFIC for any taxable year during which you hold CPOs or ADSs, you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from a sale or other disposition (including a pledge) of the CPOs or ADSs unless you make a "mark-tomarket" election or a "qualified electing fund" election as discussed below. Unless you make either of these elections, distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the CPOs or ADSs will be treated as an excess distribution. Under special tax rules, (i) any excess distribution or gain will be allocated ratably over your holding period for the ADSs or CPOs, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which the Company became a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year. The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the CPOs or ADSs cannot be treated as capital, even if you hold the CPOs or ADSs as capital assets.

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If the Company is a PFIC, a U.S. Holder may avoid taxation under the rules described above by making a "qualified electing fund" election to include such U.S. Holder's share of the Company's income on a current basis, provided that the Company furnishes such U.S. Holder annually with certain tax information. In order to avoid taxation under the rules described above, a U.S. Holder must generally make a "qualified electing fund" election for the first taxable year during which the U.S. Holder owns stock of the Company and in which the Company is a PFIC. If the Company concludes that it should be treated as a PFIC for any taxable year, the Company intends to notify each U.S. Holder of such fact. However, there can be no guarantee that the Company will be willing or able to provide the information needed by any U.S. Holder to make a "qualified electing fund" election with respect the CPOs or ADSs. If a U.S. Holder makes a qualified electing fund" election, such U.S. Holder will be taxable currently on its pro rata share of the Company's ordinary earnings and net capital gains (at ordinary income and capital gain rates, respectively) for each taxable year during which the Company is treated as a PFIC, regardless of whether such U.S. Holder receives distributions, so the U.S. Holder may recognize taxable income without the corresponding receipt of cash from the Company with which to pay the resulting tax obligation. The basis in the CPOs or ADSs held by such U.S. Holder will be increased to reflect taxed but undistributed income. Distributions of income that were previously taxed will result in a corresponding reduction of basis in the CPOs or ADSs, and will not be taxed again as distributions to the U.S. Holder.

Alternatively, a U.S. Holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock to elect out of the tax treatment discussed above. In order to elect out of the tax treatment discussed above, a U.S. Holder must generally make a mark-to-market election for the first taxable year during which the U.S. Holder owns stock of the Company and in which the Company is a PFIC. If you make a valid mark-to-market election for the CPOs or ADSs, you will include in income each year an amount equal to the excess, if any, of the fair market value of the CPOs or ADSs as of the close of your taxable year over your adjusted basis in such CPOs or ADSs. You are allowed a deduction for the excess, if any, of the adjusted basis of the CPOs or ADSs over their fair market value as of the close of the taxable year. However, deductions are allowable only to the extent of any net mark-to-market gains on the CPOs or ADSs included in your income for prior taxable years. Amounts included in your income under a mark-to-market election and gain on the actual sale or other disposition of the CPOs or ADSs are treated as ordinary income. Ordinary loss treatment applies to the deductible portion of any mark-to-market loss on the CPOs or ADSs, as well as to any loss realized on the actual sale or disposition of the CPOs or ADSs, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such CPOs or ADSs. Your basis in the CPOs or ADSs will be adjusted to reflect any such income or loss amounts. If you make a mark-to-market election, the tax rules that apply to distributions by corporations that are not PFICs would apply to distributions by us, except that the reduced rate on dividends discussed above would not apply.

The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter ("regularly traded") on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations. The New York Stock Exchange and the Mexican Stock Exchange are both qualified exchanges. The ADSs are listed on the New York Stock Exchange and, consequently, if you are a holder of ADSs and the ADSs remain so listed and are regularly traded, the mark-to-market election would be available to you were the Company to be a PFIC. In addition, the CPOs are listed on the Mexican Stock Exchange and, consequently, if you are a holder of CPOs and the CPOs remain so listed and are regularly traded, the mark-to-market election would be available to you were the Company to be a PFIC.

If you hold CPOs or ADSs in any year in which we are a PFIC, you will be subject to special reporting requirements with respect to distributions received on the CPOs or ADSs and any gain realized on the disposition of the CPOs or ADSs.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in CPOs or ADSs.

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Controlled Foreign Corporation Considerations

If more than 50% of the voting power of all classes of the Company's capital stock or the total value of the Company's capital stock is owned, directly or indirectly, by "U.S. shareholders," the Company may be treated as a "controlled foreign corporation," or a "CFC," under Subpart F of the Code. For this purpose, the term "U.S. shareholder" has a special meaning and means citizens or residents of the U.S., U.S. domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom owns 10% or more of the total combined voting power of all classes of the Company's capital stock. The U.S. taxes a "U.S. shareholder" of a CFC currently on its pro rata share of the Subpart F income of the CFC. Such "U.S. shareholder" is generally treated as having received a current distribution out of the CFC's Subpart F income and is also subject to current U.S. tax on its pro rata share of the CFC's earnings invested in U.S. property. In addition, gain from the sale or exchange of stock in a CFC by a U.S. person who is or was a "U.S. shareholder" of the CFC at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of the CFC's earnings and profits attributable to the stock sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to "U.S. shareholders" of the CFC.

You should consult your own tax advisor as to the potential application of these rules to you based on your particular circumstances.

New Legislation

Recently enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% tax on net investment income, including on dividends and capital gains, for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation may require certain U.S. Holders who are individuals to report information relating to the holding of CPOs and ADSs, subject to certain exceptions (including an exception for CPOs and ADSs held in a custodial account maintained with a U.S. financial institution). U.S. Holders should consult their own tax advisers regarding the effect, if any, of new U.S. federal income tax legislation.

U.S. Information Reporting and Backup Withholding.

Dividend payments with respect to CPOs or ADSs and proceeds from the sale, exchange or redemption of CPOs or ADSs may be subject to information reporting to the IRS and possible U.S. backup withholding (currently at a rate of 28%). Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding and establishes such exempt status. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information.

Non-U.S. Holders of CPOs or ADSs

A Non-U.S. Holder will not be subject to U.S. federal income tax with respect to gain recognized or income realized in connection with the CPOs or ADSs unless (i) in the case of a disposition of the CPOs or ADSs by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the U.S. for 183 days or more in the taxable year, and certain other conditions are met, or (ii) the gain or income resulting from the CPOs or ADSs is effectively connected with a trade or business of the Non-U.S. Holder in the U.S. (and, if a tax treaty applies, is attributable to a U.S. permanent establishment of the Non-U.S. Holder). Non-U.S. Holders should consult their own tax advisors concerning any possible U.S. tax consequences associated with the purchase, ownership, and disposition of the CPOs or ADSs.

U.S. Information Reporting and Backup Withholding.

Dividend payments with respect to CPOs or ADSs may be subject to information reporting to the IRS and possible U.S. backup withholding (currently at a rate of 28%) if such dividend payments are treated as made within the U.S. Proceeds from the sale, exchange or redemption of CPOs or ADSs may also be subject to information reporting to the IRS and possible U.S. backup withholding (currently at a rate of 28%) if a Non-U.S. Holder holds or sells the CPOs or ADSs through a U.S., or U.S.-related, broker or financial institution, or through the U.S. office of a non-U.S. broker or financial institution. Backup withholding will not apply, however, to a non-U.S. Holder that establishes an exemption from information reporting and backup withholding by certifying such holder's foreign status on an appropriate IRS Form W-8.

The IRS may make information reported to you and the IRS available under the provisions of an applicable income tax treaty to the tax authorities in the country in which you reside. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, if any, provided the required information is timely furnished by you to the IRS. You should consult your own tax advisors regarding the filing of a U.S. tax return for claiming a refund of any such backup withholding.

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THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSIDERATIONS OF OWNING OUR SENIOR NOTES, OR CPOS, OR ADSS.

Mexican Income Tax Considerations

The following is a summary of the principal consequences under Mexico's Income Tax Law (*Ley del Impuesto sobre la Renta*), which we refer to in this section as Law, regulations thereto and rules thereunder and under the Tax Treaties (as defined below), of the purchase, ownership and disposition of the senior notes due 2014, CPOs and ADSs by a holder that is not a resident of Mexico for tax purposes and that will not hold the senior notes, CPOs, ADSs or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment in Mexico (each, a "Foreign Holder").

It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or dispose of the senior notes, CPOs or ADSs by a Foreign Holder. In addition, it does not describe any tax consequences (i) arising under the laws of any taxing jurisdiction other than Mexico, (ii) arising under the laws of any state or municipality within Mexico, or (iii) arising to a holder of the senior notes, CPOs or ADSs that is a resident of Mexico for tax purposes or to a non-resident of Mexico that is holding the senior notes, CPOs or ADSs through a permanent establishment in Mexico for tax purposes, to which the relevant income is attributable.

This summary is based on the aforementioned laws in effect on January 1, 2011, which are subject to change. Each Foreign Holder should consult its own tax advisor as to the particular Mexican or other tax consequences to such Foreign Holder of purchasing, holding or disposing of the senior notes, CPOs or ADSs, including the applicability and effect of any state, municipal, local or foreign tax laws.

Mexican Tax Residence

For purposes of Mexican taxation, an individual is a resident of Mexico if he has established his home in Mexico. If the individual also has a home in another country, the individual will be deemed a resident of Mexico for tax purposes when his "center of vital interests" is located in Mexico. For these purposes, the center of vital interests will be deemed to be located in Mexico if, among other considerations, (i) more than 50% of the individual's total income, obtained in a calendar year, qualifies as Mexican source income, or (ii) when the individual's main center of professional activities is located in Mexico. Mexican nationals who file a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico, in which his or her income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years. Mexican nationals are deemed Mexican residents for tax purposes unless such nationals can demonstrate otherwise.

A legal entity is a resident of Mexico for tax purposes if it has established the principal management of its business or the place of effective management in Mexico.

United States of America/Mexico and Other Tax Treaties

Provisions of the Convention for the Avoidance of Double Taxation and Prevention of Fiscal Evasion between the United States of America and Mexico effective as of January 1, 1994, together with a related Protocol thereto, and a second Protocol effective July 22, 2003, which we refer to collectively as the Tax Treaty, that may affect the taxation of certain Foreign Holders that are United States of America holders of the senior notes, CPOs or ADSs, are summarized below. The United States of America and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters. Mexico has also entered into treaties for the avoidance of double taxation with around 43 countries, including Germany, Australia, Canada, France, Italy, United Kingdom, Japan, The Netherlands, Switzerland and Singapore, and treaties for the exchange of information with around 43 countries, including Canada, Italy, The Netherlands and Japan, among others.

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Mexican Tax Consequences to Foreign Holders of the Senior Notes

Taxation of Interest and Principal

Under the Mexican Income Tax Law, payments of interest made by us with respect of the senior notes (including payments of principal in excess of the issue price of such senior notes, which, under Mexican law, are deemed to be interest) to a Foreign Holder will generally be subject to a Mexican withholding tax assessed at a rate of 4.9% (the "Reduced Rate"), provided that:

- the senior notes are placed through banks or brokerage houses in a country with which Mexico has entered into a tax treaty for the avoidance of double taxation that is in force;
- we have delivered notice of the offering of the senior notes to the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) pursuant to Article 7 of the Mexican Securities Market Law (*Ley del Mercado de Valores*); and
- certain periodic information requirements by the Mexican Ministry of Finance (Secretaría de Hacienda y Crédito Público) are complied with.

If these requirements are not satisfied, the applicable withholding tax rate will be 10%.

To date, we have complied with the requirements set forth above and we expect to continue filing the periodic information to the Mexican Ministry of Finance (Secretaría de Hacienda y Crédito Público) and therefore, we expect to continue to withhold Mexican tax from interest payments on the senior notes at the Reduced Rate

However, a withholding at the tax rate of 30% will be applicable if the effective beneficiaries of interest payments, whether directly or indirectly, individually or jointly with related parties, of more than 5% of the aggregate amount of such payments under the senior notes are:

- our shareholders who own, directly or indirectly, individually or jointly with related parties, more than 10% of our voting stock; or
- · legal entities 20% or more of whose stock is owned, directly or indirectly, individually or jointly with related parties, by us or by persons related to us.

Payment of interest (including payments of amounts deemed interest) we make with respect of the senior notes to a non-Mexican pension or retirement fund that is a Foreign Holder, will be generally exempt from Mexican withholding taxes, provided that (i) the fund is the effective beneficiary of such interest income, (ii) the fund is duly established pursuant to the laws of its country of residence, (iii) the relevant interest income is exempt from taxation in such country, and (iv) the fund is duly registered with the Mexican Ministry of Finance (Secretaría de Hacienda y Crédito Público) in accordance with rules issued for these purposes.

We have agreed, subject to specified exceptions and limitations, to pay additional amounts to Foreign Holders of the senior notes in respect of the Mexican withholding taxes applicable to interest payments and amounts deemed interest under the senior notes.

Holders or beneficial owners of the senior notes may be requested to provide certain information or documentation necessary to enable us to establish the appropriate Mexican withholding tax rate applicable to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner is requested and is not provided on a timely basis, our obligation to pay additional amounts may be limited.

During fiscal year 2011, the Tax Treaty and the other tax treaties had no material effect on the Mexican tax consequences described in this section, this derived that as described above if certain requirements are met, under Mexican law interest payments (including payments of amounts deemed interest) to a Foreign Holder will generally be subject to a Mexican withholding tax at the Reduced Rate. During 2012, such treaties are not expected to have any material effect on the Mexican tax consequences described.

Under the Mexican Income Tax Law, payments of principal made by us in respect of the senior notes to a Foreign Holder will not be subject to a Mexican withholding tax.

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Sale or disposition of the senior notes

Under the Mexican Income Tax Law regulations, gains resulting from the sale or other disposition of the senior notes by a Foreign Holder to another Foreign Holder are not taxable in Mexico. Gains resulting from the sale of the senior notes by a Foreign Holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes will be subject to Mexican taxes pursuant to the rules described above in respect of interest payments.

Other Taxes

A Foreign Holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to the purchase, holding or disposition of the senior notes, nor will it be liable for Mexican flat rate business tax (*IETU*) stamp, issue, registration or similar taxes.

Mexican Tax Consequences to Foreign Holders of the CPOs and ADSs

Taxation of Dividends and Other Distributions

Under provisions of the Mexican Income Tax Law, dividends paid to Foreign Holders with respect to our CPOs and ADSs are currently not subject to any Mexican withholding.

Dividends paid from distributable earnings that have not been subject to corporate income tax are subject to a corporate-level tax (payable by the Company) at a rate of 30% over the grossed up paid dividend. Dividends paid from distributable earnings, after the corporate tax has been paid with respect to these earnings, are not subject to this corporate-level tax at the moment of distribution.

Distributions made by us other than as dividends, including capital reductions, amortization of shares or otherwise, would be subject to taxation in Mexico, with taxes being generally payable by us, as corporate-level taxes. The method of assessing and paying taxes applicable to any such distributions will vary depending on the nature of the distributions.

Sale or Disposition of CPOs or ADSs

The sale or other disposition of CPOs or ADSs by a Foreign Holder will not be subject to any Mexican tax if the transaction is carried out through the Mexican Stock Exchange or other stock exchange or securities markets that meet certain characteristics. Sales or other dispositions of our CPOs or ADSs made in other circumstances generally would be subject to Mexican tax at a rate of 25% based on the aggregate amount of the transaction, without any deductions, or, subject to certain requirements applicable to the seller, at a rate of 30% imposed on gains realized from the disposition.

A U.S. Holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of CPOs or ADSs in a transaction that is not carried out through the Mexican Stock Exchange or such other exchange or securities markets, provided that such gains are not attributable to a permanent establishment for tax purposes in Mexico, and further provided that the holder did not own, directly or indirectly, 25% or more of our share capital (including ADSs) during the twelve-month period preceding the sale or other disposition. Tax treaties celebrated with other countries provide similar benefits.

Under the Mexican Income Tax Law currently in force, any person or group of persons that, directly or indirectly, hold 10% or more of our outstanding CPOs or ADSs, shall be obligated to pay Mexican income taxes in respect of a sale of our CPOs or ADSs, even if the sale is carried out through the Mexican Stock Exchange or any other exchange or securities markets, if the sale comprises a block equal to or exceeding 10% of our outstanding CPOs or ADSs, in a single transaction or a series of transactions, during any 24 month period.

Also, in case a person or group of persons who have our control, alienate CPOs or ADSs that represents such control (as it is defined by the Mexican Securities Market Law), in one or successive transactions, during a period of 24 months, shall be obligated to pay Mexican income taxes derived from such transactions, even if the sale is carried out through the Mexican Stock Exchange or any other exchange or securities markets.

Other Taxes

A Foreign Holder will not be liable for Mexican estate, Mexican flat rate business tax (*IETU*), gift, inheritance or similar taxes with respect to the purchase, holding or disposition of the CPOs or ADSs, nor will it be liable for Mexican stamp, issue, registration or similar taxes.

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F. Dividends and paying agents

Not applicable.

G. Statement by experts

Not applicable.

H. Documents on display

For further information pertaining to us and our CPOs and ADSs, please consult the filings we have made with the SEC. Statements contained in this annual report concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to any filing we have made with the SEC, we refer you to the copy of the contract or document that has been filed. Each statement in this annual report relating to a contract or document filed as an exhibit to any filing we have made with the SEC is qualified in its entirety by the filed exhibit.

We file reports, including annual reports on Form 20-F, and other information electronically with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make are also available to the public over the Internet at the SEC's website at www.sec.gov and at our website at http://www.maxcom.com/ir. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this Annual Report.)

I. Subsidiary information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates and currency exchange rates.

Quantitative and Qualitative Disclosures About Market Risk

The peso-to-dollar exchange rate may experience significant devaluations in the future. Further declines in the value of the peso relative to the U.S. dollar could adversely affect our ability to meet our U.S. dollar-denominated obligations, including our senior notes due 2014. In order to diminish the negative effects of a peso devaluation in May 2007, we entered into currency swap transactions with the banks Morgan Stanley A.G. and Merrill Lynch Capital Markets A.G. to minimize the exchange rate risks related to the coupon payments with respect to U.S.\$150 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2008 to December 2010. In December 2009, the company unwound the swap with Morgan Stanley A.G. and entered into a new swap with the same bank that covers the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014. The other swap with Merrill Lynch Capital Markets A.G. remained as initially contracted.

In March 2010 the company unwound the swap with Merrill Lynch Capital Markets A.G. and entered into a new cross currency swap transaction with Morgan Stanley A.G. that minimize the exchange rate risk related to the coupon payments with respect to U.S.\$75 million aggregate principal amount of the senior notes due 2014, for payments during the period from June 2010 to December 2014.

At December 31, 2011, an immediate 10% devaluation of the peso relative to the U.S. dollar would have increased our interest expense (related to the interest payments on the U.S.\$50 million aggregate principal amount of our senior notes due 2014 not covered by the currency swaps) by approximately Ps.7.7 million over a one-year period. In addition, any further decrease in the value of the peso may negatively affect the value of Mexican securities such as ours.

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Interest Rate Risk

At December 31, 2011, the senior notes due 2014 constituted substantially all of our indebtedness. We did not have variable interest debt outstanding.

Foreign Exchange Risk

Our primary foreign currency exposure relates to our U.S. dollar-denominated debt. A substantial portion of this debt is incurred to finance U.S. dollar-denominated capital expenditures. The majority of our debt obligations at December 31, 2011 were denominated in U.S. dollars. Therefore, we are exposed to currency exchange rate risks that could significantly affect our ability to meet our obligations. In addition, during May 2007 we entered into a 3-year coupon swap which fixed the peso exchange rate for the U.S.\$150 million dollar denominated interest coupons to be paid during the period from June 2008 to December 2010 with respect to our senior notes due 2014.

The exchange rate of the peso to the U.S. dollar is a freely-floating rate and the peso has experienced significant devaluations in recent years. Any significant decrease in the value of the peso relative to the U.S. dollar in the near term may have a material adverse effect on our results of operations and financial condition, including our ability to repay or repurchase the notes. At December 31, 2011, an immediate 10% devaluation of the peso relative to the U.S. dollar would have increased our interest expense (related to the interest payments on the U.S.\$50 million aggregate principal amount of our senior notes due 2014 not covered by the currency swap) by approximately Ps.7.7 million over a one-year period.

To the extent capital expenditures are financed with operating cash flows, we are also exposed to foreign currency fluctuations. Substantially all of our capital expenditures are denominated in U.S. dollars. In addition, our operating lease for our headquarters building is denominated in U.S. dollars.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

3. Fees and Expenses

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

The following table sets forth the applicable fees for various services, transactions and activities related to the ADSs.

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Persons Depositing or Withdrawing CPOs or ADR Holders Must Pay:

U.S.\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

U.S.\$.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been CPOs and the CPOs had been deposited for issuance of ADSs

U.S.\$.02 (or less) per ADS per calendar year

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or CPO underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing deposited securities

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares, CPOs or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
- · Any cash distribution to you
- Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
- · Depositary services
- Transfer and registration of CPOs on our CPO register to or from the name of the depositary or its agent when you deposit or withdraw CPOs
- Cable, telex and facsimile transmission (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary
- As necessary

4. The Bank of New York, as depositary, has agreed to reimburse us for expenses we incur that are related to the establishment and maintenance of the ADS program, including investor relations expenses and stock market application and listing fees. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amount of fees the depositary collects from investors.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Maxcom is not in default under any of its obligations nor is any payment of dividends in arrears.

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ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Reclassification of Capital Stock and 2007 Initial Public Offering

On October 24, 2007, we completed an initial public offering of shares of our Series A common stock in the form of Ordinary Participation Certificates (*Certificados de Participación Ordinarios* or CPOs for its initials in Spanish), including American Depositary Shares, or ADSs, comprised of CPOs. In connection with the initial public offering, each issued and outstanding share of our Series A, Series B and Series N common stock was converted into one new share of Series A common stock. As of September 30, 2007, we had issued and outstanding 17,289,620 shares of Series A common stock, 16,611,595 shares of Series B common stock and 450,455,821 shares of Series N common stock. Upon completion of the reclassification, which took place prior to the closing of our initial public offering, we had 484,357,036 shares of Series A common stock issued and outstanding.

We issued a total of 355,517,292 shares of Series A common stock, including the primary and secondary portions and the overallotment option, in the initial public offering. During the initial public offering 853,592 options were exercised. Immediately following the closing of our initial public offering, our outstanding capital stock consisted of 789,818,829 shares of Series A common stock, 1,528,827 shares of which represent the fixed portion of our capital stock and 788,290,002 shares of which represent the variable portion of our capital stock. We received U.S.\$244.0 million in net proceeds from the initial public offering. The principal purpose of the initial public offering was to raise capital resources which we intended to use for capital expenditures to further expand our network. The funds obtained from the initial public offering were sufficient to fund working capital, planned capital spending and debt service requirements for the eighteen months following the initial public offering.

ITEM 15. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2010. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective at a reasonable assurance level and, accordingly, provide reasonable assurance that the information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and information is accumulated and communicated to management including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our Board of Directors, provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has conducted an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 based on the criteria described in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment and those criteria, management has concluded that the Company's internal control over financial reporting as of December 31, 2011 was effective.

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The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by KPMG Cárdenas Dosal, S.C., our independent registered public accounting firm, as stated in their attestation report which appears below under Item 15(c), Attestation Report of the Independent Registered Public Accounting Firm.

(c) Attestation Report of the Independent Registered Public Accounting Firm

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Maxcom Telecomunicaciones, S. A. B. de C. V .:

We have audited Maxcom Telecomunicaciones, S. A. B. de C. V.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Maxcom Telecomunicaciones, S. A. B. de C. V.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Maxcom Telecomunicaciones, S. A. B. de C. V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America) and with Auditing Standards Generally Accepted in Mexico, the consolidated balance sheets of Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2010, 2009 and 2008, and our report dated June 23, 2011, expressed an unqualified opinion on those consolidated financial statements.

KPMG Cardenas Dosal, S. C.

Manuel Jimenez Lara Mexico City, Mexico June 23, 2011

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(d) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Mr. Juan Miguel Gandoulf Castellanos is an audit committee financial expert as defined under the Securities and Exchange Commission guidelines. Mr. Gandoulf is an independent director of the board. Mr. Gandoulf is also "independent" in accordance with the NYSE listing standards and applicable SEC rules.

ITEM 16B. CODE OF ETHICS

As of March 2006, we adopted a code of ethics in compliance of the requirements of the Securities and Exchange Commission that applies to our principal executive officer, principal financial officer, principal accounting officer and other corporate and divisional employees. For further information see Exhibit 11.1.

We will provide a complimentary copy of Maxcom's code of ethics upon request. Written requests for such copies should be directed to Maxcom Telecomunicaciones, S.A.B. de C.V., Guillermo González Camarena No. 2000, Colonia Centro de Ciudad Santa Fe, Mexico, D.F. 01210, attention: Manager, Investor Relations. Telephone requests may be directed to 011-52-55-4770-1170.

If we grant any amendment or waiver of such provisions, we will disclose such waiver on our website, www.maxcom.com, within five business days of any such amendment or waiver.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees for professional services rendered by KPMG Cárdenas Dosal, S.C. for each of the fiscal years ended December 31, 2011 and 2010:

		Year Ended December 31		
	_	2011)
		(In mi	llions)	
Audit Fees(1)	Ps.	5.6	Ps.	6.6
All Other Fees (2)	Ps.	0.0	Ps.	0.0
Total	Ps.	5.6	Ps.	6.6

⁽¹⁾ Audit Fees include fees associated with the annual audit of our consolidated financial statements. Audit fees also include fees associated with Securities and Exchange Commission statutory, annual reporting audit requirements and internal control over financial reporting.

(2) Other Fees includes fees for advisory and training services.

We have introduced procedures for the review and pre-approval of any services performed by KPMG Cárdenas Dosal, S.C. The procedures require that all proposed engagements of KPMG Cárdenas Dosal, S.C. for audit and permitted non-audit services are submitted to our Audit Committee for approval prior to the beginning of any such services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

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ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On March 24, 2008, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders approved the share repurchase regulations, also the shareholders' approved the repurchase of shares in an amount not to exceed Ps.36.2 million (US\$2.7 million) for 2008. The share repurchase program approved on March 24, 2008 is the only share repurchase program in effect.

During the fiscal year ended December 31, 2011 we purchased a total amount 438,300 CPOs in the BMV, through the Company's stock repurchase program. The detail of the purchases is as follows:

Period	Dates	Total number of CPOs purchased	Average price paid per CPO (1)		Total number of CPOs purchased for the repurchase program		Approximate value of CPOs that may yet be purchased under the repurchase program (2)
2008:					Pg		
January					_		
		_		_			_
February	_	_		_		Ps.	
March	Enom April 15 to April 20, 2009	1,841,900	Do	17.7094	1,841,900	Ps.	36.2 29.2
April	From April 15 to April 29, 2008		Ps.				
May	From May 5 to May 30, 2008	2,198,800	Ps.	18.3854	2,198,800	Ps.	24.5
June	From June 3 to June 30, 2008	702,800	Ps.	19.4713	702,800	Ps.	22.2
July	From July 2 to July 31, 2008	387,100	Ps.	16.8034	387,100	Ps.	18.1
August	From August 1 to August 28, 2008	580,800	Ps.	12.9328	580,800	Ps.	11.1
September	From September 9 to September 29, 2008	272,800	Ps.	12.4724	272,800	Ps.	10.9
October	From October 1 to October 27, 2008	388,800	Ps.	9.8259	388,800	Ps.	9.1
November	From November 4 to November 21, 2008	89,900	Ps.	7.0312	89,900	Ps.	8.5
December	From December 1 to December 31, 2008	147,100	Ps.	7.8380	147,100	Ps.	8.5
2009:		2.7,200			- 11,144		
January	From January 7 to January 29, 2009	196,200	Ps.	7.0726	196,200	Ps.	7.8
February		_		_	_		
March	_	_		_	_		_
April	_	_		_	_		_
May	_	_		_	_		_
June	_	_		_	_		_
July	From July 30 to July 31, 2009	160,100	Ps.	5.1756	160,100	Ps.	7.9
August	From August 4 to August 26, 2009	547,100	Ps.	5.7586	547,100	Ps.	7.6
September	From September 9 to September 30,	347,100	1 5.	5.7500	547,100	1 5.	7.0
September	2009	352,300	Ps.	6.9345	352,300	Ps.	7.6
October	From October 1 to October 26, 2009	309,300	Ps.	6.9268	309,300	Ps.	7.7
November	From November 3 to November 11,	309,300	rs.	0.9208	309,300	гъ.	7.7
December	2009 From December 1 to December 31,	30,000	Ps.	6.3680	30,000	Ps.	8.1
2010:	2009	250,500	Ps.	9.5015	250,500	Ps.	7.0
	Errom January 11 to January 14						
January	From January 11 to January 14, 2010	96,200	Ps.	11.0100	96,200	Ps.	7.7
February	_	_		_	_		—
March	_	_		_	_		
April	_	_		_	_		_
May	_	_		_	_		_
June	_	_		_	_		_
July	_	_		_	_		_
August	_	_		_	_		_
September	_	_		_	_		<u> </u>
October	_	_		_	_		_
November	_	_		_	_		_
December	_	_		_	_		_
2011:							
January	_	_		_	_		_
February	_	_		_	_		_
March	_	_		_	_		_
April	From April 5 to April 11, 2011	413,300	Ps.	5.9044	413,300	Ps.	17.5
May				_			
June	_	_		_	_		_
July	_	_		_	_		_
August	_	_		_	_		_
September		_		_	_		
October	<u> </u>	_		_			_
November	_	_		_	_		_
December	From December 5 to December 5, 2011	25,000	Ps.	3.3500	25,000	Ps.	19.7

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- (1) Average price paid is presented in nominal pesos.
- (2) Approximate value of CPOs that may yet be purchased under the repurchase program is presented in millions of nominal pesos.

Since December 6, 2011 the Company has not made any further purchase of CPOs or ADSs. Historically the repurchase program has only traded CPOs. The repurchase program does not have a set date for expiration, but it is limited to the Ps.36.2 million (US\$2.7 million) approved by the shareholders.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not Applicable.

ITEM 16G. CORPORATE GOVERNANCE

Pursuant to Section 303A.11 of the Listed Company Manual of the New York Stock Exchange, or the NYSE, we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards
Director Independence. Majority of board of directors must be independent. §303A.01

Executive Sessions. Non-management directors must meet regularly in executive sessions without management. Independent directors should meet alone in an executive session at least once a year. §303A.03

Nominating/Corporate Governance Committee. Nominating/corporate governance committee of independent directors is required. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.04

Compensation Committee. Compensation committee of independent directors is required, which must evaluate and approve executive officer compensation. The committee must have a charter specifying the purpose, duties and evaluation procedures of the committee. §303A.05

Our Corporate Governance Practices

Director Independence. Pursuant to the Mexican Securities Market Law and our bylaws, our shareholders are required to appoint a Board of Directors of no more than 21 members, 25% of whom must be independent. Certain persons are per se non-independent, including insiders, control persons, major suppliers and any relatives of such persons. In accordance with the Mexican Securities Market Law, our shareholders' meeting is required to make a determination as to the independence of our directors, though such determination may be challenged by the CNBV. There is no exemption from the independence requirement for controlled companies.

Executive Sessions. Our non-management directors have not held executive sessions without management in the past, and under our bylaws and applicable Mexican law, they are not required to do so.

Nominating Committee. We currently do not have, and are not required to have, a nominating committee. However, Mexican law requires us to have one or more committees that oversee the corporate governance function. We have an audit and corporate practices committee which performs corporate governance functions.

Compensation Committee. We are not required to have a compensation committee. We have an audit and corporate practices committee, which assists our board of directors in evaluating and compensating our senior executives. All of the members of the audit and corporate practices committee are independent.

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Audit Committee. Audit committee satisfying the independence and other requirements of Exchange Act Rule 10A-3 and the more stringent requirements under the NYSE standards is required. §§303A.06, 303A.07

Equity Compensation Plans. Equity compensation plans require shareholder approval, subject to limited exemptions. §§303A.08 & 312.03

Shareholder Approval for Issuance of Securities. Issuances of securities (1) that will result in a change of control of the issuer, (2) that are to a related party or someone closely related to a related party, (3) that have voting power equal to at least 20% of the outstanding common stock voting power before such issuance or (4) that will increase the number of shares of common stock by at least 20% of the number of outstanding shares before such issuance require shareholder approval. §§312.03(b)-(d)

Corporate Governance Guidelines. Listed companies are required to adopt and maintain corporate governance guidelines, addressing, among other things, director qualification standards, director responsibilities, director access to management and independent advisors, management succession and annual performance evaluations of the board. §303A.09

Code of Business Conduct and Ethics. A code of business conduct and ethics is required, with disclosure of any waiver for directors or executive officers. The code must contain compliance standards and procedures that will facilitate the effective operation of the code. §303A.10

Conflicts of Interest. Determination of how to review and oversee related party transactions is left to the listed company. The audit committee or comparable body, however, could be considered the forum for such review and oversight. §307.00. Certain issuances of common stock to a related party require shareholder approval. §312.03(b)

Solicitation of Proxies. Solicitation of proxies and provision of proxy materials is required for all meetings of shareholders. Copies of such proxy solicitations are to be provided to NYSE. §\$402.00 & 402.04

Audit Committee. We have an audit and corporate practices committee of three members. Each member of this committee is independent, as independence is defined under the Mexican Securities Market Law, and also meets the independence requirements of Exchange Act Rule 10A-3. Our audit committee operates primarily pursuant to (1) a written charter adopted by our board of directors and (2) Mexican law. For a detailed description of the duties of our audit and corporate practices committee, see "Management — Committees — Audit and Corporate Practices Committee.

Equity Compensation Plans. Shareholder approval is required for the adoption and amendment of an equity-compensation plan.

Shareholder Approval for Issuance of Securities. Mexican law and our bylaws require us to obtain shareholder approval of the issuance of equity securities. Treasury stock, however, may be issued by the board of directors without shareholder approval.

Corporate Governance Guidelines We operate under corporate governance principles that we believe are consistent with the principles of Rule 303A.09, and which are described in the Company's website under "Corporate Governance"

Code of Business Conduct and Ethics. We have adopted a code of ethics, which has been accepted by all of our directors and executive officers and other personnel. We also will post all waivers therefrom by any of our directors or executive officers on our website. We will provide a complimentary copy of our code of ethics upon request.

Conflicts of Interest. In accordance with Mexican law and our bylaws, the audit and corporate practices committee must provide an opinion regarding any transaction with a related party that is outside of the ordinary course of business. which transactions must also be approved by the board of directors. Pursuant to the Mexican Securities Market Law, our Board of Directors will establish certain guidelines regarding related party transactions that do not require Board approval.

Solicitation of Proxies. We are required under Mexican law to solicit proxies and provide proxy materials for meetings of shareholders. In accordance with Mexican law and our bylaws, we are also required to inform shareholders of all meetings by public notice, which states the requirements for admission to the meeting, provides a mechanism by which shareholders can vote by proxy and makes proxies available. Under the deposit agreement relating to the ADSs, holders of the ADSs receive notices of shareholders' meetings and, where applicable, instructions on how to vote at the shareholders' meeting either in person or through a person having a proxy specifically designated by the shareholder.

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PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

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$\begin{array}{c} {\rm MAXCOM\ TELECOMUNICACIONES,\ S.\ A.\ B.\ DE\ C.\ V.} \\ {\rm AND\ SUBSIDIARIES} \end{array}$

Consolidated Financial Statements

December 2011, 2010 and 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Maxcom Telecomunicaciones, S. A. B. de C. V.:

We have audited the accompanying consolidated balance sheets of Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity and cash flows for the years ended. December 31, 2011, 2010 and 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America) and with Auditing Standards Generally Accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maxcom Telecomunicaciones, S. A. B. de C. V. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years ended December 31, 2011, 2010 and 2009, in conformity with Mexican Financial Reporting Standards.

As mentioned in note 5(q) to the consolidated financial statements, the Company carried out significant transactions with certain suppliers.

Mexican Financial Reporting Standards vary in certain significant respects from Accounting Principles Generally Accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 23 to the consolidated financial statements.

KPMG Cardenas Dosal, S. C.

Manuel Jimenez Lara Mexico City, Mexico April 25, 2012

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MAXCOM TELECOMUNICACIONES, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2011 and 2010

(Thousands of Mexican Pesos — Note 5)

		2011		2010
Assets				
Current assets:				
Cash and cash equivalents	\$	396,580	\$	375,224
Derivative financial instruments (Note 13)	-	50,501	-	3
Accounts receivable:		,-		
Customers, net of allowance for doubtful accounts of \$504,570 and \$316,018 for 2011 and 2010, respectively		654,740		714,661
Value added tax recoverable		182,553		206,744
Other accounts receivable		46,236		67,719
		883,529		989,124
Inventory — Net		8,895		25,678
Prepaid expenses — Net		25,109		31,647
Total current assets		1,364,614		1,421,676
Long lived assets:		1,501,011		1,121,070
Telephone network systems and equipment — Net (Note 7)		4,113,874		4,391,993
Intangible assets — Net (Note 8)		156,240		213,212
Frequency rights — Net (Note 9)		40,240		47,282
Other assets:		70,240		47,202
Deferred income taxes — Net (Note 19)		19,612		_
Prepaid expenses — Net				6,881
Guaranty deposits		7,709		7,526
Derivative financial instruments (Note 13)		54,459		
Other assets		2,151		2,151
Total assets	\$	5,758,899	\$	6,090,721
Liabilities and Shareholders' Equity	_	2,723,077	-	3,07 0,1 = 2
Current liabilities:				
Trade accounts payable	\$	215,773	\$	346,204
Accruals	Ψ	19,701	Ψ	33,724
Current installments of obligations under capital leases		2,975		1,693
Customer deposits		2,051		2,158
Other taxes payable		128,625		94,403
Accrued interests (Note 11)		14,372		12,705
Total current liabilities		383,497	_	490,887
Long-term liabilities:		303,477		470,007
Derivative financial instruments (note 13)		_		5,137
Senior notes (Note 11)		2,795,740		2,471,420
Installments of obligations under capital leases		6,141		4,920
Other accounts payable		78,902		91,782
Labor obligations upon retirement (Note 14)		35,565		27,294
Deferred income taxes – net (note 19)		_		8,755
Total long-term liabilities		2,916,348		2,069,308
Total liabilities		3,299,845		3,100,195
Shareholders' equity (Notes 15 and 16):		3,277,043		3,100,173
Capital stock		5,410,244		5,410,244
Additional paid-in capital		817,054		813,135
Accumulated deficit		(3,768,244)		(3,231,791)
Repurchase of shares		(3,700,274)		(3,231,771) $(1,062)$
Total shareholders' equity		2,459,054		2,990,526
Commitments and contingencies (Note 20)		2,437,034		2,770,520
Total liabilities and shareholders' equity	\$	5,758,899	\$	6,090,721
Total natifices and shareholders equity	φ	3,130,079	φ	0,030,721

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MAXCOM TELECOMUNICACIONES, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended December 31, 2011, 2010 and 2009

(Thousands of Mexican Pesos, except share data — Note 5)

	2011	2010	2009
Net revenues (Note 17)	\$ 2,375,941	2,577,392	2,562,570
Operating costs and expenses (Note 10):			
Network operating costs	(770,257)	(1,121,541)	(1,131,353)
Selling, general and administrative expenses	(803,019)	(791,142)	(798,986)
Depreciation and amortization	 (680,678)	(701,975)	(639,398)
Total operating costs and expenses	 (2,253,954)	(2,614,658)	(2,569,737)
Operating (loss) income	 121,987	(37,266)	(7,167)
Other expenses:			
Other expenses	(114,495)	(64,353)	(50,559)
Restructuring charges (Notes 5(n) and 14)	(11,890)	(66,721)	(7,282)
Impairment of long-lived assets (Note 5)	_	(528,672)	_
Employees' statutory profit sharing (Note 19)	 (5,012)	(1,334)	(3,292)
Other expenses, net	 (131,397)	(661,080)	(61,133)
Comprehensive financing cost — Net (Note 18)	 (543,684)	(233,472)	(296,795)
(Loss) income before income taxes	 (553,094)	(931,818)	(365,095)
Income taxes (Note 19):			
Current tax expense	(11,726)	(13,982)	(7,934)
Deferred tax benefit (expense)	 28,367	(239,079)	69,471
Total income tax benefit (expense)	 16,641	(253,061)	61,537
Net (loss) income for the year	\$ (536,453)	(1,184,879)	(303,558)
(Loss) earnings per share (Note 5t):			
Basic (loss) earnings per common share (pesos)	\$ (0.68)	(1.50)	(0.38)
Diluted earnings per common share (pesos)	\$ <u> </u>		
Weighted average basic shares (thousands)	 789,819	789,819	789,819
Weighted average diluted shares (thousands)	812,882	833,588	833,543

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MAXCOM TELECOMUNICACIONES, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2011, 2010 and 2009

(Thousands of Mexican Pesos — Note 5)

	Capital Stock	Additional paid-in capital	Retained earnings (deficit)	Repurchase of shares	Total stockholders' equity
Balances as of December 31, 2008	\$ 5,410,244	816,443	(1,705,231)	(20,287)	4,501,169
Stock option plan (Notes 15 and 16)	_	(7,877)	_	_	(7,877)
Repurchase of shares (Note 15)	_	_	_	8,362	8,362
Comprehensive net loss (Note 15)		_	(341,681)	_	(341,681)
Balances as of December 31, 2009	 5,410,244	808,566	(2,046,912)	(11,925)	4,159,973
Stock option plan (Notes 15 and 16)	_	4,569	_	_	4,569
Repurchase of shares (Note 15)	_	_	_	10,863	10,863
Comprehensive net loss (Note 15)	_	_	(1,184,879)	_	(1,184,879)
Balances as of December 31, 2010	5,410,244	813,135	(3,231,791)	(1,062)	2,990,526
Stock option plan (Notes 15 and 16)	_	3,919	_	_	3,919
Repurchase of shares (Note 15)	_	_	_	1,062	1,062
Comprehensive net loss	_	_	(536,453)	_	(536,453)
Balances as of December 31, 2011	\$ 5,410,244	817,054	(3,768,244)		2,459,054

MAXCOM TELECOMUNICACIONES, S. A. B. DE C. V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Year ended December 31, 2011, 2010 and 2009

(Thousands of Mexican Pesos — Note 5)

	2011	2010	2009
Cash flows from operating activities:			
Loss before taxes	\$ (553,094)	(931,818)	(365,095)
Items related to investing activities:		, , ,	
Depreciation and amortization	680,678	701,975	639,398
Impairment of long-lived assets	_	528,672	
Loss on sale of telephone network systems and equipment	78,690	40,141	42,113
Profit on sale of subsidiary company	_	_	(6,126)
Items related to financing activities:			
Financial instruments	(89,115)	43,453	58,479
Bonds payable	324,320	(140,320)	(95,920)
Interest expense	297,497	290,765	280,649
Subtotal	738,976	532,868	553,498
Customer accounts receivable	59,921	(18,104)	19,646
Recoverable value added tax	24,191	4,075	(46,371)
Other accounts receivable	21,483	19,360	(3,055)
Inventory	16,783	(9,304)	24,502
Prepaid expenses	13,419	2,145	5,486
Trade accounts payable, provisions and other accumulated liabilities	(144,454)	(151,778)	16,380
Income taxes paid	(11,726)	(13,982)	(14,308)
Customer deposits	(107)	(56)	(304)
Other liabilities and taxes payable	34,222	17,362	31,901
Changes in employees benefits and provisions	8,271	(4,169)	9,837
Net cash provided by operating activities	760,979	378,417	597,212
Cash flows from investing activities:			
Capital expenditures (including interest capitalized in the amount of \$14,043, \$3,847 and			
\$18,104 in 2011, 2010 and 2009, respectively)	(419,630)	(715,994)	(931,623)
Investments in corporate bonds and notes	(20,979)	`	` _
Proceeds from sale of telephone network systems and equipment	2,395	3,565	10,256
Proceeds from sale of subsidiary company		_	6,126
Increase in other non-current assets	(183)	(257)	5,252
Net cash used in investing activities	(438,397)	(712,686)	(909,989)
Cash flows from financing activities:		(, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(* :: ;; -:)
Stock option plan	3,919	4,569	(7,877)
Interest paid	(295,830)	(292,006)	(281,142)
Capital lease, payment of credits	(3,163)	(2) 2 ,000)	(4,354)
Repurchase of shares	1,062	10.863	8,362
Other financing activities	(7,214)	(1,276)	(6,274)
Net cash (used in) provided by financing activities	(301,226)	(277,850)	(291,285)
Net decrease in cash and equivalents	21,356	(612,119)	(604,062)
Cash and cash equivalents:	21,330	(012,117)	(004,002)
At beginning of year	375,224	987,343	1,591,405
At end of year	\$ 396,580	375,224	987,343
At the of year	Ψ 370,300	313,44	701,343

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MAXCOM TELECOMUNICACIONES, S. A. B. DE C. V. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(Thousands of Mexican pesos — note 5)

NOTE 1 — ENTITY, INCORPORATION AND CHANGE OF INCORPORATION STRUCTURE:

Maxcom Telecomunicaciones, S. A.B. de C. V. ("Maxcom" or the "Company"), is a Mexican Limited Liability Public stock Corporation with variable capital incorporated on February 28, 1996. Its main corporate purpose is the construction and operation of a telephone network, voice over IP, local, national and international long-distance telephony services, public telephony, data transfer services, internet, pay TV, virtual private network services and other value-added services, within Mexico. The Company also provides mobile telephony services as a virtual mobile network operator. The Company began its commercial operations in May 1999.

Pursuant to the resolutions adopted by the shareholders at the General Extraordinary and Ordinary Shareholders Meetings held on September 13, 2007, and by virtue of the public offering of shares carried out by the Company in Mexico and abroad, Maxcom was denominated as a publicly listed stock company with variable capital ("sociedad anónima bursátil de capital variable" or "S.A.B. de C. V."). Now, the Company is subject not only to the applicable provisions of the Business Corporations Law but to the stock exchange regulations under the Stock Exchange Laws in Mexico and the United States of America, as well as the supervision of the National Banking and Securities Commission in Mexico ("NBSC", "Comisión Nacional Bancaria y de Valores" or "CNBV") and the U. S. Securities and Exchange Commission in the United States of America ("SEC"). Upon the terms of such resolutions, the by-laws of the Company were amended in their entirety to conform them to the Stock Exchange Act ("Ley del Mercado de Valores") and ancillary regulations.

NOTE 2 — CONCESSIONS, FREQUENCY RIGHTS AND INTERCONNECTION AGREEMENTS:

Concessions:

On February 3, 1997, the Mexican Ministry of Communications and Transportation ("Secretaría de Comunicaciones y Transportes" or "SCT") awarded the Company a concession to install and operate a public telecommunications network in Mexico (the "concession"). This concession is not exclusive. The initial term of the concession is 30 years and includes certain renewal rights. Subsequently, on December 7, 1999, September 27, 2001 and December 2, 2004, the Company received amendments to the initial terms and conditions of the concession.

The concession grants the Company the right to provide local, national and international long-distance telephony services, data transfer services and other valueadded services in any part of the Republic of Mexico and, under the last amendment dated December 2, 2004, certain obligations were set forth for the Company, as described in Note 20c.

On August 4, 2006, the SCT granted Maxcom a concession to provide cable television services and audio in the city of Puebla. Shortly thereafter, the SCT issued the Convergence Regulations, under which different types of telecommunications service providers are authorized to provide certain services in addition to those included under the original concessions.

On January 17, 2007, the Mexican Federal Telecommunications Commission ("Comisión Federal de Telecomunicaciones" or "COFETEL") authorized Maxcom to provide mobile virtual network operator (MVNO) services, based on its 1996 concession. This authorization allows Maxcom to provide mobile telephone services throughout Mexico using its own brand, acquiring capacity from other concessionaires of this service in Mexico. As a result of this authorization, Maxcom is the first, and thus far, the only telecommunications concessionaire to offer quadruple-play services (voice, video, data and cellular) on an extensive basis under its own brand name. The terms of the cable television and restricted radio concession and the MVNO authorization match the thirty-year term (expiring in 2026) of the concession granted in 1996 and impose no further obligations, including minimum coverage or investment additional commitments.

Frequency rights:

On October 3, 1997, the Mexican Federal Government through the SCT granted the Company ten frequency right concessions (the "frequency rights") to use and exploit different bands of the radio-electric spectrum and to establish point-to-point and point-to-multi-point microwave links; seven are nationwide point-to-point and three are regional point-to multipoint microwave concessions. The frequency rights became effective on February 28, 1998, and shall remain in effect until 2018, see Note 9.

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In accordance with the terms of these frequency rights concessions, the Company must provide to the SCT a guarantee on its operations in the form of a surety bond and renew it every year, see Note 20d.

Convergence agreement:

On October 2, 2006, the Mexican Federal Government, through the SCT, issued a non-binding agreement for the rendering of services in convergence, which is known as "Agreement of Convergence of Fixed Services of Local Telephony and Restricted Audio and/or Television that are provided through Wired and Wireless Public Networks" ("Convergence Agreement").

The convergence agreement allows certain concessionaires of services of telecommunications to provide other services not included in the original concessions that were granted to them. The suppliers of cable television will now be able to provide the service of internet and telephony. Also the telephony operators, like Maxcom, will now be able to provide restricted services of audio and/or video. On October 13, 2006, Maxcom notified the SCT its compliance and voluntary adhesion to the Convergence Agreement and, therefore, the SCT authorized to provide the restricted services of audio and video besides to the previously authorized as a part of the original concessions of the public telecommunications network.

Interconnection agreements:

On January 22, 1999, the Company entered into a contract to provide local interconnection services (the "local interconnection agreement") with Teléfonos de México, S. A. B. de C. V. ("Telmex"), whereby the parties agree to render interconnection services to finish local traffic in the other party's network.

Likewise, the Company subscribed an interconnection agreement to handle Maxcom's long distance traffic towards Telmex's local network and Telmex's long distance traffic towards Maxcom's local network.

The Company has negotiated the signing of various amending agreements to the local interconnection agreement with Telmex, to extend the original term of the local interconnection contract, irrespective of the fact that the contract provides that the interconnection between the two companies is carried out based on the clause of "continuous application". This clause sets forth that upon termination of the first period, the original terms and conditions of the contract will continue in full force and effect until the parties sign a new contract to continue interconnecting their networks. This contract has had yearly updates up until now.

During 2003 and 2002, the Company entered into various interconnection and reselling agreements with other local and long distance carriers and mobile phone companies, as well as agreements which allow the Company to render public telephony services through the capacity acquired from mobile networks.

The rights and obligations under certain interconnection contracts of Telereunion were transferred to Maxcom at the end 2006 and beginning of 2007.

NOTE 3 — RELEVANT CORPORATE EVENTS:

COFETEL resolution on interconnection rates

On June 14, 2011 the Company received from COFETEL (Federal Telecommunications Commission), the final decision on the dispute brought before this body on December 22, 2010 on the interconnection rate between the Company and the mobile operators: "Calling Party Pays (CPP)" and "Calling Party Pays National (CPPN)" based on the Articles 42, 43 and 44 of the Mexican Federal Telecommunications Law issued by the Department of Communications and Transportation.

COFETEL ruled that the CPP and CPP rates to be paid by Maxcom to major mobile operators would be Ps 0.3912/minute (without rounding), for the period from January 1st to December 31, 2011. During 2010 the Company paid Ps 1.00/minute for the concept of interconnection charges. COFETEL set these rates based on the principle of Total Service Long-Run Incremental Cost (LRIC).

This produced a significant benefit in operating costs of the network in 2011.

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a. Sale of subsidiary:

During 2009, the Company sold two subsidiaries, which were created in the same year. The effect in the financial statements for this transaction was credit of \$6,126 that was recorded as other income within the statement of operations and a debit in the income tax for \$56,035.

b. Restructuring:

During 2011, 2010 and 2009 the Company has incurred restructuring charges of \$11,890, \$66,721 and \$7,282, respectively.

NOTE 4 — CONSOLIDATION BASIS:

The consolidated financial statements include the accounts of Maxcom and its subsidiaries of which it controls and has almost 100% of the voting shares:

Subsidiary company	<u>%</u>	_
		_
Asesores Telcoop, S.A. de C.V. (i)	99.9	Business advisory services
Celmax Móvil, S.A. de C.V. (i)	99.0	Telecommunication services
Corporativo en Telecomunicaciones, S. A. de C. V.	99.9	Technical personnel services
Fundación Maxcom, A.C. (i)	99.9	Donee
Maxcom Servicios Administrativos, S. A. de C. V.	99.9	Administrative personnel services
Maxcom SF, S. A. de C. V.	99.9	Financial services
Maxcom TV, S. A. de C. V. (i)	99.9	Cable television services
Maxcom USA, Inc. (i)	100.0	International telecommunications services
Servicios MSF, S. A. de C. V. (iii)	99.9	Administrative personnel services
Outsourcing Operadora de Personal, S. A. de C. V.	99.9	Technical personnel services
Sierra Comunicaciones Globales, S. A. de C. V.	99.9	Infrastructure leasing
Sierra USA Communications, Inc. (ii)	100.0	International telecommunication services
TECBTC Estrategias de Promoción, S. A. de C. V.	99.9	Technical personnel services
Telereunion, S. A. de C. V. (ii)	99.9	Long distance and infrastructure leasing
Telscape de México, S. A. de C. V. (ii)	99.9	Real estate services

⁽i) These companies are in pre-operational stage.

All the significant balances and transactions between Maxcom and its subsidiaries are eliminated in the consolidated financial statements. The consolidation was made based on the audited financial statements of issuers at December 31, 2011 and 2010, which were prepared in accordance with the NIF.

The consolidated financial statements are presented in reporting currency mexican peso, which is equal to the reporting currency as their functional currency.

Because the Company is a service company, the Company presents its costs and ordinary expenses based on their nature, as it believes that the information thus presented is clear.

NOTE 5 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements are expressed in thousands of Mexican pesos, and have been prepared in accordance with the Mexican Financial Reporting Standards ("MFRS", "Mexican GAAP", or "NIF", for its initials in Spanish as described below) applicable at the balance sheet date.

⁽ii) These companies were formerly part of VAC Group (former owner statements of Telereunion Group), which together and hereinafter referred to as "Grupo Telereunion".

⁽iii) Subsidiary established in 2011.

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On April 2, 2012, the Board of Directors authorized the issuance of these consolidated financial statements which are subject to approval by the Annual General Shareholders' Meeting that could decide their modification in accordance to the Mexican Corporate Law ("Ley General de Sociedades Mercantiles")

For disclosure purposes in the Notes to the consolidated financial statements when referring to pesos or "\$" it should be understood as thousands of Mexican Pesos, and when to referring to dollars or USD it should be understood as thousands of United States dollars, the legal currency in the United States of America.

The preparation of financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, the carrying amount of telephone network systems and equipment, intangible assets, and frequency rights, including depreciation and amortization rates, assumptions made for the calculation of the impairment test to long lived assets; valuation allowances for receivables, inventories, construction in progress of telephone network systems and equipment and deferred income tax assets; valuation of financial instruments; and obligations related to employee benefits. Actual results could differ from those estimates and assumptions.

The significant accounting policies used by the Company in the preparation of its consolidated financial statements, including the items, methods and criteria related to the recognition of the effects of inflation on the financial information, are summarized below:

Migration to International Financial Reporting Standards as of January 1, 2012:

In November 2008, the National Banking and Securities Commission ("CNBV") required the companies listed on the BMV, to discontinue the use of the MFRS and start preparing their financial statements in accordance with International Financial Reporting Standards ("IFRS") as are issued by the International Accounting Standards Board ("IASB"), no later than January 1, 2012, leaving the use of MFRS. The CNBV allowed early adoption following certain

On August 31, 2010, CINIF issued the Interpretation to the MFRS 19 ("Interpretation 19"), which requires the companies in the process of adoption of IFRS, to disclose in their notes to the financial statements, any obligation and/or decision to adopt IFRS, the estimated date of adoption and estimated effects of the adoption in the financial statements. The interpretation is effective for financial statements issued as of September 30, 2010.

To be able to adopt the IFRS as issued and interpreted by the IASB, Maxcom integrated the material and human resources necessary for the identification and quantification of the differences between FRS and IFRS opening balance sheet for purposes of IFRS dated to January 1, 2010 and to convert its system of generation of financial information to IFRS. As of December 31, 2011, the migration to IFRS has been almost completed and Maxcom is finishing its financial statements under IFRS for the years ended in December 31, 2011 and 2010, using for this purpose the IFRS in force at 31 December 2011. Maxcom expects to issue these financial statements under IFRS for the first quarter of 2012. See note 21 where are the details of the migration of Maxcom to IFRS and the description of the main effects on the consolidated financial statements in accordance with Interpretation 19.

a. Recognition of the effects of the inflation

The consolidated financial statements of the Company have been prepared in accordance with Mexican Financial Reporting Standards ("MFRS") in effect as of the balance sheet date and include the recognition of the effects of inflation on the financial information through December 31, 2007, based on the Mexican National Consumer Price Index ("NCPI") published by Banco de México (central bank of México).

The accumulated percentage of inflation for the previous three year periods and the indexes used to recognize the effects of inflation for the year, are the

Inflation

		IIIIau	lation		
December 31,	NCPI	Year	Accumulated		
2011	103.551	3.80%	12.26%		
2010	99.742	4.40%	15.19%		
2009	95.536	3.57%	14.48%		

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b. Cash and cash equivalents

The temporary investments include investments denominated in local currency and dollars. Investments in national currency are usually daily liquidity investments and are made in government treasury bonds and/or repurchase agreements. The dollar investments are made with financial institutions in the United States of America, in investment funds of U.S. Treasury Bills. These funds provide daily liquidity and its main objective is preserving the value of the principal invested. During 2011, the Company held most of its investments with UBS International Inc. At any given time, temporary investments are valued at market value.

c. Inventories

Inventory consists of materials used to install telephone lines and network build-out, as well as its sale cost, are originally registered at average cost. The values thus determined do not exceed their market value. The allowance for obsolescence and slow-moving was evaluated on a six months basis, and according to the results of this evaluation, products are subject to a slow-moving or obsolescence allowance. For the assignment of the unitary cost of inventories the average cost formula is used.

d. Telephone network systems and equipment

Telephone network systems and equipment are recorded at acquisition cost and until December 31, 2007 were restated by applying factors derived from the NCPI.

The Company constructs certain of its own network systems and related facilities. Internal costs directly related to the construction of such facilities are capitalized. The amounts capitalized during 2011, 2010 and 2009 were \$38,908, \$75,487 and \$85,596, respectively. During 2010 and 2009, the Company proportionally increased its network and related facilities with internal resources rather than with external resources.

The Company capitalizes the comprehensive financing costs attributable to assets under construction. Capitalized comprehensive financing cost includes interest expense, gains from monetary position and foreign exchange losses, and are determined by reference to the Company's average interest cost on borrowings. See Note 18.

Installation costs include labor, tools and supplies. Installation costs related to commercial customers are capitalized and amortized on a straight line basis for a period of 20 years. Installation costs capitalized are expensed once the relationship with the customer is terminated.

When the Company invoices its residential customers for installation fees, any associated cost is recognized as an expense in the statement of operations.

Depreciation is calculated by the straight-line method over the restated cost, based on the estimated useful lives of the assets. Depreciation is charged to results of operations.

During 2009 the Company performed a technical study on the remaining useful lives of the public telephony, fiber-optic networks and IPTV (Internet Protocol Television) equipment, based on the opinion of a specialist. See Note 7. As a result thereof, useful lives were increased from 17 to 23 years for public telephony equipment, from 17 to 24 years for fiber-optic networks equipment and from 10 to 23 years for IPTV equipment. The Company recalculated the amount of depreciation expense related to these assets for the year 2009, which amounted to \$242,267. If depreciation would have been estimated based on the previous remaining useful lives, the depreciation expense for the year 2009 would have been of \$299,536.

Maintenance and minor repair costs are charged to results as incurred; replacement and improvement costs are capitalized. The cost and related allowances of assets sold or retired are removed from the accounts, and any resulting profit or loss is reflected in the statement of results of operations, in other expenses.

e. Intangible assets

Intangible assets are recognized in the balance sheet as long as they are identifiable, they provide future economic benefits, and the Company has control over such benefits. Intangible assets with a definite useful life are amortized systematically based on the best estimation of its useful life, as determined in accordance with the expected future economic benefits.

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Purchased software and certain activities of developing internal-use software are capitalized and amortized over their expected useful lives. Other activities, such as training, maintenance and re-engineering are recognized in the results of the period, as incurred.

Debt issuance costs are amortized on a straight-line basis over the term of the related debt. As of December 31, 2011, 2010 and 2009, capitalized expenses for the new debt issuance amount to \$64,342. See Note 8.

Concessions

As previously mentioned (Note 2), the SCT awarded the Company, at no cost, a concession to install and operate a public telecommunications network for a 30-year period. In accordance with Statement C-8 "Intangible Assets" of NIF, this concession has no recorded value for financial reporting purposes and it is only disclosed in a Note to these consolidated financial statements.

Frequency rights

Frequency rights are recorded at their acquisition cost and until and up to December 31, 2007 were restated by applying factors derived from the NCPI as from the acquisition date. Amortization is calculated by the straight-line method over 20 years, which is the term of the frequency rights. See Note 9.

All expenses incurred during the development stage or in specific projects in progress up to December 31, 2002 were capitalized. Those expenses are amortized by the straight-line method over a 10-year period. The amortization period begins when the corresponding project starts up operations.

On January 1, 2009, the Company expensed unamortized balance at December 31, 2008 of pre-operating expenses for \$38,123, with an impact to the accumulated results (loss) established by the new NIF C-8 "Intangible Assets", a net effect of deferred income taxes of \$12,740.

Impairment of long-lived assets.

The Company evaluates values of long-lived assets when there are events or changes that reveal an indication of potential impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net income expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated net income, an impairment charge is recognized by the amount that the carrying amount of the asset exceeds the fair value of the asset. Given the current economic situation there is a strong reliance on judgment to evaluate if the indication of potential impairment to long-lived assets should give rise to an impairment valuation.

As of December 31, 2010, the carrying amount of long-lived assets was higher than the expected discounted cash flows at the Company's theoretical rate for weighted average cost of capital under current market conditions. The impairment charge (a non-cash item) calculated for 2010 amounted to \$528,672. Said charge was proportionately distributed throughout the different asset classes. See Notes 7, 8, and 9.

Liabilities and accruals

The Company's liabilities and accruals recognized in the balance sheet represent current obligations which will probably require disbursement of economic resources. These provisions have been recorded based on management's best estimate to cover the current obligation; however, actual results could differ from the provisions recognized.

Transactions in foreign currencies

Transactions in foreign currencies are recorded at the prevailing exchange rates at the date of the transaction, with the related exchange gain or loss recorded within the statement of operations. Assets and liabilities denominated in said currencies are valued at the exchange rate in force at the close of the period, with the related exchange gain or loss recognized as part of the comprehensive financing cost.

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1. Income Tax (IT), Flat Rate Business Tax (IETU), and Employees' Statutory Profit Sharing (ESPS)

IT, IETU and ESPS payable for the year are determined in conformity with the tax provisions in effect.

Deferred IT, IETU and deferred ESPS, are accounted for under the asset and liability method. Deferred tax and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of IT and IETU, for tax loss and credit carry forwards. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax and ESPS assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. See Note 19.

m. Employees' Statutory Profit Sharing ("ESPS")

As of December 31, 2011, 2010 and 2009, the Company recorded a provision of \$5,012, \$1,334 and \$3,292 respectively for ESPS, which in accordance with NIF B-3 "Income Statement" was included under other income and expenses in the statement of operations.

n. Employee benefits

Termination benefits for reasons other than restructuring and retirement to which employees are entitled are charged to operations for each year, based on actuarial computations using the projected unit credit method considering projected salaries. At December 31, 2011 and for purposes of recognizing benefits upon retirement, the remaining average service life of employees entitled to plan benefits approximates 28 years.

Actuarial gain or loss is recognized directly in profit or loss as accrued.

In conformity with NIF D-3 "Employee benefits" restructuring costs are presented in other expenses in the statement of operations.

o. <u>Derivative financial instruments</u>

Primary Financial Instruments

All rights and obligations of primary financial instruments, are disclosed in the Balance Sheet and are classified as trading and available for sale.

The primary financial instruments are valuated to its fair market value, determined using quoted market prices. Changes in the primary financial instruments classified as trading and available for sale (including computed interests), and trading costs are registered in the comprehensive financing cost within the results of operations.

The financial liability arising from the debt issuance is recognized at its respective obligation value. Issuance costs of debt are amortized using the straight-line method over the life of the debt. The total capitalized cost for this item to December 31, 2011 and 2010 was \$64,342, See Note 8.

Derivative financial instruments

The Company applied the provisions of NIF C-10, "Derivative Financial Instruments and Hedge Operations", which, sets forth the criteria for recording, valuation and disclosure of all derivative financial instruments and embedded derivative financial instruments. The Company records assets and liabilities arising from such operations at its fair value on the balance sheet without any differentiation of their purpose or origin. The fair value of these derivatives is calculated within the accepted financial industry methods and data.

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Changes in the fair value of such assets not qualified solely as hedging instruments according to NIF C-10 are registered in the comprehensive financing cost within the results of operations.

Risk Coverage

To mitigate exposure to Peso/Dollar foreign exchange fluctuation risks, the Company sparingly uses derivative financial instruments such as interest rate and cross currency swaps.

For accounting purposes, these derivative instruments, although intended for hedging purposes from an economic perspective, have been designated as trading instruments as they do not comply with all the requirements to qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized in the statement of operations for the year in which such changes occur, under comprehensive financing cost.

Embedded Derivatives

Embedded derivatives are from clauses in contracts are not derivatives and that implicitly or explicitly meeting the characteristics of one or more derivatives. In some cases, these derivatives need to be segregated from those contracts and to be valued, recognized, presented and disclosed derivative financial instruments. To identify and analyze if required segregating these embedded derivatives from host contracts that house, the Company reviews the contracts held to identify the potential existence of embedded derivatives.

The Company reviews the contracts it enters into to identify the existence of embedded derivatives. Identified embedded derivatives are subject to assessment under NIF C-10 to determine compliance with the required segregation conditions. If conditions are met, they are segregated from the host contract and valued at their fair value. Where the embedded derivative is classified as being for trading purposes, the gain or loss from changes in fair value is recognized in the comprehensive financing cost in the statement of operations.

Revenues from the sale of telephone equipment to clients are recognized at the time of delivery of said equipment and the risk and rewards are transferred to the customer. Revenues from services are recognized as rendered.

Generally installation expenses are charged to our residential customers and related revenues are recognized when installation is complete.

Revenues from public telephony services are recognized based on the cash collected and the estimated uncollected cash from services rendered at the date of the financial statements.

Revenues from interconnection services are recognized on accrual basis. The Company entered into local interconnection agreements with various telephone companies under the "bill and keep" compensatory clause. In accordance with these agreements, if the imbalance between local calls originated from the other telephony concessionaire and completed by Maxcom, and the calls originated from Maxcom and completed by the other telephony company over the course of one month do not exceed an established percentage, there will be no payment of an interconnection rate charge to the user for interconnection services. However, if the imbalance exceeds that percentage in a particular month, the Company or the telephony concessionaire is subject to a charge per minute. The aforementioned percentage of imbalance was 5% during 2011, 2010 and 2009.

The Company also has interconnection agreements for long-distance and mobile services with other concessionary telephony companies. However, they do not include the clause of the "bill and keep" compensatory agreement.

Revenues from pay television services are recognized as rendered.

Revenues from mobile telephone services are recognized on monthly basis when the traffic with suppliers of mobile telephony has been reconciled and the charge to the client has been recorded.

Also, for the mobile telephony revenues the Company recognizes through the suppletory application of the ASC 605 -25 "Revenue Recognition Multiple-Element Arrangements" that evaluates the time and manner in which revenues for the different accounting units should be recognized. For the Company the separated accounting units are the sale of mobile telephony equipment and mobile services.

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Revenue from bundled services is recognized in the month in which the services are provided. Bundle revenues are distributed among voice, data, pay TV or

Revenues from lease of transmission capacity through the fiber optic ring are recorded in deferred revenue when billed in advance and then recognized ratably into revenue over the term of the contract.

The Company records an allowance in the amount of 90% of accounts receivable with balances due over 90 but less than 119 days old, and of 100% of accounts receivable due over 120 days old, except when there is a collection agreement with a client. In such cases, the allowance amount is 30% with balances due over 90 days if there is not a settlement negotiated with the client. Accounts handed over to the company's legal collection services are reserved up to a 100%, or less depending on the success rate indicated by the attorney handling the account.

Business and credit concentration

The Company provides its services to a vast array of customers, thus avoiding dependency on any single customer.

The Company's main suppliers are Radiomóvil Dipsa, S.A. de C.V., Telmex and Pegaso PCS, S.A. de C.V. The cost percentage related to them for the years 2011, 2010 and 2009 were 56%, 68% and 69%, respectively.

Stock-options compensation

In July 2006, the Company decided to amend its different stock option plans to give better benefits to the holders of the options of those plans. Consequently, the Company changed the requisite service period as well as the strike price and vesting period on the different stock option plans. Granting conditions are included in the assumptions regarding the number of shares that are expected to become payable or the number of shares that employees receive. This estimate is revised annually and differences, if any, are charged or credited to the statement of operations, with an adjustment to shareholders'

Stock options are granted to members of the Board of Directors, Company officers and employees, as described in Note 16.

From January 1, 2009, the Company applies Mexican Financial Reporting Standard (MFRS) D-8 "Share-based Payments", for recognition, valuation and recording of the costs of these plans. The adoption of this MFRS generated no effect, because the Company suppletorily applied IFRS-2 "Share-based Payments", which was effective since 2005, until December 31, 2008, as established by MFRS A-8 "Suppletory"

MFRS requires that valuation of the cost of stock options granted to employees must be estimated by applying the fair value method. The cost of the plans granted options estimated under this method is amortized throughout the period granted, excluding the impact of any situation not related to market performance.

For the years ended December 31, 2011, 2010 and 2009, the Company recognized stock option plan costs of \$3,919, \$4,253 and \$1,669, respectively.

The net amount of the stock options exercised, excluding any expenses or cost due to transactions related to the payment, are credited to shareholders' equity and to additional paid-in capital at face value. On the other hand, cash received from exercised stock options is recorded as equity in additional paidin capital. During 2011 options were exercised in the amount of \$7,559, in 2010 no options were exercised, while in 2009 options were exercised in the

The fair value of options is estimated by an independent expert on the date they are granted, applying the binomial valuation model, by the Black & Scholes method, considering the following weighted-averages for stock options granted during the years ended December 31, 2011, 2010 and 2009, based on the

	2011	2010	2009
Volatility of expected price per share	94.0%*	93.90%	85.20%
Risk-free interest rate	0.07%	0.13%	0.20%
Expected life of options	1.50	1.50	2.00

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* During 2011 and 2010, the Company used and historic behavior of the price per share from October 2007 to December 2011 to determine fair value of the stocks granted.

Segment information

MFRS B-5 "Financial Information by Segments", requires that the Company analyze its organizational structure and its financial reporting process, in order to identify segments. In regards the years shown, the Company has solely operated in the telecommunications business segment, and at the same time identifying the following business segments: residential, business, public telephony, wholesale and others.

The abovementioned segments are grouped within the telecommunications business sector, thus the majority of the infrastructure has a common use by both, the business segments and equally specific telecommunications services, such as local service, long distance and "calling party pays" (CPP) that can be provided in one or more business segments.

In Note 17 the revenues are shown by segments that the Company uses to analyze, manage and control the business and the operating income. Additionally, the information is displayed by geographic area, in compliance with the applicable MFRS and a specific disclosure is required by the SCT which is described in the Company's concession right agreement.

(Loss) earnings per share

Net basic (loss) earnings per common share are calculated dividing the net (loss) income for the year by the weighted-average outstanding shares.

Diluted (loss) earnings per share are calculated by dividing the net (loss) income for the year by the weighted-average outstanding shares, plus stock options issued. The diluted earnings per common share is not calculated nor disclosed, when the income from continuing operations is a loss.

NOTE 6 - RECLASSIFICATIONS:

At the date of this report, certain disclosures were made to the figures cash flow statement of 2010 and 2009 to conform to the presentation of 2011 figures.

In 2011, the Company corrected an immaterial error in the Consolidated Financial Statements in the Consolidated Statements of Cash Flows related to amounts previously classified as financing activities that should have been classified as operating activities in the amount of (\$140,320) and (\$95,920) for the periods ended December 31, 2010 and 2009, respectively. Such correction has no impact on cash and cash equivalents at the beginning or end of periods presented.

NOTE 7 - TELEPHONE NETWORK SYSTEMS AND EQUIPMENT - NET:

As of December 31, telephone network systems and equipment consist of:

	2011	2010	Estimated useful life (years)
Telecommunications network and equipment	\$ 4,209,366	\$ 4,228,286	Between 23 and 24
Public telephony equipment	657,963	713,911	8
Leasehold improvements	1,308,232	1,299,228	Between 2 and 20*
Radio equipment	415,299	412,084	30
Line installation cost	842,930	774,408	20
Electronic equipment	259,877	259,832	25
Capitalized expenses due to construction of networks	625,628	586,720	30
Capitalized comprehensive financing cost	277,133	263,090	10
Computer equipment	264,999	261,698	5
Transportation equipment	60,216	64,935	4
Office furniture	49,960	49,135	10
Other	41,697	40,850	10
Engineering equipment	 22,121	21,266	10
Subtotal	9,035,421	8,975,443	
Accumulated depreciation and amortization	(3,968,842)	(3,619,965)	
Impairment charge (See note 5i)	(1,001,493)	(1,001,493)	
Subtotal	4,065,086	4,353,985	
Construction in progress	48,788	38,008	
	\$ 4,113,874	\$ 4,391,993	

As of December 31, 2011 the estimated cost remaining to conclude the construction in progress is \$69,127 and management expects to conclude them before December 31, 2012.

For the years ended December 31, 2011, 2010 and 2009, the Company recorded depreciation and amortization expenses of \$605,034, \$633,224 and \$576,483, respectively.

As part of the agreements entered into with the holders of Bonds issued on December 20, 2006, as mentioned in Note 11, the Company committed all of Maxcom's telephone network systems and equipment as a warranty in favor of said bond holders.

Although the assets mentioned above have been encumbered in favor of the bond holders, the Company can make use of those assets as long as the requirements and conditions established in the instruments that govern issuance of the bonds are met.

The Company entered into financial lease agreements with Autoarrendadora Integral, S.A. de C.V. in pesos for transportation equipment.

The gross amount of fixed assets acquired under leases that are capitalized as of December 31 is comprised as follows:

	2	2011	2010
Transportation equipment	\$	3,132 \$	4,959
Accumulated depreciation	\$	(317) \$	(367)
			_
Total	\$	2,815 \$	4,592

NOTE 8 - INTANGIBLE ASSETS:

As of December 31, intangible assets are comprised as follows:

	2011	2010	Useful life (years)
Infrastructure rights	\$ 180,040	\$ 180,040	30 and 15
Debt issuance costs	64,342	64,342	8
Software licenses	422,927	411,297	3.3
	667,309	655,679	
Accumulated amortization	(468,289)	(399,687)	
Cumulative impairment charges for intangible assets (See Note 5i)	(42,780)	(42,780)	
		_	
	\$ 156,240	\$ 213,212	

^{*} Leasehold improvements are amortized at the lower of the useful life of the improvement or the contract term.

\$59,894, \$47,291 and \$37,893 corresponding to software amortization, respectively.

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For the years ended December 31, 2011, 2010 and 2009, the Company recorded amortization expense of \$68,602, \$61,709 and \$55,873, respectively; including

NOTE 9 - FREQUENCY RIGHTS:

As of December 31, frequency rights are analyzed as follows:

	2011		2010
Frequency rights	\$	155,309	\$ 155,309
Less — Accumulated amortization		(103,270)	(96,228)
Impairment charges (See Note 5i)		(11,799)	 (11,799)
	\$	40,240	\$ 47,282

For the years ended December 31, 2011, 2010 and 2009, the Company recorded amortization expenses of \$7,042, per year.

NOTE 10 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES:

For the years ended December 31 2011, 2010 and 2009, related party transactions are analyzed as follows:

	2011	2010	2009
Expenses paid to:			
Telecomunicaciones Móviles de México, S.A. de C.V. (2)	\$ 3,417	3,543	_
BBG Wireless (1)	3,387	26,165	45,841
GS Comunicación (6)	3,285	3,930	3,326
Vázquez Eduardo (8)	882	691	591
Vázquez Gabriel Agustín (8)	792	706	589
Bank of America, Co. (9)	465	386	422
Autokam Regiomontana, S. A. de C. V. (3)	419	111	3,262
MG Radio (4)	150	95	86
Servicios corporativos VAC (11)	9	101	584
Automotriz Rio Sonora (3)	_	485	324
Aguirre Adrián (10)	_	75	91
Inmobiliaria AutoKam, S. A. de C. V. (8)	_	67	100
Road Telco & Consulting, S. A. de C. V. (5)	_	49	319
Electromecánica de Guadalajara, S. A. de C. V. (2)	_	_	4,262
Inmobiliaria Radio Centro (8)	_	_	280
Sierra Madre Automotriz, S. A. de C. V. (3)	_	_	219
Ingeniería Avanzada en Construcción, S.A. de C.V. (7)	_	_	211
Solís Gilberto (6)	 <u> </u>		201
Total	\$ 12,806	36,404	60,708
Revenues from telephony services collected from related parties	\$ 61	523	772

⁽¹⁾ Corresponds to cluster construction.

⁽²⁾ Corresponds to interest payments and a portion of the capital pertaining to a loan to settle Telereunion's debt with the Comisión Federal de Electricidad (CFE). See Note 20.

⁽³⁾ Corresponds to costs related to the purchase of vehicles.

⁽⁴⁾ Corresponds to advertising services.

⁽⁵⁾ Mr. Adrián Aguirre (Maxcom shareholder) is also a shareholder of Road Telco & Consulting, S. A. de C. V. The transactions correspond to administrative services and sale of telephone lines.

⁽⁶⁾ Corresponds to payments regarding marketing consulting services.

⁽⁷⁾ Corresponds to the installation of public telephones.

⁽⁸⁾ Corresponds to lease of sites and offices owned by a relative of a Maxcom shareholder.

⁽⁹⁾ Corresponds to expenses related to the debt restructuring and travel expenses related to a risk capital investment fund of Bank of America (Maxcom shareholder).

⁽¹⁰⁾ Corresponds to expenses reimbursed.

⁽¹¹⁾ Corresponds to representation expenses.

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The accounts receivable and payable arising from operations with related parties as of December 31, 2011 and 2010 were the following:

	2	011	2010
Accounts Receivable:			
Proa Mensaje y Comunicación, S. A. de C. V.	\$	11	11
Guijarro de Pablo y Asociados, S.C.		6	6
Shareholder María Elena Aguirre Gómez		1	1
Shareholder Gabriel Vazquez Cartens		1	_
Difusión Panorámica, S. A. de C. V.		_	15
Porcelanatto, S. A. de C. V.		_	11
Shareholder María Guadalupe Aguirre Gómez		_	1
	\$	19	45

	2011	2010
Accounts Payable:		
Telecomunicaciones Móviles de México, S.A. de C.V. (1)	\$ 26,579	27,868
BBG Wireless	1,254	9,278
GS Comunicación, S. A. de C. V.	117	142
Autokam Regiomontana, S. A. de C. V.	24	107
Vázquez Eduardo	11	_
Servicios Corporativos VAC	11	_
MG Radio	_	5
	\$ 27,996	37,400

Accounts payable and receivable from related parties are included within accounts receivable customers and trade accounts payable, respectively.

(1) On January 5, 2010, Electromecanica de Guadalajara, S. A. de C. V. gave the rights of the loan to Telecomunicaciones Móviles de Mexico, S. A. de C. V.

NOTE 11 - BONDS PAYABLE:

As of December 31, 2011 and 2010, Bonds payable were comprised as follows:

	2011	2010
Long term:		
Senior Notes maturing in 2014, bearing interest at a fixed annual rate of 11%, payable semiannually as from June 15,		
2007.	\$ 2,795,740	2,471,240

On December 20, 2006, the Company issued debt instruments denominated "Bonds" in the international markets in the amount of 150.0 million dollars in accordance with Rule 144A and Regulation S, both part of the U.S. Securities Act of 1933. On January 10, 2007 and September 5, 2007, the Company issued additional Bonds in the amount of \$25.0 million dollars each, on the same global offer and under the same terms as those of the initial placement.

As of December 31, 2011 and 2010, accrued interest payable on these bonds amounted to \$14,372 and \$12,705, respectively.

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As part of the agreements reached with the Noteholders, the Company agreed to encumber, in order of priority and degree, in favor of said Bondholders, the fixed assets that comprise the item "Telephone Network System and Equipment", including, but are not limited to constructions, transportation equipment and vehicles, computers, information electronic data processing equipment, telecommunications and office furniture and equipment, as well as all the assets comprising the item denominated "Telephone Network System and Equipment" pertaining to the assets shown in the balance sheet. The guarantee was perfected on February 13, 2007 through a voluntary mortgage set up in order of priority and degree.

Even though the above-mentioned assets have been pledged to the Bondholders, the Company can make use of said assets, provided the requirements and conditions established in the instruments that govern the issuance of the Bonds are met.

The main characteristics of this Bond issue are that it: a) represents preferential liabilities of the Company (subject to the mortgage mentioned in the paragraphs above); b) "pari passu" (equal rights and conditions like any other similar debt entered into by the issuer) on payment rights on all current company principal debt; c) is considered a secondary debt in regards to any debt contracted with the acquired fixed assets pledged as guarantee; d) is considered preferential debt in regards to any future principal debt of the Company; and e) is unconditionally guaranteed by the shares of all the Company's subsidiaries, except by the shares of Grupo Telereunion companies, which were pledged beginning in 2009, and f) is subject to registration before the Securities and Exchange Commission (SEC), in accordance with the Registration Rights Agreement, this record was duly completed on November 19, 2007, according to the values' exchange described below.

On November 19, 2007 the bonds exchange program was completed for an approximate amount of 200.0 million dollars and registered with the SEC with the same characteristics of maturity, interest rate and almost all other characteristics.

The aforementioned Bonds contain positive and negative covenants, which have been duly complied with as of December 31, 2011 and 2010.

Interest paid abroad is subject to income tax withholding at a rate of 4.9%, payable by the Bondholder and interest is payable net. Howerver, the Company assumed the obligation to pay interest free of any charge or tax burden, assuming the cost of the retention.

NOTE 12 - FOREIGN CURRENCY POSITION:

Figures in this note represent thousands of US dollars.

As of December 31, the Company's foreign-currency position was as follows:

	2011	2010
Assets		
Short Term	39,130	33,473
Long Term	3,895	
	43,025	33,473
Liabilities		
Short Term	12,123	12,648
Long Term	200,000	200,415
	212,123	213,063
Net (liabilities) assets in dollars	(169,098)	(179,590)
Exchange rate at end of the year (\$1 to the 1.00 dollar)	\$ 13.98	\$ 12.36

As of December 31, 2011 and 2010 the Company had engaged in measures to mitigate its exposure to exchange rate risk, for further explanation of these measures see Note 13.

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NOTE 13 - DERIVATIVE FINANCIAL INSTRUMENTS:

Embedded Derivatives

At December 31, 2011 and 2010 the Company had four sawps with Bank Morgan Stanley, without receiving or settle any amount for such transactions. For all the active financial instruments (swaps) as of December 31, 2011 and 2010, the Company will pay the computed interests of the notional settled in Mexican pesos on a semiannual basis, and will receive an interest income generated from the notional settled in dollars. These derivative instruments are not designated as a cash-flow hedge and therefore any change in the fair value on the derivatives is reported as a component of other comprehensive income. As of December 31, 2011 and 2010 the swaps totaled \$81,641 and (\$13,534), respectively, which was composed of the following derivatives:

Cross currency swaps:

			Effects in ope	erations
Counter-party	Notional	Basic conditions	2011	2010
Bank Morgan Stanley AG	37,500 USD	Interest Received: 11% Periodicity: Semi-annual Maturity: December 15, 2014	34,136	(8,737)
	(478,125) MXP	Interest Paid: TIIE 28 days + 4.570% Periodicity: Semi-annual Maturity: December 15, 2014		
Bank Morgan Stanley AG	37,500 USD	Interest Received: 11% Periodicity: Semi-annual Maturity: December 15, 2014	(2,533)	23,311
	(478,125) MXP	Interest Paid: 12.75% Periodicity: Semi-annual Maturity: December 15, 2014		
Bank Morgan Stanley AG	37,500 USD	Interest Received: 11% Periodicity: Semi-annual Maturity: December 15, 2010	42,379	15,350
	(474,375) MXP	Interest Paid: TIIE 28 days + 4.85% Periodicity: Semi-annual Maturity: December 15, 2010		
Bank Morgan Stanley AG	37,500 USD	Interest Received: 11% Periodicity: Semi-annual Maturity: December 15, 2010	7,659	(14,310)
	(474,375) MXP	Interest Paid: 12.91% Periodicity: Semi-annual Maturity: December 15, 2010		

All instruments were agreed during 2010. None of the derivative financial instruments had expired or was terminated during 2011.

Derivative transactions are based on the credit lines extended to the company by each counterparty and, additionally, there is a guarantee of the Company to the counterparty cash which consists of the following: if the value of derivative transactions ("mark to market") is negative and exceeds certain limits that depend on the credit rating of the company, the company would have to guarantee with a collateral deposit over the authorized credit limit. During 2011 there were margin calls (collateral deposits) at different dates. Due to the rise in the exchange rate of MXP/USD in the last months of 2011, at the end of this year there is no collateral deposit given to the opposing side, all security deposits required during the year were released by the counterparty before the closure of 2011.

Embedded Derivatives.

As of December 31, 2011 and 2010, the Company indentified some currency component embedded derivatives within its lease agreements which were separated from their host contract. All of the derivates were found to emulate exchange rate component embedded *forwards* between Mexican pesos and U.S. dollars at different maturities. These could not be qualified by the Company as hedge accounting derivatives, thereforeany change in the fair value on the derivatives is reported as a component of other comprehensive income/cost in the statement of operations for the current period. As of December 31, 2011 and 2010, the embedded derivatives totaled \$2,340 and \$8,400, respectively, which were generated by the following lease agreements:

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Host Leasing Contract	Notional	Maturity	Effects in opera	ntions
			2011	2010
Grupo Promotor Jomer	161.1 USD	December 2012	(1,963)	(7,505)
MATC Digital (San Marcos)	0.6 USD	October 2012	3	(0.5)
Deutsche Bank México	0.5 USD	June 2012	17(2)	
MATC Digital (Chiquihuite)	0.3 USD	June 2012	4(1)	
BBG Wireless	2.0 USD	August 2015	(1)	(109)
Enlace Digital Telecomunicaciones	3.0 USD	September 2014	(143)	(297)
Hotelera Galerias	3.9 USD	December 2013	(257)	(486)
Primary Financial Instruments				

At December 31, 2011, the Company had investments in primary financial instruments as follows:

		Book Value Fair Value		Interest Rate
<u>Held to maturity</u>				
Corporate Debt	<u>\$</u>	<u> </u>	343	
For trading				
Fixed Income Securities	\$	20,979	20,979	11%

At December 31, 2010, the Company had investments in primary financial instruments as follows:

	Book	Value	Fair Value	Interest Rate
Held to maturity				
Corporate Debt	\$	<u> </u>	388	<u> </u>
For trading				
Share Certificates	\$	<u> </u>	97	

Fixed income securities and share certificates are the primary financial instruments of the Company investments as of December 31, 2011 and 2010 have the issuer Metrofinanciera. The custodian of these securities is IXE Casa de Bolsa. Due to the creditworthiness of the issuer, the Company decided to grant zero value accounting for these securities, and establish a reserve amount for these securities of 100% of the reported value, which is why the book value reflects a null value.

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At December 31, 2011, the Company held debt instruments denominated in United States dollars which are a part of its outstanding senior notes, Maxtel 14, which fair value amounts to \$20,979. These securities pay a rate of 11% on the nominal amount in U.S. dollars.

NOTE 14 - LABOR OBLIGATIONS UPON RETIREMENT:

As of December 31, 2011 and 2010 the Company has direct benefits payable for absences (non-cumulative) amounting to \$878 and \$593, respectively.

As of December 31, 2011, 2010 and 2009 the Company incurred restructuring charges of \$11,890, \$66,721 and \$7,282, which are comprised of \$6,080, \$66,049 and \$5,941, of termination benefits and \$5,810, \$672 and \$1,341 of legal and administrative expenses, respectively.

The Company has no retirement or post retirement benefit or pension plans for its employees, aside from the benefits described in the next sentence. Obligations and costs of seniority premiums and termination benefits that employees are entitled to receive are recognized based on actuarial studies prepared by an independent third party specialist.

The cost, obligations and other pension plans, seniority premiums and payable at termination of employment other than restructuring, mentioned in note 5 (n) is determined based on estimates prepared by independent actuaries at 31 December 2011 and 2010. The components of cost (income) net of the years ended December 31, 2011 and 2010 are as follows:

				Benefit	s		
	-		Termination			Retirement	
	-	2011	2010	2009	2011	2010	2009
Net cost for the year:							
Labor cost	\$	1,562	2,033	1,967	3,436	4,340	3,313
Financial cost		678	876	824	2,135	2,647	2,108
Actuarial (gain) loss, net		40	3,377	(2,160)	117	26	26
Prior service:							
Amortization of transition							
liability		594	964	964	1,619	2,794	2,794
Reduction effect		-	(5,827)	-	-	(13,474)	-
Net cost for the year	\$	2,874	1,423	1,595	7,307	(3,667)	8,241

The following is the determination of liabilities for the benefits of the plans at December 31, 2011, with the applicable requirements of paragraph 131 of FRS D-

		Retirement Benefits				
	Sen	iority	J	Indemnization		
	Pre	mium	Legal	Total		
Defined benefit obligation:						
Defined benefit obligation at beginning of the year	\$	843	27,107	27,950		
Current service cost		213	3,224	3,437		
Financial cost		64	2,071	2,135		
Actuarial gains and losses		(122)	(3,523)	(3,645)		
Past service cost*		11	466	477		
Effects of settlement		(11)	(466)	(477)		
Defined benefit obligation	\$	998	28,879	29,877		

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The following are the current amounts and the last four annual periods of the defined benefit obligation, fair value of the plan assets, the status of the plan and experience adjustments arising from the liabilities and assets of the plan:

	 Retirement	<u>benefits</u>			
	 2011	2010	2009	2008	2007
Defined benefit obligation	\$ 29,877	27,950	32,433	25,836	33,002
Experience adjustment:					
Net projected liability	\$ (3,644)	9,196	1,176	(4,014)	6,452

The following reconciles the beginning and final balance for the present values of the CBO as of December 31, 2011 and 2010:

	Benefits						
	 Termina	tion	Retirem	ent			
	 2011	2010	2011	2010			
Amount of defined benefit obligations (CBO)	\$ 10,309	9,940	29,877	27,950			
Unrecognized past services benefits not acquired:							
Transition liabilities	(594)	(1,188)	(1,619)	(3,238)			
Actuarial losses	-	-	(2,408)	(6,170)			
Net projected liability	\$ 9,715	8,752	25,850	18,542			

	Benefits		
	2011	2010	1
Discount rate reflecting the value of the current obligations	7	7.64%	7.64%
Compensation increase rate*	5	5.50%	5.50%
Expected nominal rate on return of assets	1	N/A	N/A
Employee Remnant Average Labor Life (Applicable to benefits upon retirement)	28 ye	ears	29.3 years

^{*} Includes career salary concept

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NOTE 15 - STOCKHOLDERS' EQUITY:

Capital stock structure -

Under the Mexican Federal Telecommunications Law and the Foreign Investment Law, no more than 49% of the voting capital stock of a Mexican corporation holding a concession to provide local and long-distance telecommunications services may be held by foreigners.

On April 11, 2002, the Company obtained authorization from the Foreign Investment Bureau ("Dirección General de Inversión Extranjera") to increase its ability to issue limited voting shares up to 95% of its total capital stock. This authorization was endorsed on September 28, 2007, at the company's public offering.

All series of preferred shares were converted to common shares. In this regard, as per the agreements reached, the conversion was as follows:

- 6,088,896 Series "A-1" shares to Series "A" shares, at a one to one ratio;
- 10,181,950 Series "B-1" shares to Series "B" shares, at a one to one ratio;
- 220,714,874 Series "N-1" shares to Series "N" shares, at a one to one ratio, and
- 26,867,820 Series "N-2" shares to Series "N" shares, at a one to one ratio.

Series "A" and "B" preferred shares had full voting rights, and Series "N" shares were neutral shares with limited voting rights and were not considered in the determination of the foreign investment percentage, in accordance with the Foreign Investment Law and could have been subscribed and acquired by either Mexican or foreign investors.

In accordance with the General Corporations Law, and with the Company's bylaws, it is not possible to issue new shares or agree any modification in the number of shares due to a capital increase, reduction, amortization or spin off, unless all shares previously issued have been entirely paid. Therefore, treasury shares were totally cancelled and re-issued each time stockholders reached an agreement in that sense.

On February 26, 2007, at the Extraordinary and Ordinary Shareholders Meetings it was decided to increase the variable portion of the capital stock of the Company in the amount of 58 dollars, by issuing 830,000 common Series "N" shares that represent the capital stock of Maxcom, which were subscribed by a number of officers of Maxcom at a subscription price of 0.07 dollars per share.

On April 1, 2007 a number of holders of warrants issued in year 2000 exercised their warrants in respect of 736,883 Series "N" common shares that represent the capital stock of Maxcom at a price of 0.01 dollars per share.

On September 13, 2007, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the following resolutions were adopted:

- 1. To make a public offering of Ordinary Participation Certificates (CPO) in Mexico, in the form of shares by offering these securities at the Bolsa Mexicana de Valores, S.A. B. de C.V. and other foreign markets in the form of American Depositary Shares (ADS) or other securities or instruments representing the CPOs or the Company's shares, in accordance with applicable laws, including, without limitation, the US Securities Act of 1933, and upon registration of the corresponding securities with the SEC, so that the necessary funds may be raised in order to continue the development and growth of the Company and pay its debts. The CPOs are equivalent to three shares and the ADSs are equivalent to seven CPOs.
- 2. The conversion and/or reclassification of all the shares under the Series "A", "B", and "N", into new common and registered Series "A" shares with no par value, representing both the fixed and the variable portion of the capital stock, as applicable.
- 3. Amend the Company's overall bylaws, including the creation of a number of intermediate management bodies, and other changes required under the Mexican Stock Market Law to convert the Company to a publicly traded company ("Sociedad Anónima Bursátil" or S. A. B.), mode with variable capital.

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- Cancel 45,768,803 of the Company's treasury shares.
- Increase the variable capital stock by issuing up to 260,000,000 common and registered Series "A" shares with no par value, representing the variable portion of the capital stock of the Company and 45,768,803 registered Series "A" shares, with no par value, representing the variable portion of the capital stock, to be kept at the treasury.

On October 19, 2007, Maxcom completed the global offering by placing 304,608,201 Series "A" shares under the primary offering, including the over-allotment option, and 50,909,091 Series "A" shares under the secondary offering, all of them registered shares with no par value, representing the variable portion of the capital stock of the Company, among public investors. The gross amount of the proceeds obtained from the offering, taking into account the primary offering and the over-allotment option was \$2,751,713, and the issuance expenses amounted to \$100,931, net from tax effects.

In the end of October, 2007 certain officers and directors of the Company exercised options corresponding to the stock option plan to acquire 853,592 Series "A" shares representing the capital stock of the Company.

On March 24, 2008, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders approved the share repurchase regulations, also the shareholders approved an amount of up to \$36,196 destined to the share repurchase program for 2008, without limitation on the amount of shares to be bought. In 2011, 2010 and 2009, the net effect of share repurchases was a loss of \$1,062, \$10,863 and \$8,362 respectively, that is included within additional paid-in the capital.

Also, in this assembly, the Shareholders approved an equity reduction to the variable part of the capital stock for up to 1,683 dollars due to residual shares or Ordinary Participation Certificates or "CPOs" left from the issuance of American Depositary Receipts or "ADRs", which is a certificate representing the corresponding ADS. The reduction amounted to \$7.

On October 17, 2008 by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders authorized the Executive Incentive Program and the compensation awarded to counselors and members of the Company's different committees.

At the same meeting, the shareholders authorized an increase of the variable portion of the capital stock of the Company up to 11,000,000 Series "A" Class II shares to be held as treasury shares to fulfill the terms of section 7 of the Company's by-laws for the commitments arising from the Executive Incentive Program.

As of December 31, 2011, 2010 and 2009 the shares representative of the Company's capital stock are nominative, with no par value and were comprised as shown below:

Series and Class of Shares	2011	2010	2009
Issued and outstanding:			
Series "A" Class I (fixed portion)	1,528,827	1,528,827	1,528,827
Series "A" Class II (variable portion)	788,290,002	788,290,002	788,290,002
Subtotal	789,818,829	789,818,829	789,818,829
Authorized shares not outstanding:			
(treasury shares)			
Series "A"	11,000,000	11,000,000	11,000,000
Total authorized shares	800.818.829	800.818.829	800.818.829

In the event of a reduction to the capital stock or to the share subscription premium any surplus of the amount reimbursed over the balances of the accounts of contributed capital, a tax equivalent to 30% shall be incurred, when paid in the future. The tax incurred shall be paid by the Company and may be credited against the Income Tax for the fiscal year, or the Income Tax for the two immediately following fiscal years.

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As of December 31 2011 and 2010, the Company's capital stock was comprised as follows:

	2011	2010
Capital stock	\$ 4,814,428	4,814,428
Restatement effect	595,816	595,816
Total capital stock	\$ 5,410,244	5,410,244

Comprehensive loss -

The comprehensive loss reported on the statements of stockholders' equity (deficit) represents the results of the Company's total activities during the year, and includes the items mentioned below which, in accordance with Mexican FRS, are reported directly in stockholders' equity (deficit), except for net loss.

	2011	2010	2009
Net loss for the year	\$ (536,453)	(1,184,879)	(303,558)
MFRS C-8 recognition (Note 6)	 <u> </u>	<u> </u>	(38,123)
Comprehensive loss	\$ (536,453)	(1,184,879)	(341,681)

Stockholders restrictions -

Five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock. As of December 31, 2011, the statutory reserve has not reached the required amount.

No dividends may be paid while the Company has not received the related amounts as dividends from subsidiary companies.

NOTE 16 - STOCK BASED COMPENSATION:

Through June 30, 2006, the Company had the following stock option plans:

- a. Executive plan under the aforesaid plan, there were 575,000 stock options available as a grant for officer's performance for the years of 1998, 1999 and 2000
- b. New stock option plan for executives As of December 31, 2005, the Board of Directors and shareholders of the Company authorized an aggregate of 17,998,500 options to remunerate officers for the services they rendered during the years 2002, 2003 and 2004. Also, part of these options served as extraordinary remunerations granted to certain key officers in case of a change in the control of the Company.
- c. <u>Members of the Board of Directors and members of various committees</u> For each meeting of the Board or of the different committees of the Company where directors and members of the different committees attend, they receive an option to purchase 2,500 shares at an exercise price of 0.01 dollars per share. The chairman of the Board or of the different committees is entitled to receive options to subscribe 5,000 shares at the same above mentioned exercise price. Options granted in each meeting may be exercised immediately and expire three years after, beginning on the date when granted, except when the same Board or the shareholders' meeting provides another mechanism.
- d. <u>Signing bonuses and other bonuses for officers or directors</u> From time to time the Company has granted signing bonuses, special bonuses and other bonuses by way of stock options. There was a reserve of 246,215 N1 Series, Class II treasury shares, available so that the management or the Board of Directors may grant options on these shares as part of the signing bonuses negotiated and signed to contract new key officers with the Company.

The fair value of options for services rendered was determined by an independent third party using a binomial valuation model applying the Black & Scholes method

Following is a summary of the changes in employees' stock options plan for the years ended on December 31, 2011, 2010 and 2009 and the changes to the stock options plan for the acquisition of shares by entities other than employees (in thousands of shares):

	2011		2010			2009			
			Weighed Average Exercise			Weighed Average Exercise		A E	eighed verage xercise
	Options	<u>F</u>	Price USD	Options]	Price USD	Options	<u>Pr</u>	ice USD
Outstanding at beginning of year	21,302	\$	0.31	20,723	\$	0.31	17,916	\$	0.31
Granted	1,035		0.31	1,267		0.31	2,807		0.31
Exercised	1,315		0.01	_		_	_		_
Cancelled	(18,040)			(688)					
Outstanding at the end of the year	5,612		0.20	21,302		0.31	20,723		0.31
Options exercisable at the end of the year	2,982		0.20	18,668		0.31	16,459		0.31
Weighted average price of options granted during the year (denominated in U.S. dollars)		\$	0.01		\$	0.19		\$	0.31

In July 2006, the Company increased its capital stock by 16.34% of the Company's outstanding shares, as described in Note 15. As a result of this transaction, the Company's shareholders decided to simplify the Company's shareholding structure, changing all preferred shares to common shares, after canceling preferential rights in the event of liquidation.

This change produced that the fair value of the Company's shares increased from 0.00 to 0.31 dollars on common stock and from 0.28 to 0.31 dollars on its

Together with this change in its capital structure the Company decided to amend its different stock option plans to give better benefits to the holders of the options in such plans. As a result in July 2006, the Company changed the requisite service period as well as the strike price and vesting period in the different stock option plans as explained as follows:

	Modified plan 2007	Previous Plan
Requisite service period	3 years	5 years *
Fair value on modification date (dollars)	0.149	0.000
Exercise price (dollars)	0.31	0.50

At the modification date most options had been already vested.

The additional compensation cost stemming from the modification and the total compensation cost per option is 0.09 dollars as shown below:

	Dollars
Fair value of modified option at July 2007	0.149
Incremental value of modified option at July 2007	0.149
Incremental value of modified option at July 2007	0.149
Unrecognized compensation cost for original option	0.000
Total compensation cost to be recognized in 2007	0.149

The cost of the period was of \$3,919, \$4,253 y \$1,669 for the years ended December 31st of 2011, 2010 and 2009 respectively. The compensation cost of the "penny warrants" for counselors and options for executives are recognized in shorter periods, because it corresponds to the payment of emoluments and performance bonds and its "fair value" fluctuates between 0.15 dollars and 0.38 dollars.

As of December 31, 2007, the Company had issued options to purchase 7,569,007 shares pursuant to severance arrangements with certain of our key officers that, upon a change of control or an initial public offering of Maxcom, became fully exercisable without restriction. As of October 18, 2007 these options were fully exercisable and the compensation cost recognized amounted to \$25,300. These options were exercised during 2008.

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After amending the different stock option plans, the breakdown of the options granted and their vesting periods as of December 31, 2011 are described below:

	New option plans for employees	counselors and executive plans	Total
Granted during the year	1,034,700	2,349,600	3,384,300
Options exercised in year	1,239,900	75,000	1,314,900
Options cancelled	18,040,250	-	18,040,250
Total options granted	2,980,375	4,607,280	7,587,655
	2011	2010	2009
Options authorized	22,566,580	41,921,730	43,579,491
Options granted	12,139,521	28,110,371	27,433,532
Options available	10,427,059	13,811,359	16,145,959

The fair value of the stock options of the new plan was computed by an independent third party specialist, using a binomial valuation model by the Black & Scholes method.

Black-Scholes assumptions at 2007:

Vesting Period	Volatility	Exercise Price	Risk Free Rate	Fair value
3.25 years	30%	0.31 dollars	4.89%	0.149 dollars

On October 17, 2008, by means of resolutions adopted by the General Extraordinary and Ordinary Shareholders Meetings, the shareholders ratified the Executive Incentive Program and the compensation awarded to counselors and members of the Company's different committees. In both cases a portion of the payments is awarded through shares, as described below:

A) Employee Incentive Program.

- The yearly incentive goal, which may be given to the Company's officers and employees who are eligible under the scope of the Executive Incentive Program, is to reward management for value generation to the Company in a given period of time.
- The minimum requirement for the incentives to be awarded is a value generation of 15% year versus year. The following formula is how value generation is calculated: Value Generation for the year = EBITDA * 8 (eight) net indebtedness + shareholders' dividends shareholders' b. increase to the capital stock.
- The amount of the yearly incentive is allocated individually and is subject to the yearly performance evaluation. c.
- The yearly incentive is divided into three parts:
 - One part will be awarded through cash.
 - One part will be awarded through stock options in order to receive ADRs, CPOs or any other instrument whose underlying values represent Maxcom's capital stock.
 - One part will be awarded through stock options in order to receive ADR's, CPO's or any other instrument whose underlying values represent Maxcom's capital stock.

Under this plan there have not been any options granted, due to the fact that the conditions required at the Shareholder's Meeting to grant the incentives were not met.

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- B) Compensation for Directors and Committee members.
 - a. Directors and Committee members will receive each year options to purchase up to \$120 in the form of CPOs, with the exception of the Chairman of the Board who will receive each year options to purchase up to \$240 in the form of CPOs.

As of December 31, 2011 and 2010 changes in additional paid in capital were as follows:

	 2011	2010
Stock option plan cost	\$ 6,860	4,253
Exercised options	 (2,400)	
	\$ 4,460	(4,253)

NOTE 17 - FINANCIAL INFORMATION BY SEGMENTS AND BY GEOGRAPHICAL LOCATION:

The following chart presents a breakdown of the business segment according to the way management operates.

For the years reported on, the Company has operated only in the telecommunications business sector, identifying the following business segments: residential, business, public telephony, wholesale and others. The above segments represent a group within the telecommunications sector, thus most of the infrastructure is commonly used by business segments and equally specific telecommunications services, such as local service, long distance and "calling party pays" (CPP) that can be provided in one or more business segments. The revenue is divided as shown below:

Segment	2011		2010	2009
Residential	\$	994,663	1,039,973	928,686
Business		606,964	692,722	788,033
Public Telephony		232,794	378,340	460,687
Wholesale		526,876	452,925	372,184
Others		14,644	13,432	12,980
Total revenues	\$	2,375,941	2,577,392	2,562,570
Operating costs and expenses		(2,253,954)	(2,614,658)	(2,569,737)
Operating (loss) income	\$	121,987	(37,266)	(7,167)

Each of the above segments is comprised of homogeneous customers.

The information by geographical location (all within Mexico) including revenue, total assets, depreciation and additions of the telephone network, systems and equipment is as follows:

Services Year ended December 31, 2011:	M	letropolitan Area	Central- South	North	Total
Local	\$	1,278,055	651,898	34,587	1,964,540
Long distance	·	208,406	138,967	24,089	371,462
Rent of dedicated links		233			233
Sale of equipment to customers		2,460	1,572	11	4,043
Capacity leasing		35,663	_	_	35,663
Total revenue	\$	1,524,817	792,437	58,687	2,375,941
Total assets as of December, 2011	\$	2,836,197	1,076,125	398,032	4,310,354
Acquisition of telephone network systems and equipment during 2011*	\$	328,269	75,710	15,651	419,630

^{*}Includes \$3,504 of capital leases contracted in this year.

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Services	Metropolitan Area		Central- South	North	Total
Year ended December 31, 2010:					
Local	\$	1,467,785	596,455	100,535	2,164,775
Long distance		237,303	123,531	3,341	364,175
Rent of dedicated links		324	_	_	324
Sale of equipment to customers		3,951	302	10	4,263
Capacity leasing		43,855		_	43,855
Total revenue	\$	1,753,218	720,288	103,886	2,577,392
Total assets as of December, 2010	\$	4,515,985	1,202,604	372,132	6,090,721
Acquisition of telephone network systems and equipment during 2010*	\$	588,291	122,506	11,810	722,607

^{*}Includes \$6,613 of capital leases contracted in this year.

Services	M	etropolitan Area	Central- South	North	Total
Year ended December 31, 2009:					
Local	\$	1,448,810	634,220	75,532	2,158,562
Long distance		256,897	63,954	3,947	324,798
Rent of dedicated links		377	_	_	377
Sale of equipment to customers		2,219	1,437	_	3,656
Capacity leasing		75,177			75,177
Total revenue	\$	1,783,480	699,611	79,479	2,562,570
Total assets as of December, 2009	\$	5,966,289	1,152,262	399,025	7,517,576
Acquisition of telephone network systems and equipment during 2009	\$	597,558	178,155	155,910	931,623

NOTE 18 - COMPREHENSIVE FINANCIAL RESULTS:

As of December 2011, 2010 and 2009 the comprehensive financial results are analyzed as follows:

		2011	2010	2009
Comprehensive financial results:				
Interest expense and commissions (Note 11)	\$	(314,691)	(324,593)	(328,949)
Interest income		2,747	13,957	6,031
Exchange gain (loss) - Net		(334,895)	116,770	66,498
Effect of valuation of financial instruments		89,112	(43,453)	(58,479)
	\$	(557,727)	(237,319)	(314,899)
Capitalized in telecommunications equipment and netwo	rk			
(Note 7)	\$	14,043	3,847	18,104
Total recorded in results of operations	\$	(543,684)	(233,472)	(296,795)

NOTE 19 - INCOME TAX (IT), ASSET TAX (AT), FLAT RATE BUSINESS TAX (IETU) AND EMPLOYEES' STAUTORY PROFIT SHARING (ESPS):

Under current tax law, companies will be required to pay the greater of ISR or IETU. If IETU is payable, the payment is considered final and not subject to recovery in subsequent years. The income tax law current tax reforms from 1 January 2010, the income tax rate for fiscal years 2010 through 2012 is 30%, for 2013 is 29% and 28% for 2014 onwards. IETU rate is 17.5% for 2010 onwards.

As of December 31, 2011, the Company and its Mexican subsidiaries are subject to IT and IETU individually, which means that they are not consolidated for tax payment calculations.

Because management estimates that the tax payable in future years will be Income Tax, deferred tax effects as of December 31, 2011 and 2010 have been recorded reflecting the IT basis. As of December 31, 2011 and 2010, some of the Company's subsidiaries were subject to IETU payable of \$19,612, therefore they recorded a deferred IETU for an amount of \$8,755.

(Benefit) expense for income taxes are accounted as follows:

	 2011	2010	2009
Current IT	\$ 11,726	6	7,934
Current IETU	-	13,976	-
Deferred IT	(19,612)	229,831	(69,471)
Deferred IETU	 (8,755)	9,248	<u>-</u>
	\$ (16,641)	253,061	(61,537)

The result differs from book income tax due to differences in permanent and temporary character, which are shown below.

The tax benefit attributable to loss from continuing operations before income taxes was different from the amount computed by applying the rate of 30% and 28% income tax for 2011, 2010 and 2009, respectively. The following table shows the reconciliation between the effective tax rate and the statutory income tax rate:

		2011	2010	2009
(Loss) profit before income tax expense	\$	(553,094)	(931,818)	(365,095)
Statutory income tax rate	_	30%	30%	28%
Income tax benefit		(165,928)	(279,545)	(102,226)
ESPS expense		1,504	400	922
Increase (decrease) on income tax expense resulting from:				
Inflationary effects		(7,739)	(14,092)	(39,194)
Non-deductible expenses		37,457	10,940	14,167
Change in valuation allowance		110,613	471,638	35,409
Change in rates		28,083	-	(30,045)
Other income non accumulative		-	826	-
Tax losses expired		-	31,259	-
Tax effect for sale of subsidiary				56,035
Others permanent items	_	(714)	8,898	3,395
Income tax expense (benefit)		3,276	230,324	(61,537)
Effective income tax rate		3%	(25%)	17%
Effect of current and deferred IETU	_	(19,917)	22,737	
(Benefit) expense for income taxes	\$	(16,641)	253,061	(61,537)

The activity of deferred taxes was as follows:

	2011		2010	
Balance at beginning of year Debit (credit) to income	\$	(8,755) 28,367	(230,324) 239,079	
Balance at December 31	\$	19,612	8,755	

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As of December 31, 2011 and 2010, the effect of deferred income tax and ESPS on the significant temporary differences is analyzed as follows:

	2011		20	10
	IT	ESPS	IT	ESPS
Deferred assets:				
Allowance for doubtful accounts	\$ 129,861	_	81,591	_
Provisions	56,376	6,798	63,319	3,286
Telephone network system and equipment, frequency rights, intangible assets	166,152	_	112,051	_
Tax credit carryforwards	39,272	_	39,272	_
Tax loss carryforwards	 444,179	<u> </u>	408,292	
Total gross deferred assets	 835,840	6,798	704,525	3,286
Less valuation allowance of tax loss carryforwards	 802,608	6,647	691,995	2,753
Deferred assets, net	33,232	151	12,530	533
Deferred liabilities:				
Prepaid expenses and advances to suppliers	12,918	151	10,009	533
Derivative financial instruments	702	_	2,521	_
Total gross deferred liabilities	13,620	151	12,530	533
Net deferred assets	\$ 19,612	_		

The valuation allowance of deferred tax assets at 1st. January, 2011, 2010 and 2009 was \$691,995, \$220,357 and \$184,948 respectively. The net change in the valuation allowance for the years ended December 31, 2011, 2010 and 2009 was an increase of \$137,579 and \$471,638 and a reduction of \$35,409, respectively, to evaluate the recovery of deferred tax assets, management considers the premise that there is a factual probability that some, or all, of them could be non recovered. The ultimate realization of deferred tax assets depends on the generation of taxable income in the periods in which temporary differences are deductible. By carrying out this assessment, management considers the expected reversal of deferred liabilities, projected taxable profits and strategic planning.

As of December 31, 2011, the Company had accumulated tax loss carry forwards of \$1,574,208, which will expire as follows:

Year of loss	Amount	Year of expiration
2002	\$ 267,	758 2012
2003	38,	533 2013
2004	86,0	511 2014
2005	135,	583 2015
2006	80,	563 2016
2007	292,4	139 2017
2008	483,	103 2018
2010	3,	505 2020
2011	185,9	913 2021
	\$ 1,574.2	208

As a result of these changes in the rate, in the year ended December 31, 2011 and 2009 the Company recognized an increase in deferred assets, net, for \$28,083 and a decrease for (\$30,045), respectively.

NOTE 20 - COMMITMENTS AND CONTINGENT LIABILITIES:

As of December 31, 2011, the Company had the following commitments:

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a. Operating lease agreements:

The Company maintains operating leases on buildings, sites, poles and office equipment. The Company recorded leasing expenses of \$81,109, \$69,086 and \$73,125 in 2011, 2010 and 2009, respectively.

The schedule for estimated future minimum lease payments is as follows:

2012	\$ 61,141
2013	47,489
2014	49,434
2015	51,619
2016 and thereafter	54,287
	\$ 263,970

b. Lease agreement for the building currently housing the Company's corporate offices.

On September 1, 2005, the Company renewed its corporate lease agreement with maturity date on December 31, 2012. The surface leased is 7,922 square meters. The Company recorded a lease expense of \$38,300, \$39,728 and \$36,737 for the years ended December 31, 2011, 2010 and 2009, respectively.

The schedule of estimated future minimum lease payments is as follows:

2012	\$ 36,212
2012 2013	1,622
2014	1,131
2015	1,115
2016 and thereafter	1,765
	\$ 41,845

c. Geographic expansion commitment:

The agreement amending the national concession agreement to install and operate a public telecommunications network in Mexico, entered into on December 2, 2004, sets forth a capacity installation program to handle a certain number of lines by the end of 2006, and sets forth a geographic expansion commitment up until 2014

In order for the concession to remain in effect, the Company is required to comply with the capacity installation and geographic expansion commitment discussed above, among other conditions.

As of the date of issuance of the financial statements, said commitment was fully covered, with no future commitments remaining.

d. Commitment related to frequency rights:

As of December 31, 2011, the Company complied with its obligation to submit to the SCT the renewal of the surety bonds for the fiscal year 2011, as per the commitments and obligations set forth in the concessions.

e. Commitment pertaining to the sale of capacity:

In October 2003, the Company entered into an agreement for the sale of optical fiber capacity with another telephony carrier in the amount of \$22.5 million, which was recognized at the time of the sale as a prepaid charge of \$13.5 million to render this service; the term of this agreement is 13 years. As of December 31, 2011, deferred revenue amounted to \$8.6 million.

In November 2007, the Company entered into a optical fiber capacity sale agreement with Grupo de Telecomunicaciones Mexicano in the amount of \$13.4 million, where the Company recorded \$7.6 million as deferred income generated from the services pending to be provided. This service started in October 2008. The termination date for this agreement is due in 5 years. As of December 31, 2011 and 2010, the balance pending to be incurred is \$4.7 and 7.5 million, respectively.

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In December 2008, the Company entered into a optical fiber capacity sale agreement with Megacable in the amount of \$35.3 million, where the Company recorded \$25.6 million as deferred income generated from the services pending to be provided. The termination date for this agreement is due in 10 years. As of December 31, 2011 and 2010, the balance pending to be incurred is \$18.5 and \$21.1 million, respectively.

In September 2009, the Company entered into a optical of fiber capacity sale agreement with Cablevision in the amount of \$8.6 million, where the Company recorded \$6.3 million as deferred income generated from the services pending to be provided. The termination date for this agreement is due in 10 years. As of December 31, 2011 and 2010, the balance pending to be incurred is \$4.9 and \$5.5 million, respectively.

f. Comisión Federal de Electricidad (CFE):

On June 23, 1999, the Telereunion entered in a lease infrastructure agreement with the CFE which due date will be within 30 years, in the amount approximate amount of \$38.7 million.

After a lawsuit sentence, on January 9, 2007, Telereunion and CFE agreed that Telereunion should pay the approximate amount of \$39.7 million that was originated from the 30 years lease infrastructure agreement that should have been paid in advance.

The lawsuit sentence pointed out that the amount owned to CFE plus actualization charges should have been paid on November 29, 2008, even though the computed interest should have been paid in 4 semiannual installments since November 29, 2007. This amount was paid by Telereunion on November 27, 2008.

Within the acquisition agreements between Telereunion, and Grupo VAC, this last mentioned agreed to grant a loan to Telereunion in order to pay the amount owned to CFE. This loan will be paid to Grupo VAC in monthly installments not greater than \$110, from the effective date of the agreement and throughout the next 30 years. The loan will bear an interest rate per annum equal to TIIE plus 300 basis points.

The account payable to Grupo VAC as of December 31, 2011 and 2010, in regards of the short term portion related to the abovementioned loan is included within the "Accounts payable" caption totaled \$1,417 and \$1,276, respectively; while the non-current portion is included within the "Long-term Other account payable" caption totaled \$25,579 and \$26,374, respectively.

g. Tax audit by the Secretaría de Hacienda y Crédito Público of Maxcom Telecomunicaciones for the fiscal year 2005:

In January 2010, tax authorities initiated audits of Maxcom to verify the operation of excision of Mijolife completed in August 2005. At the date of the financial statements tax authorities have not delivered the closing act of the review.

- h. Tax audit by the Secretaría de Hacienda y Crédito Público as a result of Maxcom Telecomunicaciones for the fiscal year 2004:
- In January 2010, tax authorities initiated audits of Maxcom to verify proper tax compliance of asset tax. At the date of the financial statements tax authorities have not delivered the closing act of the review. Derived from the review in February 2011, the authority discloses relevant observations. In August 2011, the authority notifies a tax obligation amounting to \$41.5 million (historical), by the rejection of the debts contracted with foreign countries, in determining the asset tax. In October 2011, Maxcom Telecomunicaciones appealed the revocation. At the date of the financial statements tax authorities have not delivered the closing act of the review.
- i. Claim brought by the Secretaría de Hacienda y Crédito Público to Maxcom Telecomunicaciones for the fiscal year 2008:

In June 2011, the tax authorities began testing its powers to Maxcom, derived from the review that had begun with the external auditor for Derivative Financial Instrument concept for the fiscal year 2008.

j. Final favorable judgment, amparo trial promoted by Maxcom Telecommunications against the Asset Tax Law in force as of 1. January 2007:

In April 2011 Maxcom obtains favorable ruling by the amparo trial brought against the Asset Tax Law as of 1. January 2007. The expected benefit of this judgment is \$21.9 million. To the date of the financial statements, the necessary documentation for its application is being prepared.

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k. Claim by the Department of Finance and Public Credit under a tax audit of Telereunión for FY 2004:

In January 2006, the tax authorities began audits in Telereunión for alleged omissions of taxes for fiscal year 2004. These audits ended on September 6, 2007. On September 7, 2007, tax authorities determined a tax credit of approximately \$59.4 million to Telereunión due to certain differences and omissions in the tax return of Telereunión.

As part of these audits, authorities determined that Telereunión was responsible for the lack of profit sharing payments of approximately \$8.2 million to certain employees, in accordance with the law applicable to profit sharing. In terms of the obligations undertaken by VAC Group, in accordance with the Agreement of Indemnity, given that investors of the group are obligated to.

NOTE 21 — MIGRATION TOWARDS IFRS FROM JANUARY FIRST 2012:

The Comisión Nacional Bancaria de Valores (CNBV), established the requirement to certain entities that disclose their financial information to the public through the Mexican Stock Exchange (BMV) that from 2012 develop and disseminate financial information necessarily based on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements to be issued by the Company for the year ending December 31, 2012 will be its first annual financial statements comply with IFRS. The transition date will be on January 2011 and, therefore, the year ended December 31, 2011 will be part of the comparative period covered by the standard of adoption IFRS 1, Initial Adoption of International Financial Reporting Standards. According to IFRS 1, the Company will apply the relevant mandatory exceptions and certain optional exemptions to retrospective application of IFRS.

The Company will apply the relevant mandatory exceptions to the retrospective application of IFRS as follows:

- Calculation of Estimates The estimations to the date of transition are consistent with the estimates at the same date under Mexican Financial Reporting Standards (MFRS), unless there is evidence of error in these estimates.
 - Low and transfer of assets and liabilities financial assets and liabilities that were discharged prior to the 1st. January 2004 are not recognized unless:
 - The Company chooses to recognize them and
 - The information needed to apply the criteria for disposal of fixed assets and financial liabilities under IFRS, have been collected at the time of the initial accounting for the transactions.

The Company has elected the following optional exemptions to the retrospective application of IFRS as follows:

- The exemption shall apply cost incurred Therefore, we chose to use the revalued amount under MFRS to the transition date as the cost incurred for certain assets of the item of property, plant and equipment.
- Employee benefits exemption will apply to employee benefits. Therefore, all cumulative actuarial gains and losses at the transition date wil be recognized.

Reconciliation from MFRS to IFRS

As of December 31, 2011 the effects of the transition to IFRS are being evaluated by the Company as such, no reconciliation to IFRS is being presented herein.

Also the main items of the consolidated statement of financial position at January 1st, 2011, which will be modified as a result of the above decision, are listed below.

a. Effects of inflation - Under IFRS, the inflationary effects are recognized in the financial statements when the economy of the currency used for the Company qualifies as hyperinflation. The Mexican economy ceased to be hyperinflationary in 1998 and, consequently, inflationary effects that were recognized by the Company until December 31, 2007 under NIF reversed. The decrease in the value of intangible assets was \$ 27,848, frequency rights of \$ 24,534, equipment and telecommunication network \$ 73,721, radio equipment \$ 11,596 and leasehold improvements \$ 65,778, the reclassification of the capital was \$ 595,816 against the accumulated losses of preceding the date of transition.

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b. Amortization of issuance costs - IFRSs requires debt issuance costs are amortized using the effective interest method; according to MFRS the Company amortized these costs using the straight-line method. The effective interest method calculates the amortized cost using the discount rate that equalizes the flows payable and receivable estimated over the expected life of the debt to the value of the asset or financial liability. To calculate the effective interest rate should be estimated the cash flows considering all contractual terms of debt and will include all fees, transaction costs and premiums or discounts. The effect is a decrease in retained earnings of approximately \$ 6,210.

- Employee benefits Under IFRS, provisions for severance labor are recognized until the Company has a demonstrable commitment to end the relationship with the employee or has made an offer encouraging voluntary retirement, therefore, the voluntary retirement was eliminated under MFRS of \$ 25,603.
- d. Embedded derivative - The Company recognizes the embedded derivative arising from the leases in dollars that accounts for MFRS purposes. IFRS includes additional exceptions that MFRS accounts for the recognition of an embedded derivative when the currency that is commonly used to purchase or sell non-financial items in the economic environment in which the transaction takes place (eg a liquid currency and relatively stable be used in local business transactions or external trade). The effect of the cancellation of the embedded derivative represents a decrease in retained earnings of approximately \$ 8,402.
- Discounted for dismantling liabilities IFRS requires that the cost of an item of property, plant and equipment includes, among other items, the initial estimate of costs of dismantling and removing and restoring the site where the asset is located, when the obligation for which an entity incurs. Is required the provisions are discounted at present value when the time value of money is material. If the estimated flows are expressed: i) at current prices, using a real discount rate, and ii) expected future prices, using a nominal discount rate. The effect is of \$ 9,057.
- f. Deferred taxes - Under IFRS, deferred taxes were recalculated with the adjusted book values of assets and liabilities under IFRS. Under IFRS, the Company will recalculate deferred taxes with the adjusted book values of assets and liabilities under IFRS, but the date of these financial statements is in progress to determine this impact.
- Other differences in presentation and disclosures in the financial statements Generally, the disclosure requirements of IFRS are broader than those of g. MFRS which can result in increased disclosures about accounting policies, significant judgments and estimates, financial instruments and management risks, among others. In addition, there may be differences in presentation, for example, IFRS requires the submission of a statement of comprehensive income is not required under MFRS.

At the date of issuance of these financial statements, these descriptions are the best estimate to the date still subject to change as a result of the management review and audit in progress.

A series of new standards, amendments to standards and interpretations are applicable to annual periods beginning after January 1st, 2012, and have not been applied in preparing these consolidated financial statements.

- In October 2010, the IASB issued IFRS 9 Financial Instruments (IFRS 9 (2010)) which takes effect on. January 1st, 2013. IFRS 9 (2010) supersedes the previous version was issued in November 2009 (IFRS 9 (2009)). The prospective adoptive parents can choose to apply IFRS 9 (2010) or IFRS 9 (2009) for periods beginning before January 1st, 2013.
- In December 2010, the IASB issued Deferred Tax: Relevant Asset Recovery amendments to IAS 12 effective on January 1st, 2012.
- In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Agreements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurements and all come into force on January 1st, 2013. In addition, the IASB issued IAS 27 Separate Financial Statements (2011), which replaces IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2011) which replaces IAS 28 (2008). These rules will come into force on January 1st, 2013.
- In June 2011, the IASB issued the Presentation of Items of Other Comprehensive Income (Amendments to IAS 1 Presentation of Financial Statements) which comes into force on July 1st, 2012.
- The Company's management is in the process of analysis and assessment of potential effects generated by the application of these changes.

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$\underline{NOTE~22-SUBSEQUENT~EVENT}$

At the Annual General Shareholders' Meeting held on April 20, 2012, it was resolved among others, the approval for applying the Article 19 of the LGSM, which states that the amount of the premiums on stock emissions (other capital items) could be apply to the accumulated losses.

Having the following impacts on the equity structure of the Company:

		Capital stock	Premium stock emission	Accumulated losses	Sum of Shareholders equity
Informed Balance to the 31 of December 2011 Reclassification on the premium of stock emission to accumulated	\$	5,410,249	817,054	(3,768,244)	2,459,054
loses	_	<u>-</u>	(817,054)	817,054	
Balance after reclassification	\$	5,410,244		(2,951,190)	2,459,054
		F-38			

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NOTE 23 — SIGNIFICANT DIFFERENCES BETWEEN MEXICAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

The Company's consolidated financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MFRS" or "NIF", for its initials in Spanish as described below), which differ in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). Through December 31, 2007 the consolidated financial statements include the effects of inflation as provided for under Bulletin B-10 and its amendments (see note 5). The reconciliation for the year ended December 31, 2007 does not include the reversal of other adjustments to the financial statements for the effects of inflation required under MFRS because the application of inflation accounting represented a comprehensive measure of the effects of price level changes in the inflationary Mexican economy and, as such, is considered a more meaningful presentation than nominal cost-based financial reporting for both Mexican and U.S. accounting purposes. As of January 1, 2008, the recognition of inflation is discontinued and the financial information is presented in adjusted nominal Mexican Pesos

Recently adopted accounting standards

The Financial Accounting Standards Board ("FASB") has made the Accounting Standards Codification (ASC) effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC combines all previously issued authoritative GAAP into one codified set of guidance organized by subject area. In these financial statements, references to previously issued accounting standards have been replaced with the relevant ASC references. Subsequent revisions to GAAP by the FASB will be incorporated into the ASC through issuance of Accounting Standards Updates (ASU).

In May 2009, the FASB issued guidance now codified as FASB ASC Topic 855, Subsequent Events. This guidance establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The new guidance under FASB ASC Topic 855 is effective for interim or annual periods ending after June 15, 2009. The adoption of this new guidance did not have any impact on the Company's financial position or results of operations.

In June 2009, the FASB issued ASC 810, Consolidations (FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R)). ASC 810 requires a qualitative analysis to determine the primary beneficiary of a VIE. The analysis identifies the primary beneficiary as the enterprise that has both the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. The standard also requires additional disclosures about an enterprise's involvement in a VIE. FAS 167 is effective for a company's first reporting period beginning after November 15, 2009. Accordingly, the adoption of ASC had no impact on the Company.

In November 2008, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 08-7, Accounting for Defensive Intangible Assets" (ASC 350 — Intangibles—Goodwill & Other). This issue summary requires that a defensive intangible asset be accounted for as a separate unit of accounting and assigned a useful life which reflects the entity's consumption of the expected benefits related to that asset. A defensive intangible asset is an acquired intangible asset which the acquirer does not intend to actively use, but intends to hold to prevent others from obtaining access to the asset, excluding intangible assets that are used in research and development. An entity's benefit from holding a defensive intangible asset is the direct and indirect cash flows resulting from the entity preventing others from realizing any value from the intangible assets. The period over which a defensive asset diminishes in fair value can be used as a proxy for the entity's consumption of the expected benefits related to the asset. This guidance is effective for defensive intangible assets acquired on or after January 1, 2009. The Company did not have any material effect on its overall financial position or results of operations.

In December 2008 the FASB issued ASC 715 (formerly FASB Staff Position (FSP) No. FAS 132(R)-1, Employers' Disclosures about Pensions and Other Postretirement Benefits (FSP No. FAS 132(R)-1)), which provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The FSP requires employers of public and non-public entities to disclose more information about how investment allocation decisions are made, more information about major categories of plan assets, including concentrations of risk and fair value measurements, and the fair value techniques and inputs used to measure plan assets. The disclosure requirements are effective for years ending after December 15, 2009.

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The new disclosure requirements had no effect on the Company's financial statements.

In February 2007, the Financial Accounting Standards Board ("FASB") issued ASC 825-10 "Financial Instruments-Fair Value Option". ASC 825-10 permits companies, at their election, to measure specified financial instruments and warranty and insurance contracts at fair value on a contract-by-contract basis, with changes in fair value recognized in earnings each reporting period. The election, called the "fair value option," will enable some companies to reduce the volatility in reported earnings caused by measuring related assets and liabilities differently, and it is easier than using the complex hedge-accounting requirements in ASC 815 "Derivatives and Hedging", to achieve similar results. Subsequent changes in fair value for designated items will be required to be reported in earnings in the current period. The Company has not elected to measure any eligible items at fair value. Accordingly, the adoption of ASC 825-10 has not impacted the Company's results of operations and financial position.

In September 2006, the FASB issued "ASC 820, Fair Value Measurements and Disclosures" ("ASC 820"), which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements; rather, it applies under other accounting pronouncements that require or permit fair value measurements. The provisions of ASC 820 are to be applied prospectively as of the beginning of the fiscal year in which it is initially applied; with certain limited exceptions with any transition adjustment recognized as a cumulative-effect adjustment generally to the opening balance of retained earnings.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs. (i.e., quoted prices for similar assets or liabilities)
- Level 3 Prices or valuation techniques that require inputs that are unobservable (i.e., supported by little or no market activity).

Fair value

The carrying value of the Company's short-term instruments and derivates instruments and the related fair value level under ASC 820 is summarized as follows:

	Balance at December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Short-term investments(1)	314,362	3,893	310,469	
Derivative Instruments, (net)	5,134		5,134	
Total	\$ 319,496	\$ 3,893	\$ 315,603	\$ —

(1) Short-term investments are classified in the balance sheet as cash and cash equivalents. The carrying value and fair value of cash and cash equivalents as of December 31, 2011 is \$375,224 of which \$314,462 represents the fair value of the short term investments.

Short-term investments consist of Mexican governmental bonds which are measured using quoted prices in active markets and therefore classified as Level 1 in the fair value hierarchy. Short-term investments classified as Level 2 consist of money market mutual funds and commercial banking paper, whose fair values are obtained using observable inputs for their valuation.

Derivatives are valued using internal models that use as their basis readily observable market inputs, such as time value, forward interest rates, and current and forward market prices for foreign exchange rates. The Company classifies these instruments within

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Level 2 of the valuation hierarchy. Such derivatives include cross currency swaps and embedded derivatives which consist of forward contracts.

In February 2008, the FASB approved FASB Staff Position (FSP) ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), that permits companies to partially defer the effective date of ASC 820 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. ASC 820 does not permit companies to defer recognition and disclosure requirements for financial assets and financial liabilities or for nonfinancial assets and nonfinancial liabilities that are remeasured at least annually. In accordance with the provisions of ASC 820, the Company has decided to defer the adoption of ASC 820 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The Company is currently evaluating the effect that this statement will have on its financial position and results of operations.

In October 2008, the FASB issued FASB Staff Position ASC 820, "Fair Value Measurements and Disclosures", which was effective immediately. ASC 820 clarifies the application of Statement 157 in cases where the market for a financial instrument is not active and provides an example to illustrate key considerations in determining fair value in these circumstances.

The principal differences between MFRS and U.S. GAAP are presented in the following pages with an explanation, where appropriate, of the effects on consolidated net loss and consolidated shareholders' equity.

The following is a summary of the adjustments to consolidated net (loss) income and consolidated shareholders' equity, respectively:

	Years Ended December 31,					
		2011		2010		2009
Net (loss) income under MFRS	\$	(536,453)	\$	(1,184,879)	\$	(303,558)
Adjustments:						
Capitalization of interest (b)		(9,527)		6,337		8,810
Amortization of capitalized interest (b)		(2,209)		(2,100)		(516)
Installation revenues and related costs (c)		11,229		23,748		9,231
Installation costs not charged to customers (d)		8,150		(103,568)		(111,616)
Capitalized internal compensation cost (e)		143		143		143
Impairment charge (f)		_		528,672		_
Severance Indemnity liability (g)		_		_		(815)
Recognition of deferred taxes (j)				(134,762)		20,886
Total US GAAP adjustments		(502)		318,470		(73,877)
Net (loss) income under U.S. GAAP	\$	(528,667)	\$	(866,409)	\$	(377,435)
Basic and diluted earnings per share:						
Numerator:						
Net (loss) income under U.S. GAAP	\$	(528,667)	\$	(866,409)	\$	(377,435)
Net (loss) Income under U.S. GAAP available for common shareholders, used for dilutive						
computation		(528,667)		(866,409)		(377,435)
Denominator:						
Weighted average of common shares used in basic computation (thousand)		789,819		789,819		789,819
Add: dilutive impact of stock options and warrants(1)		_		_		_
Weighted average of common shares used in dilutive computation (thousand)		789,819		789,819		789,819
Earnings per share, basic		(0.687)		(1.10)		(0.30)
Earnings per share, diluted		(0.687)		(1.10)		(0.30)
(1) According to ASC 260.						
(1) According to ASC 200.						

As of December 31 2011 2010 Shareholders' equity under MFRS 2,459,054 2,990,526 Accumulated adjustments: Capitalization of interest (a) 14,062 23,587 (69,290)(67,081)Amortization of capitalized interest (a) Installation revenues and related costs (b) (32,599)(43,827) (953,596) Installation costs not charged to customers (c) (945,446)Capitalized internal compensation cost (d) (1,571)(1,714)1,056,072 1,056,072 Impairment charge (e) Severance Indemnity liability (f) (292)(9,987)7,034 SAB 108 initial effects (g) 7,034 SAB 108 effects for the year 2006 (h) 3,035 3,035

13,523

3,004,049

31,005

2,490,059

Provided below is an analysis of changes in shareholders' equity under U.S. GAAP:

	Year Ended			
	December 31,			1,
		2011		2010
Balance at the beginning of the year	\$	3,004,049	\$	3,851,883
Net loss under U.S. GAAP		(528,667)		(866,409)
Decrease in capital stock		_		_
Stock option plan		3,918		4,569
Repurchase of shares		1,064		10,863
Severance Indemnity liability (FAS 158 effects), net of tax of \$1,293		9,695		3,143
Balance at the end of the year	\$	2,490,059	\$	3,004,049

I. Explanation of reconciling items

a. Capitalization of interest -

Total U.S. GAAP adjustments

Shareholders' equity under U.S. GAAP

In accordance with MFRS, the Company capitalizes comprehensive cost of financing (which is comprised of interest expense, foreign exchange gains or losses and monetary gain) incurred during the period of construction and installation of an asset. Further, cost capitalized is limited to the specific financing obtained for the construction of the related asset. The Company is amortizing capitalized interest on a straight-line basis over 10 years.

As of 2009, the Mexican economy is no longer deemed an inflationary environment, for purposes of Mexican GAAP; therefore capitalization of the comprehensive financing result in such year no longer considers any gains or losses from monetary position as result of the adoption of the new MFRS B-10 "Inflation Effects" mentioned elsewhere in this financial statement. As a result, the Company capitalized \$9,530 of foreign exchange differences that must be reversed for purposes of U.S. GAAP.

Under U.S. GAAP, capitalization of interest is required for certain qualifying assets that require a period of time to get them ready for their intended use. The amount of interest to be capitalized is that portion of the interest cost incurred during the asset acquisition period that theoretically could have been avoided if expenditures for the assets had not been made, and is not limited to indebtedness directly attributable to the assets. US GAAP does not allow the capitalization of foreign exchange rate differences.

b. Installation revenues and related costs —

Under MFRS, installation revenues and related costs are recognized immediately, when installations are charged to customers.

Under U.S. GAAP, installation revenues and related costs are deferred and amortized over the expected customer relationship period when installation is charged to the customers to the extent that costs do not exceed revenues, otherwise excess costs are expensed as incurred. Until December 31, 2009 the Company estimated its customer relationship period was 4 years, from 2010 the Company estimated its customer relationship period to be 3 years.

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c. Installation costs not charged to customers —

Under MFRS, installation costs not charged to customers are capitalized and amortized on a straight-line basis over the remaining term of the concession. The concession term expires in October 2017.

Under U.S. GAAP, installation costs not charged to customers are expensed as incurred.

d. Capitalized internal compensation cost —

MFRS allows that certain compensation charges directly attributable to capital expenditures to be capitalized. During 2002, the Company capitalized some compensation expenses in an amount of \$2,856, which are being amortized on a straight-line basis over 20 years. The Company has not incurred these charges since 2003.

Under U.S. GAAP, these charges were expensed when incurred.

e. Impairment —

As of December 31, 2008, under MFRS, the carrying amount of long-lived assets was higher than the expected discounted income at the Company's theoretical rate for weighted average cost of capital under current market conditions. The impairment charge (a non-cash item) calculated for 2010 amounted to \$528,672. Said charge was proportionately distributed throughout the different asset classes.

Under US GAAP, an impairment test on long-lived assets requires a two-step process to determine the amount of any impairment loss to be recognized. The first step of this test requires the determination of whether the carrying amount of the long-lived asset is recoverable through the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. The second step requires the determination of the amount of impairment loss to be recognized by comparing the carrying amount of the asset to its fair value. MFRS does not require a two-step impairment evaluation process for long-lived assets but rather, a direct comparison of fair value to carrying value. Under U.S. GAAP, no impairment was recognized as the carrying amount was considered to be recoverable, therefore, the impairment recognized for MFRS purposes was reversed for US GAAP purposes.

f. Severance Indemnity liability —

MFRS requires the recognition of a severance indemnity liability calculated based on actuarial computations. Similar recognition criteria under U.S. GAAP are established in ASC 712-10, "Compensation-Nonretirement Postemployment Benefits".

Due to the revision of NIF D-3 "Employee benefits", effective January 1, 2008, companies must now amortize transition obligations/benefits, unrecognized prior service costs/benefits and net gains and losses over a maximum period of 5 years.

In 2008 the Company adopted the NIF D-3 "Employee benefits" which provides for the elimination of any related intangible asset previously recorded.

	ME	X GAAP D3	US GAAP FASB 87 & 112
Seniority Premium — Severance Payment	\$	(1,122)	\$ (17,217)
Severance Payment		(17,689)	(8,887)
Seniority Premium — Severance Benefits		(853)	(1,799)
Severance Benefits		(7,630)	_
Total		(27,294)	(27,903)
Difference US GAAP vs MEX GAAP		<u> </u>	(609)
Amortization of net loss (gaing)		_	(25)
Amortization of transition obligation		_	(2,433)
Amortization of prior service cost			363
Effect of early settlement / reduction obligations			(7,645)
Others		_	(5,290)
Total Severance Benefits			(15,639)

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Effective December 31, 2008, the Company adopted the recognition and disclosure provisions of ASC 715 "Compensation—Retirement Benefits" ("ASC 715"). ASC 715 requires companies to recognize the funded status of defined benefit pension and other postretirement plans as a net asset or liability and to recognize changes in that funded status in the year in which the changes occur through other comprehensive income to the extent those changes are not included in the net periodic cost. The funded status reported on the balance sheet as of December 31, 2008 under ASC 715 was measured as the difference between the fair value of plan assets and the benefit obligation on a plan-by-plan basis. The Company believes that the assumptions utilized in recording its obligations under its plans are reasonable based on its experience and market conditions.

The accumulated effect of this standard on the Company as of December 31, 2008 is shown as follows:

Accumulated Other Comprehensive Income (AOCI) roll-forward and Comprehensive Income:

	 OCI	 AOCI
AOCI beginning balance at January 1, 2008		
Net loss	\$ (398,051)	
ASC 715 effect of the year (net of deferred income tax effect of \$3,121)	1,277	\$ (8,721)
Other comprehensive income	1,277	1,277
Comprehensive income	\$ (396,774)	
AOCI ending balance at December 31, 2008	 ,	\$ (7,444)

g. Initial application of SAB 108 -

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements". SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements.

Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the "roll-over" method and the "iron curtain" method. The roll-over method focuses primarily on the impact of a misstatement on the income statement-including the reversing effect of prior year misstatements- but its use can lead to the accumulation of misstatements in the balance sheet. The iron-curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. Prior to our application of the guidance in SAB 108, we used the roll-over method for quantifying financial statement misstatements.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the Company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the iron curtain and the roll-over methods.

SAB 108 permits existing public companies to initially apply its provisions either by (i) restating prior financial statements as if the "dual approach" had always been applied or (ii) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying values of assets and liabilities as of January 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. We elected to record the effects of applying SAB 108 using the cumulative effect transition method.

In connection with the preparation of its Annual Report for the year ended December 31, 2006, Maxcom detected prior year misstatements, not identified during prior years. In order to evaluate whether such errors resulted in a material misstatement to the previously issued financial statements, management quantified the aggregate misstatement to the prior years financial statements using its pre-SAB 108 quantification method (the roll-over method). This analysis included all misstatements relating to the prior years financial statements including the misstatements that were "corrected" through the cumulative effect adjustment (recorded as of January 1, 2006) relating to the initial application of SAB 108.

Based on their consideration of the total misstatement of the prior years financial statements (using the roll-over method), management determined that the prior years financial statements were not materially misstated.

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The following table summarizes the effects (up to January 1, 2006) of applying the guidance in SAB 108 (in thousands):

	Period in which the			
	Misstatement	Misstatement	Misstatement	
	Originated (1)	Originated (1)	6 \	Adjustment recorded
	Year Ended	Year Ended	Year Ended	as of
	December 31, 2003	December 31, 2004	December 31, 2005	January 1, 2006
Labor liabilities (2)	\$ (15,977)	\$ —	\$ (647)	\$ (16,624)
Capitalized interest (3)	(4,576)	(1,310)	613	(5,273)
Increasing-debt rate (4)	_	(3,682)	(8,321)	(12,003)
Stock-option plan (5)	_	(603)	(2,890)	(3,493)
nbedded derivatives (6)	_	_	7,292	7,292
Debt restructuring (7)	_	137,597	6	137,603
Installation costs not charged (7)	_	(111,511)	1,593	(109,918)
Installation revenues and costs (8)	_	_	11,593	11,593
Other (9)	11,346	(9,534)	(3,955)	(2,143)
Deferred income taxes (10)			<u></u>	<u> </u>
Impact on net income(11)	\$ (9,207)	\$ 10,957	\$ 5,284	
Retained earnings(12)				\$ 7,034

- We previously quantified these errors under the roll-over method and concluded that they were immaterial, individually and in the aggregate.
- We were not recognizing this difference for severance indemnity as required by U.S. generally accepted accounting principles (see reconciling item h.). As (2) a result of this error, our severance indemnity expense was understated by \$16.0 million in 2003 and by \$0.6 million in 2005, no expense recognition is applicable for 2004. We recorded a \$16.6 million increase in our liability for severance indemnity as of January 1, 2006 with a corresponding reduction in retained earnings to correct these misstatements.
- We incorrectly amortized capitalized interest expenses in 2005 and prior years. As a result of this error, our expenses were understated in 2003 by (3) \$4.6 million, in 2004 by \$1.3 and overstated by \$0.6 million in 2005. We recorded a \$5.3 million decrease in our capitalized interest as of January 1, 2006 with a corresponding reduction in retained earnings to correct these misstatements.
- We were not adjusting our expenses for increasing-debt rate as required by U.S. generally accepted accounting principles to the interest method. As a result of this error, our interest expense was understated by \$3.7 million in 2004 and by \$8.3 million in 2005. We recorded a \$12.0 million increase in our liability for interest payable as of January 1, 2006 with a corresponding reduction in retained earnings to correct these misstatements (see item j. below for reversal in 2006).
- We were not recognizing compensation cost expense as required by U.S. generally accepted accounting principles. As a result of this error, our compensation expense was understated by \$0.6 million in 2004 and by \$2.9 million in 2005. We recorded a \$3.5 million increase in our additional-paid in capital for stock-option plans as of January 1, 2006 with a corresponding reduction in retained earnings to correct these misstatements.
- We were not recognizing the effect in income generated by embedded derivatives as required by U.S. generally accepted accounting principles. As a result of this error in both GAAPs in 2005, our income was understated by \$7.3 million. We recorded a \$7.3 million increase in our assets as of January 1, 2006 with a corresponding increase in retained earnings to correct these misstatements. This balance does not represent a difference between GAAPs, however for MFRS purposes this effect was immaterial for being adjusted (see item j. below for reversal in 2006).
- We were incorrectly presenting the accumulated amortization related to debt restructuring and installation costs not charged to customers. As a result of both reclassification errors, our income was understated by \$26.1 million in 2004 and by \$1.6 million in 2005 (amounts presented net). We recorded a \$27.7 million increase in our assets as of January 1, 2006 with a corresponding increment in retained earnings to correct these misstatements.

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- (8) We were incorrectly recognizing the effect in income generated by the amortization installation revenues and costs. As a result of this error, our income was understated by \$11.6 million in 2005. We recorded a \$11.6 million increase in our assets as of January 1, 2006 with a corresponding increment in retained earnings to correct these misstatements.
- (9) We incorrectly recorded minor entries representing preoperating expenses, leasehold improvements and revenue recognition. As a result of these errors, our expense was overstated by \$11.3 million in 2003 and understated by \$9.5 million in 2004 and \$4.0 million in 2005. We recorded a \$2.2 million increase in the Company's liabilities for these concepts as of January 1, 2006 with a corresponding reduction in retained earnings to correct these misstatements.
- (10) No deferred taxes were calculated in the application of the SAB 108 as those balances would represent a deferred tax asset for the net balance to be adjusted on January 1, 2006, that is not deemed recoverable and should be fully reserved for accounting purposes.
- (11) Represents the net over-statement of net income for the indicated periods resulting from these misstatements
- (12) Represents the net reduction to retained earnings recorded as of January 1, 2006 to record the initial application of SAB 108.

h. Reversal of SAB 108 —

Below are disclosed entries adjusted for SAB 108 and their effect on the fiscal year in 2006:

	 December 31, 2006
Preoperating expenses	\$ (1,676)
Increasing debt rate (1)	12,003
Embedded derivatives (2)	(7,292)
	\$ 3,035

- (1) These notes were called in advance during 2006 and thus, outstanding payable balances under U.S. GAAP were eliminated.
- (2) In 2006, the Company started recognizing embedded derivatives in their local books, therefore, this reconciling item is reversed.

II. Disclosures

a. Restrictive Covenants -

The terms of the old notes and the new notes, impose significant operating and financial restrictions to the Company. These restrictions affect, and in many respects significantly limit or prohibit, its ability to, among other things:

- borrow money;
- pay dividends on our capital stock;
- purchase stock or repay subordinated indebtedness;
- sell assets: and
- consolidate or merge into other companies.

If we do not comply with these restrictions, we could be in default even if we are able to service our debt. If there were a default, holders of the notes could demand immediate payment of the aggregate principal amount and accrued interest on the notes outstanding. This could lead to our bankruptcy or reorganization for the benefit of our creditors or to our inability to pay our obligations.

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b. Proforma earnings per share —

Pursuant to guidelines established in ASC 250 "Accounting Changes and Error Corrections", the Company notes that it changed the estimate of useful lives of telephone network systems and equipment during 2007. As explained in Note 5d the Company recalculated the amount of depreciation expense related to these assets for the year 2007, which amounted to \$33,231. If depreciation would have been estimated based on the previous remaining useful lives, the depreciation expense for the year 2007 would have been of \$16,011, the effects of these changes during 2007 was a reduction of \$0.03 per share, under both MFRS and U.S. GAAP.

c. Acquisition of Sierra Comunicaciones

In 2007, under MFRS the acquisition of Sierra Comunicaciones was recognized in the books of the Company following the applicable guidance for business combinations, however for US GAAP purposes based on the characteristics of the transaction, the Company applied ASC 845 "Nonmonetary Transactions" and considered the transaction to be an acquisition of a group of assets as the entity acquired was not regarded as a self-sustaining integrated set of activities and assets. This acquisition did not represent a GAAP difference as no goodwill was recognized under MFRS and excess of the purchase price over book value was allocated to the assets received.

d. Fair value

The carrying amount of cash, trade accounts receivable, other accounts receivable, trade accounts payable, other accounts payable and accrued expenses and short-term debt, approximates fair value because of the short-term maturity of these financial assets and liabilities.

At December 31, 2011 and 2010 the fair value of the Company's long-term debt based on available market prices and estimates using market data information and appropriate valuation methodologies for the same or similar instruments are summarized as follows:

		Quoted prices	Significant	
		in active	other	Significant
	Fair value at	markets for	observable	unobservable
	December 31,	identical assets	inputs	inputs
	2011	(Level 1)	(Level 2)	(Level 3)
Senior Notes(1)	\$ 1,649,487	1,649,487		

(1) Senior notes are carried at amortized cost and their carrying value as of December 31, 2011 is \$ 2,795,740. The \$ 1,649,487 represents the estimated fair value of the notes. See Note 11 "Bonds Payable".

e. Deferred income taxes -

For MFRS purposes, the Company applies NIF D-4 "Taxes on income", which supersedes Bulletin D-4 "Accounting for income and asset taxes and employee statutory profit sharing" and Bulletins 53 and 54. The principal considerations established by this NIF are: (i) the balance of the cumulative IT effects resulting from the initial adoption of Bulletin D-4 in 2000 is reclassified to retained earnings, unless identified with any other comprehensive item pending reclassification; (ii) the accounting treatment of ESPS (current and deferred) is transferred to NIF D-3. For purposes of the reconciliation to U.S. GAAP, the Company has applied ASC 740 "Income Taxes" ("ASC 740"), for all periods presented.

ASC 740 requires an asset and liability method of accounting, whereby, deferred taxes are recognized for the future tax consequences of all temporary differences between the financial statement carrying amounts and the related tax bases of assets and liabilities. Under U.S. GAAP, the effect on deferred taxes of changes in tax rates is recognized in the income statement in the period in which the tax rates are enacted.

ASC 740 requires deferred tax assets to be reduced by a valuation allowance if, based on the weight of available evidence, including cumulative losses in recent years, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, for 2006, the Company established a valuation allowance for the amount of the deferred tax assets that the Company estimated will not result in a future tax benefit.

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the company will realize the benefits of these deductible differences, net of the existing valuation allowance as of December 31, 2008 and 2007. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

As of January 1, 2008 and for the years ended December 31, 2011, 2010 and 2009, the Company did not have any unrecognized tax benefits and thus no interest and penalties related to unrecognized tax benefits were recorded. In addition, the Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months. The income tax returns of the Company and its subsidiaries remain subject to examination by the local tax authorities for the tax years beginning in 2004 in Mexico and 2007 in U.S.

Significant components of deferred income taxes under U.S. GAAP are as follows:

December 31, 2011:	 ASC 740 Applied to MFRS Balances	ASC 740 Applied to U.S. GAAP Balances	Total
Deferred tax assets:			
Allowance for doubtful accounts	\$ 129,861	_	\$ 129,861
Provisions	56,376	_	56,376
Installation revenues	_	9,780	9,780
Installation costs not charged to customers	_	283,634	283,634
Telephone network equipment and leasehold improvements, frequency rights, intangible assets,			
impairment and preoperating expenses	166,152	(302,716)	(136,564)
Tax loss carryforwards	483,451	<u> </u>	 483,451
Total gross deferred tax assets	 835,840	(9,302)	 826,538
Less valuation allowance	(802,608)	9,302	(793,306)
Net deferred tax assets	\$ 33,232		33,232
Deferred tax liabilities:			
Prepaid expenses	\$ (12,918)	_	(12,918)
Derivative financial instruments	(702)	_	(702)
Total gross deferred tax liabilities	(13,620)	_	(13,620)
Net deferred tax asset	\$ 19,612		19,612

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December 31, 2010:	_	ASC 740 Applied to MFRS Balances	ASC 740 Applied to U.S. GAAP Balances	 Total
Deferred tax assets		04.504		01.501
Allowance for doubtful accounts	\$	81,591		\$ 81,591
Labor obligations upon retirement		40.040	_	-
Provisions		63,319		63,319
Installation revenues		_	13,148	13,148
Installation costs not charged to customers		_	286,079	286,079
Telephone network equipment and leasehold improvements, frequency rights, intangible assets,				
impairment and preoperating expenses		112,051	(303,285)	(191,234)
Tax loss carryforwards		447,564		 447,564
Total gross deferred tax assets		704,525	(4,058)	700,467
Less valuation allowance		(691,995)	4,058	(687,937)
Net deferred tax assets	\$	12,530		12,530
Deferred tax liabilities				
Prepaid expenses	\$	(10,009)	_	(10,009)
Derivative financial instruments		(2,521)	_	(2,521)
Total gross deferred tax liabilities		(12,530)		(12,530)
Net deferred tax asset	\$			

f. Cash flow information -

The statements of changes in financial position were presented for the year ended December 31, 2007, as mentioned in Note 5.

Under U.S. GAAP, a statement of cash flows is a required component of a complete set of financial statements, which presents cash transactions, and additional information about non-cash investing and financing activities shall be disclosed.

On January 1, 2008, MFRS B-2 became effective; therefore, management included the statement of cash flows for the year ended December 31, 2008 as part of

the basic financial statements with prospective application.

The statement of cash flows prepared in accordance with MFRS for the year ending December 31, 2010 presents substantially the same information as that required under US GAAP as interpreted by ASC 230 "Statement of Cash Flows", except for certain differences in presentation.

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		Yea	ır En	ded December	31,	
		2011		2010		2009
Operating activities:						
Net (loss) income under U.S. GAAP	\$	(528,667)	\$	(866,409)	\$	(377,435)
Adjustments to reconcile net income (loss) to net cash flow provided by operating activities:						
Depreciation and amortization		567,164		594,225		562,643
Hedging valuation		(89,115)		43,453		58,479
Allowance for doubtful accounts		189,238		49,361		32,269
Deferred income tax		_		134,762		(90,357)
Severance indemnity		(11,095)		(2,244)		10,652
Stock option plan		4,253		4,253		1,669
Loss on sale of fixed assets		78,690		40,141		42,113
Gain on sale of subsidiary						(6,126)
Foreign currency exchange (loss) gain		324,320		(140,320)		(95,920)
		534,788		(142,778)		137,987
Changes in operating assets and liabilities:						
Accounts receivable		(129,317)		(113,836)		(62,049)
Inventory		16,783		(9,304)		24,502
Prepaid expenses		13,419		2,145		5,486
Other assets and liabilities		(83,228)		147,499		31,879
Cash flow provided by operating activities		352,445		(116,274)		137,805
Investing activities:						
Acquisition of fixed assets		(302,673)		(509,056)		(751,689)
Proceeds on sale of fixed assets		2,395		3,565		10,256
Investments in corporate bonds and notes		(20,979)		_		_
Proceeds on sale of subsidiary		_		_		6,126
Acquisition of intangible assets		(183)		(257)		5,252
Cash flow used in investing activities		(321,440)		(505,748)		(730,055)
Financing activities:						
Cost of shares acquired for issuance upon exercise of stock options, and issuance costs		(334)		316		(9,546)
Bank financing and debt payments		_		_		(4,354)
Repurchase of shares		1,062		10,863		8,362
Other financing items		(10,377)		(1,276)		(6,274)
Cash flow (used in) provided by financing activities		(9,649)		9,903		(11,812)
Net increase (decrease) in cash and cash equivalents		21,356		(612,119)		(604,062)
Cash and cash equivalents at beginning of the year		375,224		987,343		1,591,405
Cash and cash equivalents at end of the year		396,580		375,224		987,343
Interest paid	\$	295,830	\$	292,006	\$	281,142
Income taxes paid	\$	11,726	\$	13,982	\$	14,308
	_=	2 122	÷	6,610	<u> </u>	ć 225

g. Operating income —

MFRS allows certain non-recurring charges, such as asset write-offs, to be classified as non-operating. For the years ended 2011, 2010, and 2009, these charges were \$81,085, \$43,706, and \$50,559, respectively.

3.132

6.613

6.327

Under U.S. GAAP, such items are considered part of operating income.

Increase (decrease) on fixed assets acquired Under capital lease

h. New U.S. GAAP accounting pronouncements -

In July 2010, the FASB issued Accounting Standard Update ("ASU") No. 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ("ASU No. 2010-20"). The ASU amends FASB Accounting Standards Codification Topic 310, Receivables, to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate, by portfolio segment or class of financing receivable, certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The disclosures about the credit quality of the Company's receivables required by the ASU are in Note 4. As this ASU amends only the disclosure requirements for loans and the allowance for credit losses, the adoption of ASU No. 2010-20 is not expected to have a significant impact on the Company's financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"). The amendments in ASU 2011-05 allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments in ASU 2011-05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 should be applied retrospectively. For public entities, the amendments in ASU 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company believes the adoption of this guidance concerns disclosure only and will not have a material impact on its consolidated financial statements.

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In December 2011, the FASB issued FASB Accounting Standards Update No. 2011-12 "Comprehensive Income (Topic 220)—Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05' Under ASU 2011-12, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with presentation requirements in effect before ASU 2011-05. The amendments are being made to allow FASB time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. The amendments in ASU 2011-12 are effective at the same time as the amendments in ASU 2011-05 so that entities will not be required to comply with the presentation requirements in ASU 2011-05 that ASU 2011-12 is deferring. The adoption of ASU 2011-12 has no impact on the Company's consolidated financial statements.

i. Subsidiary Guarantor Information

On December 20, 2006, the Company issued 150 million dollars of Senior Notes in an international offering of debt that was subsequently completed on January 10, 2007 and on September 5, 2007, with the additional issuance of 25.0 million dollars each. The Senior Notes were registered as public debt in a exchange offer on December 28, 2007, pursuant to a guarantee by certain Maxcom subsidiaries: Corporativo en Telecomunicaciones, S. A. de C. V., Maxcom Servicios Administrativos, S. A. de C. V., Outsourcing Operadora de Personal, S. A. de C. V., TECBTC Estrategias de Promoción, S. A. de C. V., Maxcom TV, S. A. de C. V., Maxcom, USA, Inc. and Sierra Comunicaciones Globales, S. A. de C. V., Telereunión, S. A. de C. V., Sierra USA, Communications, Inc., Telscape de México, S. A. de C. V. and Asesores Telcoop, S.A. de C.V. became guarantors of the abovementioned Senior notes.

All of our subsidiaries (except Fundación Maxcom, A.C.) act as guarantors under the indenture (as supplemented and amended) governing our senior notes due

In January 20, and November 16, 2011, Celmax Móvil, S.A. de C.V., and Servicios MSF, S.A. de C.V., respectively, were designated as new guarantors in accordance with the indenture dated December, 2006 governing our senior notes due 2014.

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	Maxcom	MSA	CTE	OOP	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	ATE	MAXCEL	SMSF	Elimination C	onsolidated
Balance sheet as of December 31, 2011:																	
Cash and cash equivalents and Current restricted cash	\$ 392,688	267	250	122	197	124	-	-	54	2,765	-	29	11.00	-	71	-	396,580
Accounts receivable - net	1,600,999	471,126	87,435	40,190	93,936	7,776	110	442	203,032	7,005	5,331	9,125	111	50	1,013	(1,644,153)	883,528
Inventory - net	8,895	-		-	-	-		-	_	-	-	-			-	-	8,895
Prepaid expenses	19,352	4,162	1,506	8	67	_	-	_	-	15	-	-				-	25,110
Investment in subsidiaries	83,729	16,283							-	-		-		-		(100,013)	_
Frequency rights - net	40,799			_	-			_	_		-	_				-	40,799
Telephone network system and Equipment net	4,028,786	-	-	-	-	-	-	-	48,950	5,884	20,985	8,709	-	-	-		4,113,315
Intangible assets - net	156,240			_	-			_	_		-	_				-	156,240
Deposits	6,647	-	407	-	-	-	-	-	635	19	-	-	-	-	-	-	7,709
Prepaid expenses long term	-	-							-			-		-		-	
Derivative financial instruments	104,960	-	-	-	_		-			-	_	-		_	_	_	104,960
Deferred taxes	-	17,948	1,267	70	135	-	-	-	-	-	-	-	-	-	192		19,612
Other assets	2,152	-	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-	2,151
Total assets	\$ 6,445,247	509,786	90,865	40,390	94,335	7,900	110	442	252,671	15,687	26,316	17,863	122	50	1,276	(1,744,166)	5,758,899
Total liabilities	\$ 3,986,193	472,868	88,755	31,169	87,423	531	10	876	267,636	4,714	1,271	1,302	69		1,181	(1,644,153)	3,299,842

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	Maxcom	MSA	CTE	OOP	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	ATE	CelMax	SMSF	Elimination	Consolidated
Shareholders' Equity:																	
Capital Stock and Additional Paid- In Capital	6,227,299	66	96	55	53	171,497	127	55	717,462	13,044	97,874	11,308	50	50	50	(1,011,789)	6,227,299
Accumulated deficit	(3,768,245)	36,852	2,014	9,167	6,859	(164,128)	(27)	(488)	(732,427)	(2,071)	(72,829)	5,253	3	-	45	911,776	(3,768,245)
Repurchase of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	_
Total shareholders' equity	2,459,054	36,918	2,110	9,222	6,912	7,369	100	(433)	(14,965)	10,973	25,045	16,561	53	50	95	(100,013)	2,459,054
Total liabilities and shareholders - equity	6,445,247	509,786	90,865	40,391	94,335	7,900	110	443	252,671	15,687	26,316	17,863	122	50	1,276	(1,744,166)	5,758,896
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CTE OOP TECBTC MSF USA TV Telereunión USA Telscape SCG ATE CelMax SMSF Elimination Consolidated Maxcom MSA Total shareholders' equity under Mexican GAAP \$ 2,459,054 36,918 2,110 9,222 6,912 7,369 100 (433) (14,965) 10,973 25,045 16,561 (100,013) 2,459,054 (391,951) Amortization 391,951 391,951 Capitalization of interest 14,062 14,062 Amortization of capitalized interest (69,290) (69,290) Installation revenues (32,599) (32,599) Installation (945,446) (945,446) (1,571) (1,571) 1,056,072 1,056,072 (292) (292) SAB 108 initial effect 7,034 7,034 SAB effects for the year 3,035 3,035 Recognition of deferred taxes Total shareholders' equity under US. GAAP \$ 2,490,059 2,490,059

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Client: v310161_MAXCOM TELECOMUNICACIONES, S.A.B DE CV_20-F File: v310161_20f.htm Type: 20-F Pg: 186 of 207

	Maxcom	MSA	CTE	OOP	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	ATE	CelMax	SMSF	Elimination (Consolidated
Statements of Operations for the year ended December 31, 2011:																	
Revenues	\$ 2,375,941	344,844	66,460	23,989	75,317	3	-	160	44,460	1,140	1,147	2,555	21	-	1,009	(561,108)	2,375,941
Operating cost and expenses	(2,291,826)	(336,806)	(64,472)	(23,116)	(72,741)	(11)		(145)	(23,114)	(1,087)	(7)	(827)		-	(914)	561,108	(2,253,956)
Integral (cost) income of financing	(535,079)	6,183	992	806	969	567		-	(18,792)	686	_	2	(15)	-	(1)	-	(543,684)
Other income (expenses)	(85,489)	(3,718)	(598)	(202)	(359)	(3)	-	(11)	(10)		(3)	(3)	(3)	-	(61)	(41,428)	(131,888)
Taxes	-	13,948	1,374	1,267	688	-	-	(9)	-	-	(148)	-	-	-	12	-	17,134
Net (loss) income	(536,453)	24,451	3,756	2,744	3,874	556	-	(5)	2,544	739	989	1,727	3		45	(41,423)	(536,453)
Net (loss) income for the year under Mexican GAAP	(536,453)	24,451	3,756	2,744	3,874	556	-	(5)	2,544	739	989	1,727	3	-	45	(561,105)	(536,453)
Capitalization of interest	(9,527)																(9,527)
Amortization of capitalized Interest	(2,209)																(2,209)
Installation revenues	11,229																11,229
Installation costs	8,150																8,150
Capitalized internal compensation cost	143																143
Impairment charge																	
Severance indemnity liability	_																_
Recognition at deferred taxes																	-
Net loss (income) for the year Under U.S.																	
GAAP	\$ (528,667)	24,451	3,756	2,744	3,874	556		(5)	2,544	739	989	1,727	3		45	(561,105)	(528,667)

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	Maxcom	MSA	CTE	OOP	TECBTC	MSF	Maxcom <u>USA</u>	Maxcom TV	TRE	SUS	Telscape	SCG	ATE	Celmax	SMSF	Elimination (Consolidated
Statement of Cash Flows under U.S. GAAP for the Year Ended December 31, 2011:																	
Net (loss) income the year under U.S. GAAP	\$ (528,667)	10,503	2,382	1,477	3,184	555	-	(5)	2,544	739	-	1,727	3	_	33	(23,142)	(528,667)
Depreciation and amortization	551,097	-	-	-	-	_	-	-	14,500	755	-	812	-	-	-	0	567,164
Other adjustments to reconcile net income to cash provided by operating activities	507,953	-	-	-	-	-		_	-	-	_	-	-	-	-	(11,662)	496,291
Net change in working capital	(176,681)	(11,136)	(2,226)	(1,485)	(3,501)	(551)	-	5	(16,233)	(1,501)	(989)	(2,537)	(3)	(50)	(12)	7	(182,343)
Resources (used in) provided by Operating activities	353,702	(633)	156	(8)	(317)	4		-	811	(7)	(989)	2		(50)	21	7	352,445
Resources used in financing activities	(10,083)			-	-	-			(988)	-	989		-	50	50	333	(9,649)
Resources (used in) provided by investing activities	(321,354)	-	_	_	_	-	-	-	-	(2)	-	-	-			(84)	(321,440)
Cash and cash equivalents:																	
Net increase (decrease) in cash and cash equivalents	22,265	(632)	156	(8)	(317)	4			(177)	(9)		2		_	71	2	21,356
Beginning balances	370,423	900	94	130	514	120			231	2,774		27	11		-		375,224
Ending balances	\$ 392,688	267	250	122	197	124	-	-	54	2,765		29	11		71	2	396,580

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Balance sheet as of December 31, 2010:	Maxcom	MSA	CTE	OOP	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Cash and cash equivalents and Current restricted cash	\$ 370.423	899	94	130	514	120			231	2,774		27	11	_	375,223
Accounts receivable - net	1,163,277	108,901	20,461	12,763	10,990	7,103	110	271	169,382	5,037	3,999	4,188	90	(518,017)	988,555
Inventory - net	25,678	-	-	-	-	-	-	-	-	-	-	-	-	-	25,678
Prepaid expenses	25,785	4,011	1,204	10	104	-	-	-	519	15	-	-	-	-	31,648
Investment in subsidiaries	46,932	9,567	-	-	-	-	-	-	-	-	-	-	-	(56,499)	-
Frequency rights - net	47,282	-	-	-	-	-	-	-	-	-	-	-	-	-	47,282
Telephone network system and Equipment net	4,291,478	-		-	-	-		-	63,450	6,559	20,985	9,521	_	-	4,391,993
Intangible assets - net	213,212	-	-	-	-	-	-	-	-	-	-	-	-	-	213,212
Deposits	6,466	-	407	-	-	-	-	-	635	17	-	-	-	-	7,525
Prepaid expenses long term	6,881		-	-	-	-		-	-	-		-	-	-	6,881
Derivative financial instruments	8,402	-	-	-	-	-	-	-	-	-	-	-	-	_	8,402
Deferred taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	2,152	-	-	-	-	-	-	-	-	(1)	-	-	-	-	2,151
Total assets	\$ 6,207,968	123,378	22,166	12,903	11,608	7,223	110	271	234,217	14,401	24,984	13,736	101	(574,516)	6,098,550
Total liabilities	\$ 3,218,012	110,912	23,811	6,425	8,570	409	10	699	252,015	4,167	928	602	51	(518,017)	3,108,594

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Maxcom USA Maxcom TV Telereunión Sierra USA OOP TECBTC MSF Telscape SCG MSA CTE Shareholders' Equity: 6,223,379 66 96 55 53 171,497 127 55 717,173 13,044 97,874 11,308 50 (1.011.398) 6.223.379 Accumulated deficit (3,232,359) 12,400 (1,741) 6,423 2,985 (164,683) (27) (483) (734,971) (2,810) (73,818) 1,826 - 954,899 (3,232,359) Repurchase of shares (1,064) - - (1,064) Total shareholders' equity 2,989,956 12,466 (1,645) 6,478 3,038 6,814 100 (428) (17,798) 10,234 24,056 13,134 50 (56,499) 2,989,956 6,207,968 123,378 22,166 12,903 11,608 7,223 110 271 234,217 14,401 24,984 13,376 101 (574,516) 6,098,550

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	Maxcom	MSA	CTE	ООР	ТЕСВТС	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Total shareholders' equity under Mexican GAAP	\$ 2,989,956	12,466	(1,645)	6,478	3,038	6,814	100	(428)	(17,798)	10,234	24,056	13,134	50	(56,499)	2,989,956
Preoperating expenses	(391,951)														(391,951)
Amortization of preoperating expenses	391,951														391,951
Capitalization of interest	23.587														23.587
Amortization of capitalized interest	(67,081)														(67,081)
Installation revenues	(43,827)														(43,827)
Installation costs	(953,596)														(953,596)
Capitalized internal compensation cost	(1,714)														(1,714)
Impairment charge	1,056,072														1,056,072
Severance indemnity liability	(9,987)														(9,987)
SAB 108 initial effect	7,034														7,034
SAB effects for the year	3,035														3,035
Recognition of deferred taxes															
Total shareholders' equity under US. GAAP	\$ 3,003,479														\$ 3,003,479

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	Maxcom	MSA	СТЕ	OOP	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Statements of Operations for the year ended December 31, 2010:															
Revenues	\$ 2,577,457	431,235	103,474	21,486	92,663	14	-	178	42,644	1,358	1,158	866	31	(695,172)	2,577,457
Operating cost and expenses	(2,717,222)	(370,313)	(86,008)	(19,528)	(86,227)	(12)	(3)	(167)	(30,778)	(1,293)	(15)	(826)	(10)	697,744	(2,614,658)
Integral (cost) income of financing	(220,144)	(526)	(177)	(45)	(97)	504	-	-	(12,780)	(198)	-	(1)	(7)	-	(233,472)
Other income (expenses)	(635,040)	(52,231)	(12,698)	(1,261)	(3,480)	(14)	-	(14)	(48,362)	-	(14)	(14)	(14)	92,063	(661,080)
Taxes	(184,394)	(24,281)	(6,129)	(1,814)	(2,746)	(7)	-	(6)	(29,995)	-	(528)	(3,161)	-	-	(253,061)
Net (loss) income	(1,179,343)	(16,116)	(1,538)	(1,162)	113	485	(3)	(9)	(79,271)	(133)	601	(3,136)	-	94,635	(1,184,879)
Net (loss) income for the year under Mexican GAAP	(1,179,343)	(16,116)	(1,538)	(1,162)	113	485	(3)	(9)	(79,271)	(133)	601	(3,136)	_	94,635	(1,184,879)
Capitalization of interest	6,337	-	-	-	-	-	-	-		-	-	-	-	-	6,337
Amortization of capitalized Interest	(2,100)	-	-	_	-	-	-	-	-	-	-	-	-	-	(2,100)
Installation revenues	23,748	-	-	-	-	-	-	-	-	-	-	-	-	-	23,748
Installation costs	(103,568)	-	-	-	-	-	-	-	-	-	-	-	-	-	(103,568)
Capitalized internal compensation cost	143		-	-		-				-	-	-	-		143
Impairment charge	528,672	-	-	-	-	-	-	-	-	-	-	-	-	-	528,672
Severance indemnity liability	-		-	-		-				-	-	-	-		
Recognition at deferred taxes	(134,762)		-		-						-		-		(134,762)
Net loss (income) for the year Under U.S. GAAP	\$ (860,873)	(16,116)	(1,538)	(1,162)	113	485	(3)	<u>(9)</u>	(79,271)	(133)	601	(3,136)		94,635	(866,409)

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	Maxcom	MSA	СТЕ	ООР	TECBTC	MSF	Maxcom <u>USA</u>	Maxcom TV	TRE	SUS	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Statement of Cash Flows under U.S. GAAP for the Year Ended December 31, 2011:															
Net (loss) income the year under U.S. GAAP	\$ (830,421)	8,165	4,591	652	2,860	492	(3)	(3)	(49,276)	(133)	1,129	25	-	4,487	(866,409)
Depreciation and amortization	581,075	-	-	_	-	_	_		14,053	857	-	812	-	2,572	594,225
Other adjustments to reconcile net income to cash provided by operating activities									48,031					48,031	
Net change in working capital	129,477	1,049	-	_	-	-	-	-	(3)	-	-	_	-	1,087	129,406
Resources (used in) provided by Operating activities	56,791	(8,727)	(4,703)	(699)	(2,642)	(568)		3	(16,851)	(1,263)	(863)	(838)	11	(6,853)	26,504
Resources used in financing activities	(63,108)	488	(112)	(47)	218	(76)	(3)	-	(4,046)	(539)	266	(1)	11	49,325	(116,274)
Resources (used in) provided by investing activities	11,177	-	-	-	50	-	3	-	3,082	-	(266)	-	_	4,143	9,903
Cash and cash equivalents:	(559,356)	-	-	_	-	-	-	-	139	1	-	_	-	(53,648)	(505,748)
Net increase (decrease) in cash and cash equivalents	(611,287)	488	(112)	(47)	268	(76)	-	-	(825)	(538)	-	(1)	11		(612,119)
Beginning balances	981,710	411	206	177	246	196	-	-	1,056	3,312	-	28	-	-	987,342
Ending balances	\$ 370,423	899	94	130	514	120	-	-	231	2,774	-	27	11	-	375,223

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Balance sheet as of December 31, 2009:	Maxcom	MSA	СТЕ	ООР	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Cash and cash equivalents and Current restricted cash	\$ 981,710	412	206	177	246	196			1,056	3,312		28	_	_	987,343
Accounts receivable - net	1,130,668	95,738	16,978	12,593	8,958	6,124	110	50	120,909	4,010	2,659	3,184	50	(407,576)	994,455
Inventory - net	16,374	-	-	-	-	-	-	-	-	-	-	-	-	-	16,374
Prepaid expenses	28,927	660	211	2	2	1	-	4	327	15	-	-	-	-	30,149
Investment in subsidiaries	150,183	11,183	-	-	-	-	-	-	-	-	-	-	-	(161,366)	-
Frequency rights - net	59,674	-	-	-	-	-	-	-	-	-	-	-	-	-	59,674
Telephone network system and Equipment net	4,780,074	-	-	-	-	-	-	-	122,963	7,416	20,985	10,332	-	-	4,941,770
Intangible assets - net	199,224	-	-	-	-	-	-	-	-	-	-	-	-	-	199,224
Deposits	6,209	-	407	-	-	-	-	-	635	18	-	-	-	-	7,269
Prepaid expenses long term	10,524	-	-	-	-	-	-	-	-	-	-		-	-	10,524
Derivative financial instruments	38,319	-	-	-	-	-		-	-	-	_	-	-	-	38,319
Deferred taxes	184,394	9,808	1,714	106	118	7	-	-	29,995	-	528	3,654	-	-	230,324
Other assets	2,152	-	-	-	-	-	-	-	-	(1)	-	-	-	-	2,151
Total assets	\$ 7,588,432	117,801	19,516	12,878	9,324	6,328	110	54	275,885	14,770	24,172	17,198	50	(568,942)	7,517,576
Total liabilities	\$ 3,428,459	83,431	17,508	4,670	6,400		7	466	218,684	4,403	716	435		(407,576)	3,357,603

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Shareholders' Equity:	Maxcom	MSA	СТЕ	ООР	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Capital Stock and Additional Paid- In Capital	6,218,810	66	96	55	53	171,497	127	55	715,200	13,044	97,874	11,308	50	(1,009,427)	6,218,808
Accumulated deficit	(2,046,912)	34,304	1,912	8,153	2,871	(165,169)	(24)	(467)	(657,999)	(2,677)	(74,418)	5,455	-	848,061	(2,046,910)
Repurchase of shares	(11,925)	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,925)
Total shareholders' equity	4,159,973	34,370	2,008	8,208	2,924	6,328	103	(412)	57,201	10,367	23,456	16,763	50	(161,366)	4,159,973
Total liabilities and shareholders - equity	7,588,432	117,801	19,516	12,878	9,324	6,328	110	54	275,885	14,770	24,172	17,198	50	(568,942)	7,517,576

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	Maxcom	MSA	CTE	ООР	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Total shareholders' equity under Mexican GAAP	4,159,973	34,370	2,008	8,208	2,924	6,328	103	(412)	57,201	10,367	23,456	16,763	50	(161,366)	4,159,973
Preoperating expenses	(391,951)														(391,951)
Amortization of preoperating expenses	391,951														391,951
Capitalization of interest	17,252														17,252
Amortization of capitalized interest	(64,981)														(64,981)
Installation revenues	(67,574)														(67,574)
Installation costs	(850,028)														(850,028)
Capitalized internal compensation cost	(1,857)														(1,857)
Impairment charge	527,400														527,400
Severance indemnity liability	(14,009)														(14,009)
SAB 108 initial effect	7,034														7,034
SAB effects for the year	3,035														3,035
Recognition of deferred taxes	133,117														133,117
Total shareholders' equity under US. GAAP	3,849,362														3,849,362

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	Maxcom	MSA	СТЕ	ООР	TECBTC	MSF	Maxcom USA	Maxcom TV	Telereunión	Sierra USA	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Statements of Operations for the year ended December 31, 2009:															
Revenues	2,563,577	435,839	88,639	23,851	74,827	-	-	-	42,644	1,568	1,148	2,556	-	(672,079)	2,562,570
Operating cost and expenses	(2,603,978)	(421,946)	(85,329)	(23,165)	(71,821)	8	-	(152)	(33,052)	(1,484)	(68)	(830)		672,080	(2,569,737)
Integral (cost) income of financing	(297,606)	(164)	(55)	(85)	(70)	13,797	-	-	(12,478)	(133)	_	(1)		-	(296,795)
Other income (expenses)	(44,125)	(1,175)	(1,702)	184	(131)	(200,128)	-	(22)	(1,363)	15	1	111	-	187,202	(61,133)
Taxes	80,658	(2,266)	(390)	(150)	(788)	(15,187)	-	1	-	-	(288)	508	-	(561)	61,537
Net (loss) income	(301,474)	10,288	1,163	635	2,017	(201,510)	-	(173)	(4,249)	(34)	793	2,344	-	186,642	(303,558)
Net (loss) income for the year under Mexican GAAP	(301,474)	10,288	1,163	635	2,017	(201,510)	-	(173)	(4,249)	(34)	793	2,344	_	186,642	(303,558)
Capitalization of interest	8,810														8,810
Amortization of capitalized Interest	(516)														(516)
Installation revenues	9,231														9,231
Installation costs	(111,616)														(111,616)
Capitalized internal compensation cost	143														143
Severance indemnity liability	(2,712)														(2,712)
Recognition at deferred taxes	21,455														21,455
Net loss (income) for the year Under U.S. GAAP	(376,679)	10,288	1,163	635	2,017	(201,510)	-	(173)	(4,249)	(34)	793	2,344		186,642	(378,763)

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	Maxcom	MSA	СТЕ	ООР	ТЕСВТС	MSF	Maxcom USA	Maxcom TV	TRE	SUS	Telscape	SCG	Non Guarantor ATE	Elimination	Consolidated
Statement of Cash Flows under U.S. GAAP for the Year Ended December 31, 2009:															
Net (loss) income the year under U.S. GAAP	(185,296)	10,288	1,163	635	2,017	(201,510)		(173)	(4,249)	(31)	793	2,344		(4,744)	(378,763)
Depreciation and amortization	544,757								24,058	1,124		811		(8,107)	562,643
Other adjustments to reconcile net income to cash provided by operating activities	(61,742)	(2,650)							(7,093)					26,014	(45,471)
Net change in working capital	(152,213)	(8,263)	(1,142)	(835)	(1,941)	196,984		173	(8,495)	(1,581)	(793)	(3,156)	(50)	(19,342)	(604)
Resources (used in) provided by Operating activities	145,506	(625)	21	(200)	76	(4,526)	0	0	4,221	(488)	0	(1)	(50)	(6,179)	137,805
Resources used in financing activities	(5,537)								(3,888)				50	(2,387)	(11,812)
Resources (used in) provided by investing activities	(743,729)					4,497			611					8,566	(730,055)
Cash and cash equivalents:															
Net increase (decrease) in cash and cash equivalents	(603,760)	(625)	21	(200)	76	(29)	0	0	944	(488)	0	(1)	0	0	(604,062)
Beginning balances	1,585,470	1,037	185	377	170	225			112	3,800		29		0	1,591,405
Ending balances	981,710	412	206	177	246	196	0	0	1,056	3,312	0	28	0	0	987,343

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j. Valuation and Qualifying Accounts -

Amounts expressed in Millions of Mexican Pesos (\$)

		Be	Balance at Beginning of Period		Charged to Cost and Expenses		Deductions		Balance at End of Period
Allowance for doubtful accounts	2011	\$	316.0	\$	188.6	\$	_	\$	504.6
	2010	\$	233.3	\$	168.5	\$	(85.7)	\$	316.0
	2009	\$	161.9	\$	184.1	\$	(112.8)	\$	233.3
Allowance for obsolete and slow- moving supply inventories	2011	\$	8.0	\$	_	\$	(2.0)	\$	6.0
	2010	\$	7.1	\$	0.9	\$	_	\$	8.0
	2009	\$	0.0	\$	7.1	\$	_	\$	7.1
Allowance for obsolete and slow- moving network inventories	2011	\$	10.0	\$	2.7	\$	_	\$	12.7
	2010	\$	6.7	\$	3.4	\$	_	\$	10.0
	2009	\$	13.7	\$	(7.0)	\$	_	\$	6.7

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ITEM 19. EXHIBITS

- 1.1 Amended and Restated Bylaws (estatutos) of Maxcom Telecomunicaciones, S.A. de C.V. (English translation).
- 2.1 Senior Note Indenture, dated December 20, 2006, among Maxcom Telecomunicaciones, S.A. de C.V., Maxcom Servicios Administrativos, S.A. de C.V., Outsourcing Operadora de Personal, S.A. de C.V., Técnicos Especializados en Telecomunicaciones, S.A. de C.V., Corporativo en Telecomunicaciones, S.A. de C.V., Maxcom SF, S.A. de C.V., Maxcom TV, S.A. de C.V., Maxcom USA, Inc. and Deutsche Bank Trust Company Americas, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 26, 2007, is incorporated herein by reference.
- 2.2 First Supplemental Indenture, dated September 5, 2007, among Maxcom, the guarantors a party thereto and Deutsche Bank Trust Company Americas, as trustee, filed as an exhibit to our registration statement on Form F-1/A (No. 333-145800), filed with the SEC on November 1, 2007, is incorporated herein by reference.
- 2.3 * Second Supplemental Indenture, dated January 25, 2008, among Sierra Comunicaciones Globales, S.A. de C.V., the existing guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee.
- 2.4 Form of Deposit Agreement among Maxcom, the Depositary named therein and all holders of American Depositary Shares issued thereunder, filed as an exhibit to our registration statement on Form F-1/A (No. 333-144771), filed with the SEC on October 2, 2007, is incorporated herein by reference.
- 2.5 Form of Registration Rights Agreement by and among Maxcom, Nexus-Maxcom Holdings I, LLC, BASCFC-Maxcom Holding I, LLC, BAS Capital Funding Corporation, BankAmerica Investment Corporation and the other stockholders party thereto, filed as an exhibit to our registration statement on Form F-1/A (No. 333-144771), filed with the SEC on October 2, 2007, is incorporated herein by reference.
- 2.6 Third Amended and Restated Securityholders Agreement, dated July 20, 2006, among Maxcom Telecomunicaciones, S.A. de C.V. and certain of its shareholders, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 26, 2007, is incorporated herein by reference.
- 2.7 Third Supplemental Indenture dated as of December 31, 2008, among Telereunion, S.A. de C.V., Telescape, S.A. de C.V., Sierra US Communication, Inc. an each a direct or indirect subsiciary of Maxcom Telecomunicaciones S.A.B. de C.V., a limited liability public stock corporation.
- 2.8 Fourth Supplemental Indenture dated as of February 23, 2010, among Asesores Telcoop, S.A. de C.V. an indirect subsiciary of Maxcom Telecomunicaciones S.A.B. de C.V., a limited liability public stock corporation.
- 3.1 CPO Trust Agreement effective April 25, 2002 among Maxcom., its shareholders and Banco Nacional de México, S.A., Institución de Banca Múltiple, Grupo Financiero Banamex Accival, as trustee, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on July 1, 2002, is incorporated herein by reference.
- 3.2 CPO Trust Agreement, dated October 17, 2007, among Maxcom Telecomunicaciones, S.A. de C.V., its shareholders and Nacional Financiera, S.N.C. (English translation), filed as an exhibit to our registration statement on Form F-1/A (No. 333-144771), filed with the SEC on October 17, 2007, is incorporated herein by reference.
- 3.3 CPO Deed, dated October 17, 2007, among Nacional Financiera, S.N.C., Institución de Banca de Desarrollo, Monex Casa de Bolsa, S.A. de C.V., Grupo Financiero Monex and Comisión Nacional Bancaria y de Valores (English translation), filed as an exhibit to our registration statement on Form F-1/A (No. 333-144771), filed with the SEC on October 17, 2007, is incorporated herein by reference.
- 4.1 Agreement for the use of infrastructure and installation of fiber optic cable on the highways between Puebla and Mexico, dated August 18, 1998, between Amaritel, S.A. de C.V. (the predecessor of Maxcom Telecomunicaciones, S.A. de C.V.) and Iusatel, S.A. de C.V., filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.2 Interconnection Agreement for long-distance services, dated January 22, 1999, between Amaritel and Teléfonos de México (Telmex) valid for an initial period of two years between February 1, 1999 and January 1, 2001, and in effect thereafter in accordance with article 42 of the Mexican Telecommunications law, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.

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4.3 Local Interconnection Service Agreement, dated November 24, 1998, between Amaritel, S.A. de C.V. and Teléfonos de México, S.A. de C.V., filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.

- 4.4 Amendment to Local Interconnection Service Agreement, dated February 25, 1999, between Amaritel, S.A. de C.V. and Teléfonos de México, S.A. de C.V., originally entered into on November 24, 1998, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.5 Metropolitan Network Capacity Sale Agreement, dated April 28, 2000, between Maxcom Telecomunicaciones, S.A. de C.V. and Metro Net, S.A. de C.V., as amended on December 21, 2000, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 29, 2001, is incorporated herein by reference.
- 4.6 Telecommunications Service Agreement, dated November 15, 1999, between Maxcom and Teléfonos de México, S.A. de C.V., filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.7 Telecommunications Service Agreement, dated March 9, 1999, between Maxcom and Bestel S.A. de C.V., pursuant to which Bestel will provide long-distance and private call services to Maxcom, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.8 Concession for the installation and operation of telecommunications services granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on December 20, 1996, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.9 Amendment to Concession for the installation and operation of telecommunications services granted to Amaritel by the Secretary of Telecommunications and Transport on December 20, 1996, dated September 8, 1999, extending the coverage of such concession to include various additional municipalities of the State of Mexico, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.10 Amendment to Concession for the installation and operation of telecommunications services granted to Amaritel by the Secretary of Telecommunications and Transport on December 20, 1996, dated December 7, 1999, authorizing Maxcom to employ whatever technologies it deems appropriate in providing telecommunications services to various municipalities, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.11 Amendment to Annex A and B of Concession for the installation and operation of telecommunications services granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on December 20, 1996, dated September 27, 2001, extending the coverage of such concession to include all of Mexico, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.12 Concession for a public telecommunications network in telecommunications regions 3, 5 and 8 granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on April 29, 1998, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.13 Concession for the operation of point-to-multipoint microwave telecommunications services in Region 5 granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on April 23, 1998, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.

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4.14 Concession for the operation of point-to-multipoint microwave telecommunications services in Region 3 granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on April 23, 1998, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.

- Concession for the operation of point-to multipoint microwave telecommunications services in Region 8 granted to Amaritel, S.A. de C.V. by the 4.15 Secretary of Telecommunications and Transport on April 29, 1998, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- Concessions for the nationwide operation of point-to-point microwave telecommunications services using five frequency bands in the 56 MHz 4.16 bandwidth, each granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on June 4, 1998, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- Concessions for the nationwide operation of point-to-point microwave telecommunications services using two frequency bands in the 100 MHz 4.17 bandwidth, each granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on June 4, 1998, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.18 Amendment to Concession for the operation of point-to-multipoint telecommunications services in Regions 3, 5, 8 granted to Amaritel, S.A. de C.V. by the Secretary of Telecommunications and Transport on April 1, 1998, dated October 12, 1999, regarding the start date for the initiation of services, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by
- Amendment to Concession for the installation and operation of telecommunications services granted to Amaritel, S.A. de C.V. by the Secretary of 4.19 Telecommunications and Transport on December 20, 1996, dated September 24, 1999 eliminating financial restrictions, filed as an exhibit to our registration statement on Form F-4 (No. 333-11910), filed with the SEC on May 5, 2000, is incorporated herein by reference.
- 4.20 Warrant Agreement, dated as of March 17, 2000, between Maxcom Telecomunicaciones, S.A. de C.V. and The Bank of New York, as warrant agent, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 29, 2001, is incorporated herein by reference.
- 4.21 Dark Fiber Optic Purchase Agreement, dated as of August 13, 2002, between Maxcom Telecomunicaciones, S.A. de C.V. and Bestel S.A. de C.V., filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2003, is incorporated herein by reference.
- Transactional Lease Termination Agreement, dated as of May 20, 2003, among Maxcom Telecomunicaciones, S.A. de C.V. and Jacobo Zaga 4.22 Romano, Jacobo Zaga Buzali, et.al., filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2003, is incorporated herein by reference.
- Capacity Sale Agreement, dated as of October 15, 2003, between Maxcom Telecomunicaciones, S.A. de C.V. and Axtel, S.A. de C.V., filed as an 4.23 exhibit to our annual report on Form 20-F, filed with the SEC on June 24, 2004, is incorporated herein by reference.
- Credit Agreement, dated April 28, 2004, by and among Banco Santander Mexicano, S.A., Institución de Banca Mútiple Grupo Financiero Santander 4.24 Serfin, as lenders, and Maxcom, as borrower, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2005, is incorporated herein by reference.
- 4.25 Credit Agreement, dated April 13, 2005, by and among Ixe Banco, S.A., Institución de Banca Mútiple, Ixe Grupo Financiero., as lenders, and Maxcom, as borrower, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2005, is incorporated herein by
- Amendment dated August 5, 2004 to Exhibit B of the Master Agreement to Supply Local Interconnection Services, dated February 25, 1999, 4.26 between Maxcom and Telefonos de México, S.A. de C.V., filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2005, is incorporated herein by reference.

- 4.27 Credit Agreement, dated April 13, 2005, by and among Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero, as lenders, and Maxcom, as borrower, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2006, is incorporated herein by reference.
- 4.28 Credit Agreement, dated October 25, 2005, by and among Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero, as lenders, Maxcom, as borrower and Maxcom SF, S.A. de C.V. as joint and several obligor, and amendment dated December 13, 2005, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2006, is incorporated herein by reference.
- 4.29 Credit Agreement, dated October 21, 2005, by and among Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte, as lenders and Maxcom, as borrower, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2006, is incorporated herein by reference.
- 4.30 Irrevocable Trust Agreement, dated November 21, 2005, by and among Maxcom, as settlor, Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte and Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero, as trust beneficiaries and HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC, Trust Division, as trustees, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2006, is incorporated herein by reference.
- 4.31 Minutes of Maxcom Shareholders Meeting dated August 31, 2005 approving the spin-off, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2006, is incorporated herein by reference.
- 4.32 Stock Purchase Agreement, dated November 22, 2005, by and among Maxcom and Maxcom SF, S.A. de C.V., as sellers and Tiendas Comercial Mexicana, S.A. de C.V. and Controladora Comercial Mexicana, S.A. de C.V., as buyers, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2006, is incorporated herein by reference.
- 4.33 Supply and Installation Agreement of Video Through DSL (IPTV) System dated December 15, 2006 by and among Maxcom Telecomunicaciones, S.A. de C.V., Alcatel Bell N.V. and Alcatel México, S.A. de C.V., filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 26, 2007, is incorporated herein by reference.
- 4.34 The First Executive Stock Option Plan, which includes a Trust Agreement, dated May 31, 1999, among Maxcom Telecomunicaciones, S.A. de C.V. and Banco Nacional de México (English translation), filed as an exhibit to our registration statement on Form F-1/A (No. 333-144771), filed with the SEC on September 12, 2007, is incorporated herein by reference.
- 4.35 Second Executive Stock Option Plan, dated July 17, 2006 (English translation), filed as an exhibit to our registration statement on Form F-1/A (No. 333-144771), filed with the SEC on September 12, 2007, is incorporated herein by reference.
- 6.1 * Computation of earnings per share.
- 7.1 * Computation of ratio of earnings to fixed charges
- 8.1 * Subsidiaries of the Registrant.
- 11.1 Maxcom's Code of Ethics adopted March 2006, filed as an exhibit to our annual report on Form 20-F, filed with the SEC on June 30, 2006, is incorporated herein by reference.
- 12.1 * Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
- 12.2 * Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
- 13.1 * Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
- 13.2 * Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350.

Filed herewith.

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GLOSSARY OF TELECOMMUNICATIONS TERMS

ADSL. (Asymmetrical Digital Subscriber Line) ADSL is a physical-layer protocol that supports up to 8 Mbps

bandwidth downstream and up to 1 Mbps upstream. The asymmetrical aspect of ADSL technology makes it ideal for Internet browsing, video on demand, and remote LAN access. Users of these applications typically download more information than they send. ADSL also allows simultaneous voice communication by

transmitting data signals outside of the voice frequency range.

Band A range of frequencies between two defined limits.

The relative range of analog frequencies or digital signals that can be passed through a transmission medium, Bandwidth

such as glass fibers, without distortion. The greater the bandwidth, the greater the information carrying

capacity. Bandwidth is measured in Hertz (analog) or Bits Per Second (digital).

Refers to the ability to transmit voice or data over telecommunications networks Capacity

Carrier A licensed provider of telecommunications transmission services by fiber, wire or radio.

Centrex service A business telephone service developed originally by Lucent Technologies which offers private branch

exchange type features directly from the local telephone company central office, such as voicemail, call pick-

up group, abbreviated dialing and multi-line hunting.

Churn Refers to customer line attrition and is measured as the percentage of disconnects from service relative to the

total subscriber base over a given period of time.

COFETEL Comisión Federal de Telecomunicaciones, the Mexican Federal Telecommunications Commission.

Digital Describes a method of storing, processing and transmitting information through the use of distinct electronic or optical pulses that represent the binary digits 0 and 1. Digital transmission/switching technologies employ a

sequence of discrete, distinct pulses to represent information, as opposed to the continuously variable analog

signal.

DSLAM Digital Subscriber Line Access Multiplexer. A technology to concentrate traffic in ADSL implementations

through time division multiplexing at the central office.

E1 A digital telephony format that carries data at the rate of 2.048 Mbps (DS-1 level). E-1 is the European and

Latin American version of North American T-1, though T-1 is 1.544 Mbps.

Fiber optic systems use laser-generated light to transmit voice, data and video in digital format through ultra-Fiber optic technology

thin strands of glass. Fiber optic systems are characterized by large circuit capacity, good sound quality, resistance to external signal interference and direct interface to digital switching equipment and digital microwave systems. A pair of fiber optic strands using advanced transmission technologies is capable of carrying multiple 2.5 or 10 Gbps communication streams. Because optical signals disperse over distance, they must be regenerated/amplified at sites located along the fiber optic cable. Fiber optic systems using earlier generation fiber require frequent intervals between regeneration/amplifier sites. Greater distances between regeneration/amplifier sites afforded by the use of advanced fiber generally translate into substantially lower

installation and operating costs and fewer potential points of failure.

A wireless local telephony service using the 3.4-3.7 GHz frequency band. Fixed wireless local loop

FTTH Fiber-to-the-home, reference to an all fiber-optic public telephone network design, where broadband services

are delivered to the customer premises/network interface by fiber optic.

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Gbps Gigabits per second. A measurement of speed for digital signal transmission expressed in billions of bits per

second (Gbps).

115 cities and towns in eleven states in eastern Mexico, which includes the cities of Puebla, Tampico, Gulf region

Veracruz, Reynosa, Cancun, Chetumal, Merida, Ciudad del Carmen, Campeche, Coatzacoalcos and Tuxtla

Gutiérrez, among others.

Hertz The unit measuring the frequency with which an alternating electromagnetic signal cycles through the zero-

value state between lowest and highest states. One hertz(abbreviated Hz) equals one cycle per second. KHz (kilohertz) stands for thousands of hertz; MHz (megahertz) stands for millions of hertz and GHz (gigahertz)

stands for billions of hertz.

ISDN Integrated Services Digital Network ISDN is an international standard that provides end-to-end digital

connectivity to support a wide range of voice, data and video services.

IPTV Internet Protocol Television is also called Internet Television or TV over IP and it refers to the transmission of

television signals through the Internet using Internet Protocol.

Kilobits per second, a measurement of speed for digital signal transmission expressed in thousands of bits per second.

Lambdas Lambdas are used as the symbol for wavelength in lightwave systems. Fiber optic systems may use multiple

wavelengths of light, with each range of wavelengths appearing in a "window," roughly corresponding to a

color in the visible light spectrum.

Local area network, a private data communications network linking a variety of data devices, such as computer terminals, personal computer terminals, personal computers and microcomputers, all housed in a

defined building, plant or geographic area.

and reliable means of transmitting lower volume and narrower bandwidths of voice, data and video signals over short and intermediate distances. Microwaves are very high frequency radio waves that can be reflected, focused and beamed in a line-of-sight transmission path. As a result of their electro-physical properties, microwaves can be used to transmit signals through the air, with relatively little power. To create a communications circuit, microwave signals are transmitted through a focusing antenna, received by an antenna at the next station in the network, then amplified and retransmitted. Because microwaves disperse as they travel through the air, this transmission process must be repeated at repeater stations, which consist of

Although limited in capacity compared with fiber optic systems, digital microwave systems offer an effective

radio equipment, antennae and back-up power sources, located on average every 30 kilometers along the transmission route.

Mbps MegaBits per second. A measurement of speed for digital signal transmission expressed in millions of bits per

second (Mbps).

Multi-line hunting A value-added service that allows for multiple calls to be received with a single telephone number.

PCS Personal Communications Services. PCS has come to represent two things: first, a digital wireless

communications service operating over the 1.9 GHz band; and second, more generically, a wireless communications service utilizing a digital network that offers typical features such as voice, video and data applications, short messaging, voicemail, caller identification, call conferencing and call forwarding. Generic PCS suppliers promote this service on the ability of its features to be customized, or "bundled," to the needs

of the individual customers.

Point- to-multipoint microwave transmission A transmission using microwave technology by which a single signal goes from one origination point to many

destination points.

Point-to-point microwave transmission A transmission using microwave technology by which a signal goes from one point to another, usually

connected by a dedicated transmission line.

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Kbps

LAN

Microwave technology

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POTS Plain Old Telephone Service. The basic service supplying standard single line telephones, telephone lines and

access to the public switched network.

Revenue Generated Unit (RGU) Represents an individual service subscriber who generates recurrent revenue for the Company.

SCT Secretaría de Comunicaciones y Transportes, the Mexican Ministry of Communications and Transportation.

Switch A device that opens or closes circuits or selects the paths or circuits to be used for transmission of

information. Switching is the process of interconnecting circuits to form a transmission path between users.

Teledensity

Teledensity is a measure of telephony service in a population. It is calculated by dividing the total subscriber base (number of lines in service) by the inhabitants and multiplying by 100. It is generally used as a

comparative measure of network development. All teledensity figures are reported in subscribers per 100

inhabitants.

Triple play services Triple play services consist combination of voice, data, and video services offered as a bundled service for a

price that is less than the price of the individual services acquired individually.

VoIP Voice over Internet Protocol services consist in the technology that provides telephone companies with the

ability to carry normal telephony-style voice over an Internet Protocol-based Internet with POTS-like

functionality, reliability, and voice quality.

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

network.

Web-hosting A service performed by Internet service providers (also known as ISPs) and Internet access providers (also

known as IAPs) consisting in the hosting of outside companies web pages to be displayed on the Internet.

xDSL is a physical-layer protocol that supports bandwidth downstream and upstream.

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the registrant certifies that it meets all requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

 $MAXCOM\ TELECOMUNICACIONES,\ S.A.B.\ DE\ C.V.$

/s/ Miguel Cabredo Benites Miguel Cabredo Benites Chief Financial Officer

DATE: April 25, 2012

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EXHIBIT INDEX

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6.1	Computation	of earnings	ner chare
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- 7.1 Computation of ratio earnings to fixed charges
- 8.1 Subsidiaries of the Registrant.
- 12.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
- 12.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
- 13.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Exhibit 7.1

MAXCOM TELECOMUNICACIONES, S.A.B. DE C.V. COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES IN ACCORDANCE WITH U.S. GAAP

Year ended December 31,

		1 ear	ended December 31,								
	2011	2010	2009	2008	2007						
	(thousa	ands constant Decemb	07 and thousands o	f							
		nominal pesos for 2008, 2009, 2010 and 2011, except ratio data)									
				_							
Income (Loss) Before Income Tax	(536,955)	(613,348)	(438,972)	(470,361)	299,631						
Determination of the Ratio Fixed charges:											
Interest expense	319,704	308,075	293,225	368,400	233,628						
Interest capitalized during period	4,819	10,936	26,819	(50,709)	3,942						
Rental expense	24,337	25,509	24,286	21,011	18,186						
Amortization of Debt issuance costs				<u> </u>	5,966						
Total fixed charges	348,860	344,520	344,330	338,702	261,722						
Earnings:											
Income (loss) from continuing operations	(545,308)	(613,348)	(438,972)	(470,361)	299,631						
Fixed charges	348,860	344,520	344,330	338,702	261,722						
Amortization of capitalized interest	28,841	28,053	24,342	23,772	16,032						
Less: interest capitalized during period	(4,819)	(10,936)	(26,819)	50,709	(3,942)						
Total earnings	(172,426)	(251,711)	(97,119)	(57,178)	573,443						
Ratio of Earnings to Fixed Charges	(0.49)	(0.73)	(0.28)	(0.17)	2.19						
Insufficiency (sufficiency)	521,826	596,231	441,448	395,880	(311,721)						

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${\bf MAXCOM\ TELECOMUNICACIONES,\ S.A.B.\ DE\ C.V.}$ COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES IN ACCORDANCE WITH MFRS

	Year ended December 31,								
	2011	2010	2009	2008	2007				
	(thousands constant December 31, 2007 pesos for 2007 and thousands of nominal pesos for 2008, 2009, 2010 and 2011, except ratio data)								
Income (Loss) Before Income Tax	(553,094)	(931,818)	(365,095)	(671,457)	133,178				
Determination of the Ratio Fixed charges:									
Interest expense	310,177	314,412	302,035	255,662	232,912				
Interest capitalized during period	14,346	4,599	18,009	62,029	4,658				
Rental expense	24,337	25,509	24,286	21,011	18,186				
Amortization of Debt issuance costs			<u> </u>	<u></u>	5,966				
Total fixed charges	348,860	344,520	344,330	338,702	261,722				
Earnings:									
Income (loss) from continuing operations	(553,094)	(931,818)	(365,095)	(671,457)	133,178				
Fixed charges	348,860	344,520	344,330	338,702	261,722				
Amortization of capitalized interest	26,632	25,953	23,826	11,654	4,136				
Less: interest capitalized during period	(14,346)	(4,599)	(18,009)	(62,029)	(4,658)				
Total earnings	(191,948)	(565,944)	(14,948)	(383,130)	394,378				
Ratio of Earnings to Fixed Charges	(0.55)	(1.64)	(0.04)	(1.13)	1.51				
Insufficiency (sufficiency)	540,808	910,464	359,278	(721,833)	(132,656)				

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EXHIBIT 8.1

Subsidiaries	Jurisdiction of Incorporation	Percentage Owned
Direct Subsidiaries		
Corporativo en Telecomunicaciones, S.A. de C.V.	Mexico	*
Maxcom Servicios Administrativos, S.A. de C.V.	Mexico	*
Maxcom SF, S.A. de C.V.	Mexico	*
Maxcom TV, S.A. de C.V.	Mexico	*
Telscape de México, S.A. de C.V.	Mexico	*
Telereunión, S.A. de C.V.	Mexico	*
Sierra Comunicaciones Globales, S.A. de C.V.	Mexico	*
Maxcom U.S.A., Inc.	Delaware	100%
Sierra Communications USA, Inc.	Delaware	100%
Fundación Maxcom, A.C.	Mexico	*
Celmax Móvil, S.A. de C.V.	Mexico	*
Servicios MSF, S.A. de C.V.	Mexico	*
Indirect Subsidiaries		
Outsourcing Operadora de Personal, S.A. de C.V.	Mexico	**
TECBTC Estrategias de Promoción, S.A. de C.V. (formerly "Técnicos Especializados en Telecomunicaciones, S.A. de		
C.V.")	Mexico	**
Asesores Telcoon, S.A. de C.V.	Mexico	**

^{*} Maxcom owns all of the capital stock of its direct subsidiaries, except for one share of each, which share is owned by Corporativo en Telecomunicaciones, S.A. de C.V., in the case of Maxcom Servicios Administrativos, S.A. de C.V., and by Maxcom Servicios Administrativos, S.A. de C.V., in the cases of Corporativo en Telecomunicaciones, S.A. de C.V., Maxcom SF, S.A. de C.V., Maxcom TV, S.A. de C.V., Telscape de México, S.A. de C.V., Sierra Comunicaciones Globales, S.A. de C.V., Telereunión, S.A. de C.V., Fundación Maxcom, A.C. and Celmax Móvil, S.A. de C.V. This organizational structure is due to the fact that Mexican law requires that corporations have a minimum of two shareholders.

^{**} For its indirect subsidiaries, Corporativo en Telecomunicaciones, S.A. de C.V. owns one share of each, and the remaining shares are owned by Maxcom Servicios Administrativos, S.A. de C.V.

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EXHIBIT 12.1

CERTIFICATION

- I, Salvador Álvarez Valdes, Chief Executive Officer, certify that:
- 1. I have reviewed this annual report on Form 20-F of Maxcom Telecomunicaciones, S.A.B. de C.V.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly represent in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- 4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- 5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

DATE: April 25, 2012

SIGNATURE:/s/ Salvador Álvarez Valdes

TITLE: Chief Executive Officer

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EXHIBIT 12.2

CERTIFICATION

- I, Miguel Cabredo Benites, Chief Financial Officer, certify that:
- 1. I have reviewed this annual report on Form 20-F of Maxcom Telecomunicaciones, S.A.B. de C.V.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly represent in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- 4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
- 5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

DATE: April 25, 2011

SIGNATURE: /s/ Miguel Cabredo Benites

TITLE: Chief Financial Officer

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EXHIBIT 13.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Maxcom Telecomunicaciones, S.A.B. de C.V. (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Salvador Álvarez Valdes, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: April 25, 2012

SIGNATURE:/s/ Salvador Álvarez Valdes

TITLE: Chief Executive Officer

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 20-F. This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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EXHIBIT 13.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Maxcom Telecomunicaciones, S.A.B. de C.V. (the "Company") on Form 20-F for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"),I, Miguel Cabredo Benites, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- 2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: April 25, 2012

SIGNATURE:/s/ Miguel Cabredo Benites

TITLE: Chief Financial Officer

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 20-F. This certification accompanies this Annual Report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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Exhibit 6.1

MAXCOM TELECOMUNICACIONES, S.A.B. de C.V. AND SUBSIDIARIES COMPUTATION OF EARNINGS PER SHARE

Year Ended December 31, 2011 2010 2008 2007 2009 (thousands of pesos and share amounts, except per share) Weighted average shares (Basic EPS) U.S. GAAP 789,819 789,819 789,819 560,176 Weighted average shares (Diluted EPS) U.S. GAAP 812,882 833,588 833,611 829,337 606,144 Net (loss) Income under U.S. GAAP for basic computation (536,959) (866,409) (240,058) 160,999 (377,435) Preferred stock dividend under US GAAP not available for common shareholders Amount allocated to preferred shareholders Net (loss) Income under U.S. GAAP for dilutive computation Basic EPS U.S. GAAP (536,959) (866,409) 160.999 (377,435)(240.058)0.29 (0.68)(1.10)(0.48)(0.30)Diluted EPS U.S. GAAP (1.10)(0.48)(0.30)0.27 (0.68)Weighted average shares (Basic EPS) MFRS 789,819 789,819 789,819 789,819 560,176 Weighted average shares (Diluted EPS) MFRS
Net (loss) Income under MFRS for basic computation
Net (loss) Income under MFRS for dilutive computation 606,144 36,196 36,196 (303,558) (303,558) (536,457) (1,184,879)(437,763) (437,763) (536,457) (1,184,879)(0.68)(1.50)(0.38)(0.55)0.06 Basic EPS MFRS Diluted EPS MFRS (0.66)0.06