OFFERING MEMORANDUM **CONFIDENTIAL**

US$300,000,000

Sixsigma Networks México, S.A. de C.V. (KIO Networks)

(Incorporated under the laws of Mexico)

7.500% Senior Notes due 2025

unconditionally guaranteed on a senior unsecured basis by certain subsidiaries

We are offering US$300,000,000 aggregate principal amount of our 7.500% Senior Notes due 2025 (the "notes"). We will pay interest on the notes semi-annually in arrears on May 2 and November 2 of each year, beginning on November 2, 2018. The notes will mature on May 2, 2025. There is no sinking fund for the notes. At our option, on or after May 2, 2021, we may redeem the notes, in whole or in part, at the redemption prices set forth in this offering memorandum, plus accrued and unpaid interest, if any, plus additional amounts payable to the date of redemption. Prior to May 2, 2021, we may redeem the notes, in whole or in part, by paying the principal amount of the notes, plus the applicable "make-whole" premium and accrued and unpaid interest. Prior to May 2, 2021, we may also redeem up to 35% of the notes with the proceeds of certain equity offerings. See "Description of the Notes—Optional Redemption." If a change of control as described in this offering memorandum occurs with respect to us, unless we have exercised our option to redeem the notes, each holder of the notes will have the right to require us to repurchase all or any part of that holder's notes at 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest and additional amounts, if any.

The notes will be our senior unsecured general obligations. The notes will be unconditionally guaranteed by certain of our subsidiaries (the "Guarantors"), jointly and severally, on a senior unsecured basis. The notes and guarantees will rank *pari passu* in right of payment with all of our and the Guarantors' existing and future senior unsecured indebtedness and senior to all of our and the Guarantors' existing and future subordinated indebtedness (subject to certain statutory preferences under Mexican law, including without limitation, tax, labor and social security obligations and claims). The notes and guarantees will be structurally subordinated to the indebtedness and trade payables of our subsidiaries that are not Guarantors. The notes will effectively rank junior in right of payment to all of our and the Guarantors' secured indebtedness to the extent of the value of the assets securing such indebtedness. See "Description of the Notes."

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and the listing and quotation of the notes on the SGX-ST. Such permission will be granted when the notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the notes to the Official List of the SGX-ST and quotation of any notes on the SGX-ST are not to be taken as an indication of the merits of the offering of the notes, the Issuer, the Guarantors, their respective subsidiaries (if any), or the quality of disclosure in this offering memorandum. If the application to the SGX-ST to list the notes is approved, for so long as such notes are listed on the SGX-ST and the rules of the SGX-ST so require, such notes will be traded on the SGX-ST in a minimum board lot size of at least US$200,000. No public market currently exists for the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 17 for certain information that you should consider before investing in the notes.

Offering Price: 100.000% plus accrued interest, if any, from May 2, 2018.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES, OR "RNV"*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES, OR "CNBV"*), AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO, EXCEPT THAT THE NOTES MAY BE OFFERED OR SOLD TO INVESTORS THAT QUALIFY AS MEXICAN INSTITUTIONAL AND ACCREDITED INVESTORS PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*) AND THE REGULATIONS ISSUED THEREUNDER, AS AMENDED. WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THIS OFFERING TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES MARKET LAW AND FOR STATISTICAL AND INFORMATIONAL PURPOSES ONLY. DELIVERY AND RECEIPT BY THE CNBV OF SUCH NOTICE DOES NOT AND WILL NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM. THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any state securities laws, or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold in the United States only to qualified institutional buyers in compliance with Rule 144A under the Securities Act ("Rule 144A") and to persons other than U.S. persons outside the United States in compliance with Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of eligible offerees and certain restrictions on transfer of the notes, see "Transfer Restrictions."

The notes are being offered pursuant to an exemption from the requirement to publish a prospectus under Directive 2003/71/EC (as amended and supplemented from time to time, the "Prospectus Directive"), of the European Union, and this offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Directive.

The notes will be represented by global notes in registered form. The notes will be delivered to investors in book-entry form only through the facilities of The Depository Trust Company ("DTC") for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream") on or about May 2, 2018.

Joint Book-Runners

Credit Suisse **J.P. Morgan** **Morgan Stanley** **Santander**

The date of this offering memorandum is April 26, 2018.

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In making your investment decision, you should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different from or additional to that contained in this offering memorandum, and we and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. This offering memorandum may only be used where it is legal to sell the notes. Neither we nor any of the initial purchasers is making an offer to sell the notes in any jurisdiction where such an offer is not permitted.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "KIO Networks," "KIO," "KIO Group," the "Company," "we," "our," "us" and similar terms refer to Sixsigma Networks México, S.A. de C.V. (KIO Networks), together with its consolidated subsidiaries. The term "Issuer" refers only to Sixsigma Networks México, S.A. de C.V. (KIO Networks) and not its subsidiaries.

NOTICE TO INVESTORS

We are relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering. The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. By purchasing the notes, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "Transfer Restrictions" in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the CNBV, the U.S. Securities and Exchange Commission (the "SEC"), nor any state securities commission has approved or disapproved of the notes nor have any of the foregoing authorities passed upon or endorsed the merits of this offering memorandum or the accuracy, adequacy or completeness of this offering memorandum. Any representation to the contrary is a criminal offense.

We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to non-U.S. persons outside the United States so they can consider a purchase of the notes. We have not authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See "Transfer Restrictions."

This offering memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that information we have obtained from other sources is accurate or complete. This offering memorandum summarizes certain documents and other information, and we refer you to such documents and other information for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our company and the terms of this offering and the notes, including the merits and risks involved.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding any investment in the notes.

We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge and belief (and we have taken all reasonable care to ensure that), the information contained in this offering memorandum is in accordance with the facts and does not omit any material information. You should assume that the information contained in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum.

We reserve the right to withdraw this offering of the notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective investor less than the full amount of notes sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the notes.

You must comply with all applicable laws and regulations in force in your jurisdiction, and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor any of the initial purchasers will have any responsibility therefor.

AVAILABLE INFORMATION

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). To permit compliance with Rule 144A under the Securities Act in connection with resales of notes, we will be required under the indenture under which the notes are issued (the "Indenture"), upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under "Transfer Restrictions"), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we are exempt from reporting obligations pursuant to Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main office located at Prolongación Paseo de la Reforma No. 5287, Col. Cuajimalpa, 05000, Ciudad de México, México.

The Indenture will further require that we furnish to the trustee (as defined herein) all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. At our request, the trustee will be required under the Indenture to mail these notices, reports and communications received by it from us to all record holders of the notes promptly upon receipt. See "Description of the Notes."

We will make available to the holders of the notes, at the corporate trust office of the trustee at our cost, copies of the Indenture as well as this offering memorandum, including a review of our operations, and copies in English of our annual audited consolidated financial statements. Information will also be available at the office of the paying agent in Singapore.

We intend to apply to list the notes on the SGX-ST.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These statements relate to our future prospects, developments and business strategies and are identified by our use of words, terms and phrases such as "anticipate," "believe," "could," "would," "will," "estimate," "expect," "intend," "may," "may have," "plan," "predict," "project," "goals," "target," "strategy" and similar terms and phrases, and may include references to assumptions. These statements are contained in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry," "Business" and other sections of this offering memorandum and include statements regarding our intent, belief or current expectations, and those of our officers, with respect to (among other things) our financial condition.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global economic, business, market and regulatory conditions, without limitation, and the following:

- general economic, business, political or other conditions in Mexico, the United States, South America and Europe, and any significant economic or political developments in those regions;
- changes in capital markets in general that may affect policies or attitudes towards investing in Mexico or securities issued by Mexican companies;
- the occurrence of service interruptions and security or privacy breaches;
- our expectations regarding our revenue, expenses, sales, operations and profitability;
- the development of markets for our products and solutions;
- our ability to successfully expand into new markets;
- our ability to attract and retain customers;

- our ability to continue efficiently acquiring customers, maintaining our high customer retention rates and maintaining the level of our customers' lifetime spend;
- our ability to compete in our industry and innovation by our competitors;
- our ability to anticipate market needs or develop new or enhanced solutions to meet those needs;
- our ability to successfully identify, manage and integrate any potential acquisitions;
- our ability to establish and maintain intellectual property protection for our solutions;
- our ability to implement our strategy;
- fluctuations in currency markets;
- our expectations regarding future interest rates under our credit arrangements;
- our expectations regarding the use of proceeds from this offering;
- our anticipated cash needs and our estimates regarding our capital requirements;
- our ability to hire and retain key personnel;
- changes in the taxation of, or duties due in connection with, our business;
- regulatory changes and adverse administrative or judicial rulings relating to us;
- regulatory, administrative or economic conditions affecting the IT industry, including changes to applicable laws governing the IT industry, and the interpretation thereof;
- Mexico's social, political or economic environment;
- successful implementation of new technologies;
- potential changes in industry practices;
- risks inherent in international operations;
- terrorist and organized criminal activities as well as geopolitical events;
- litigation and liabilities; and
- other factors described under "Risk Factors" and elsewhere in this offering memorandum.

These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results of operations, financial condition, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements contained in this offering memorandum are reasonable, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which projections we cannot be certain. Moreover, we operate in a competitive and rapidly-changing industry in which new risks may emerge from time to time, and it is not possible for management to predict all risks.

These forward-looking statements refer only as of the date of this offering memorandum and we undertake no obligation to update or review our forward-looking statements or risk factors to reflect new information, future events or otherwise. Additional factors affecting our business emerge from time to time, and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Although we believe that the plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that those plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or to the persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

CERTAIN DEFINITIONS

In this offering memorandum, except where otherwise indicated or where the context otherwise requires, references to:

- "2021 notes" means our 8.250% Senior Notes due 2021 previously issued on November 7, 2014, pursuant to an indenture dated November 7, 2014.
- "AI" refers to artificial intelligence.
- Accounting terms have the definitions set forth under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").
- "Banco de México" refers to the Mexican Central Bank.
- "CAGR" refers to compound annual growth rate.
- "CFCA" refers to CFCA Telecomm, S.A.P.I. de C.V., a *sociedad anónima promotora de inversión de capital variable* (a variable capital corporation to promote investment) organized under the laws of Mexico, and its subsidiaries.
- "CRM" refers to customer relationship management, a system for managing a company's interactions with current and future customers.
- "ERP" refers to enterprise resource planning, a business management software that a company can use to collect, store, manage and interpret data from many business activities.
- "Iaas" refers to infrastructure-as-a-service.
- "IDC" refers to International Data Corporation.
- "Issuer" refers to Sixsigma Networks México, S.A. de C.V., a *sociedad anónima de capital variable* (a variable capital corporation) organized under the laws of Mexico.
- "IRU" refers to indefeasible right to use.
- "IoMT" refers to Internet of Medical Things.
- "IoT" refers to Internet of Things.
- "IT" refers to Information Technology.
- "LFT" refers to the Mexican Federal Labor Law (*Ley Federal del Trabajo*).
- "Low latency" refers to a network with human-unnoticeable delays between an input being processed and the corresponding output, providing real-time characteristics.
- "Mexico" refers to the United Mexican States.
- "PaaS" refers to platform-as-a-service.
- "redIT" refers to Metro Net, S.A.P.I. de C.V., a *sociedad anónima promotora de inversión de capital variable* (a variable capital corporation to promote investment), organized under the laws of Mexico and its subsidiaries.
- "SaaS" means software-as-a-service.
- "SAP HANA" refers to High-Performance Analytic Appliance.

- “SMB” refers to small and medium businesses.
- “SOC” refers to security operations center.
- “VoIP” refers to Voice-over-Internet Protocol.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

Financial Information of KIO Networks

Our annual audited consolidated financial statements as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, together with the notes thereto (collectively, the "Annual Audited Consolidated Financial Statements"), included in this offering memorandum have been prepared in accordance with IFRS, as issued by the IASB.

Treatment of CFCA

On November 17, 2017, we sold 100% of the shares of CFCA Telecomm, S. A. P. I. de C. V. that held our connectivity business. Control of CFCA was passed to the acquirer for a total cash consideration of approximately US$500 million (inclusive of the redIT brand). The sale of our connectivity business was consistent with our plans to focus on hosting, data centers, critical mission services and related businesses. The connectivity business is presented as a discontinued operation in our Annual Audited Consolidated Financial Statements with net income from discontinued operations classified as a single line item of our consolidated statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015.

Rounding Adjustments

Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements included elsewhere in this offering memorandum. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

Non-GAAP Financial Measures

A body of generally accepted accounting principles is commonly referred to as "GAAP." A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure.

Adjusted EBITDA (excluding discontinued operations)

We calculate Adjusted EBITDA (excluding discontinued operations) as gross profit plus depreciation and amortization less operating expenses plus other expenses which include expenses incurred in the sale of CFCA, non-cash charges or expenses that are not representative of our ongoing operations, costs related with divestiture and transaction expenses and other services.

We present Adjusted EBITDA (excluding discontinued operations) because we believe that Adjusted EBITDA (excluding discontinued operations) is a useful measure for evaluating our ability to generate cash and evaluating our operating performance. Adjusted EBITDA (excluding discontinued operations) is not a measure of financial performance under IFRS, Mexican Financial Reporting Standards (*Normas de Información Financiera*, or "MFRS") or U.S. GAAP. We also believe Adjusted EBITDA (excluding discontinued operations) is a useful basis for comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure and taxes. However, investors should not consider Adjusted EBITDA (excluding discontinued operations) in isolation, as an alternative to gross profit, as an indicator of operating performance, as an alternative to profit from continuing operations before net interest expense and income tax or cash flows from operating activities or as a measure of our profitability or liquidity. Adjusted EBITDA (excluding discontinued operations) has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation and amortization. Adjusted EBITDA (excluding discontinued operations) as presented in this offering memorandum may not be comparable to other similarly titled measures of performance of other companies. For a reconciliation of Adjusted EBITDA (excluding discontinued operations) to gross profit for the years ended December 31, 2017, 2016 and 2015, see "Summary—Summary of Financial Data and Other Information."

Adjusted EBITDA (including discontinued operations)

We calculate Adjusted EBITDA (including discontinued operations) as the Adjusted EBITDA (excluding discontinued operations) plus EBITDA from discontinued operations.

We present Adjusted EBITDA (including discontinued operations) because we believe that Adjusted EBITDA (including discontinued operations) is a useful measure for evaluating our ability to generate cash and evaluating our operating performance. Adjusted EBITDA (including discontinued operations) is not a measure of financial performance under IFRS, Mexican Financial Reporting Standards (*Normas de Información Financiera*, or "MFRS") or U.S. GAAP. We also believe Adjusted EBITDA (including discontinued operations) is a useful basis for comparing our results with those of other companies because it presents results of operations on a basis unaffected by capital structure and taxes. However, investors should not consider Adjusted EBITDA (including discontinued operations) in isolation, as an alternative to gross profit, as an indicator of operating performance, as an alternative to profit from continuing operations before net interest expense and income tax or cash flows from operating activities or as a measure of our profitability or liquidity. Adjusted EBITDA (including discontinued operations) has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation and amortization. Adjusted EBITDA (including discontinued operations) as presented in this offering memorandum may not be comparable to other similarly titled measures of performance of other companies. For a reconciliation of Adjusted EBITDA (including discontinued operations) to Adjusted EBITDA (excluding discontinued operations) for the years ended December 31, 2017, 2016 and 2015, see "Summary—Summary of Financial Data and Other Information."

Currency Information

We publish our financial statements in pesos. Unless otherwise specified or the context otherwise requires, references in this offering memorandum to "pesos" or "Ps." are to Mexican pesos. Also, unless otherwise specified or the context otherwise requires, we present pesos in this offering memorandum in thousands of pesos. Unless otherwise specified or the context otherwise requires, references in this offering memorandum to "U.S. dollars," "$" or "US$" are to United States dollars.

Solely for the convenience of the reader, certain amounts presented in pesos in this offering memorandum as of and for the year ended December 31, 2017 have been converted into U.S. dollars at specified exchange rates. Unless otherwise indicated, the exchange rate used in converting pesos into U.S. dollars was determined by reference to the exchange rate of Ps.19.7354 per U.S. dollar, the closing exchange rate at December 31, 2017, used for balance sheet amounts as of December 31, 2017 and Ps. 18.9104, the average exchange rate for the year ended December 31, 2017, for all income statement and cash flow amounts for the year ended December 31, 2017. Management does not believe there is a material difference between the rate applied for purposes of our financial reporting and the exchange rates published by *Banco de México* in the Federal Official Gazette (*Diario Oficial de la Federación*) for the payment of obligations denominated in non-Mexican currency payable in Mexico. You should not construe our conversions as representations that the peso amounts actually represent the U.S. dollar amounts presented, or that they could be converted into U.S. dollars at the rate or at the dates indicated. See "Exchange Rates."

Industry and Market Data

Market data and other statistical information used throughout this offering memorandum are generally based on independent industry publications, government publications, reports by market research firms or other published independent sources, including independent consultants. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

In addition, in many cases, we have based certain statements contained in this offering memorandum regarding our industry and our position in the industry on certain assumptions concerning our customer and competitors. These assumptions are based on our experience in the industry and our own investigation of market conditions. We cannot assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our position in our industry.

All brand names, trademarks and service marks appearing in this offering memorandum are the exclusive property of their respective owners. This offering memorandum contains registered trademarks owned by other companies and licensed to us, including Google® and SAP®, and no such other company is participating in or endorsing this offering and shall not in any way be deemed an issuer or underwriter of the securities offered by this offering memorandum, and shall not have any liability or responsibility for any financial statements, projections or other financial information contained in this offering memorandum.

SUMMARY

The following summary provides an overview of our business, financial, and operating information. It does not contain all of the information that you should consider before making a decision to invest in the notes. Before investing in the notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including the information contained in sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto included elsewhere in this offering memorandum.

Overview

We are the leading provider of Information Technology infrastructure outsourcing services in Mexico and the largest in installed data center capacity, with a 58% market share in terms of operational space, while also expanding our presence throughout Latin America. Founded in 2002, we offer a comprehensive set of IT infrastructure outsourcing services and solutions within our 29 state-of-the-art data centers in 11 technological campuses in Mexico, Panama, Guatemala, the Dominican Republic, and Spain. As part of our EDGE strategy, we have 8 EDGE data centers with 209 square meters of installed base, which are smaller facilities throughout Mexico's Tier 2 and Tier 3 cities to serve the growing need of ultra-low latency IT services. Our campus data centers are among the most modern, reliable and secure in Latin America. Our data centers and IT services have the highest levels of certification and awards available in the industry, including "Best Colocation Provider in Latin America 2017" by DatacenterDynamics, as well as Tier IV Design and ISO 9001, 14001, 20000-1, 22301 and 27001 certifications for certain of our data centers. As an independent, carrier-neutral IT infrastructure services provider, we are able to bundle and customize the best IT ecosystem infrastructures into solutions that create a unique and differentiated value proposition that affiliated IT services providers cannot replicate.

Our customers are mainly large and mid-sized enterprises, government entities and SMBs. The core offerings we deliver to our customers consists of value-added mission critical IT services, which are solutions tailored to specific client needs, including complex managed IT infrastructure services and cloud computing solutions, cybersecurity, ultra-low latency services for proximity hosting solutions, database management, storage and backup and Internet Exchange Point infrastructure, among others. We also offer data center solutions for mission critical services to clients that need state-of-the-art hosting facilities for their critical IT infrastructure, including cross-connects and physical security.

Organizations and service providers are fundamentally transforming the way they do business as a result of IT innovation. New technology trends, such as the adoption of web-based applications, including SaaS, the consumerization of IT, the proliferation of mobile devices, cloud computing, IoT, IoMT and AI and robotics, as well as the increasing criticality of data and information are changing the way companies and consumers interact with IT. As a result, we operate in an expanding industry in which demand for data center services is outgrowing supply. From 2016 to 2021, data center IP traffic globally was expected to grow at a compound annual growth rate (CAGR) of 25.0%, driven mainly by cloud workloads, according to the "Cisco Global Cloud Index: Forecasts and Methodology 2016-2021" report. According to an International Data Corporation ("IDC") research report, Mexico is the fastest growing major market in Latin America for IT services spending, with an expected CAGR of 8% from 2017 to 2021 compared to 6.1% for Brazil, 2.6% for the United States and 1.5% for Western Europe for the same period. In addition, as of 2016, Internet penetration in Mexico was only 59.5% compared to 76.2% in the United States, according to the World Bank Group Little Data Book on ICT.

We believe factors that will continue to drive long-term demand for our services include: (i) a strong growth in global IP traffic, backed by increasing consumer Internet traffic from new bandwidth-intensive services, such as video, Voice-over-Internet Protocol (VoIP), social media, mobile data, gaming, blockchain, crypto-currency mining platforms, data-rich media, Ethernet and wireless services; (ii) significant increases in cybersecurity, power and cooling requirements for modern data center equipment which cannot be supplied by most "in-house" or legacy data centers; (iii) the growth of enterprise applications, such as SaaS, the adoption of cloud computing technology, new-generation data storage and management technology and data analytics services; and (iv) the high capital commitments required to build, maintain and update data centers, which create an opportunity to leverage on the outsourced model.

We believe we differentiate ourselves from our competitors by our "KIO DNA," which consists of six key elements: reliability, flexibility, agility, sense of urgency, innovation and commitment. We believe our reputation and proven track record give us a competitive advantage as a mission critical IT infrastructure services provider, in a setting where data center availability and reliability are key to our clients' operations. We serve a loyal base of private and public sector clients, which include many of Mexico's largest companies and government entities. Our top ten enterprise and government clients' average tenure with us is 8.3 years, and our very first client has remained with us since our inception. Typically, we provide our services over contract periods of 12 to 48 months, with an average of 36 months, which provides us with strong cash flow visibility. In addition, the quality, complexity and breadth of our services, along with high migration costs associated with customized solutions, have enabled us to achieve a low client churn rate of 0.5% (measured by last four quarters revenue lost from canceled or terminated projects, divided by the previous quarter revenue) and an average customer retention rate of over 95% in our core business. Our complementary businesses, including Sm4rt, MásNegocio and Wingu, feed our existing customers into our core businesses, which enables us to target a broader client base and increase our share-of-wallet penetration.

Our scale and physical proximity to our key target markets allow us to create interconnected ecosystems and offer proximity services to clients that seek ultra-low latency solutions (a network with human-unnoticeable delays between an input being processed and the corresponding output, providing real-time characteristics). For example, a global search engine may host at our facilities cached data that is the most relevant for that particular region, providing a fast response to internet users' queries. Clients of such search engine may also place their servers at our facilities, creating direct interconnectivity among the search engine and our other clients, allowing a seamless setup with minimal latency. Additionally, our EDGE infrastructure allows us to serve new and growing data needs for specific content distribution networks, IoT, data exchange, and gaming, among others.

We operate a growth-oriented, resilient business model with steady revenue growth even during volatile economic environments. We believe that the demand for IT infrastructure services will continue to grow in the near future. For the year ended December 31, 2017, we had revenues and Adjusted EBITDA (excluding discontinued operations) of Ps.6,675.0 million and Ps.1,831.8 million, respectively, representing a year-on-year growth of 19.5% and 11.3%, respectively, and an Adjusted EBITDA margin (excluding discontinued operations) of 27.4%.

The table below presents our key financial information for each of the periods indicated:

	Year Ended December 31,			
	2017	**2017**	**2016**	**2015**
	(US$) (1)	**(Ps.)**		
	(in thousands except for percentages)			
Revenue for services rendered	352,981	6,675,010	5,586,799	4,890,572
Consolidated comprehensive income (loss) for the year	90,534	1,712,038	141,927	(1,665,729)
Net margin(2)	25.6%	25.6%	2.5%	(34.1)%
Adjusted EBITDA (excluding discontinued operations)(3)	96,866	1,831,774	1,645,098	1,653,721
Adjusted EBITDA margin (excluding discontinued operations)(4)	27.4%	27.4%	29.4%	33.8%

(1) Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(2) Net margin is consolidated comprehensive income (loss) divided by revenues.

(3) We define Adjusted EBITDA (excluding discontinued operations) as gross profit plus depreciation and amortization less operating expenses plus other expenses which include expenses incurred in the sale of CFCA, non-cash charges or expenses that are not representative of our ongoing operations, costs related with divestiture and transaction expenses and other services. Our calculation of Adjusted EBITDA (excluding discontinued operations) may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial and Certain Other Information."

(4) Adjusted EBITDA margin (excluding discontinued operations) is calculated by dividing Adjusted EBITDA (excluding discontinued operations) by revenue for services rendered.

Our Products and Services

Our offerings are comprised primarily of mission critical IT infrastructure services delivered within our extensive high end data center network with footprint in Mexico and Latin America. Within our portfolio of services, we provide a range of services, from basic colocation services that deliver space, power and communications to full IT outsourcing and operation for critical industries and government agencies. Designing, building and operating complex IT ecosystems in today's ever-changing technology landscape is a continuous challenge, and we have developed and built specific organizations within our group that provide data center services, managed IT infrastructure services, cybersecurity services, application management services, big data and analytics services and SMB IT services that cover the whole scope of market IT demands.

Our Strengths

We believe that our principal strengths are:

Leading provider of IT outsourcing and data center services in Mexico. We are the largest multi-tenant data center provider in Mexico, with a 58% market share in terms of operational space, according to a research report prepared by 451 Research. With an aggregate total designed capacity of 21,150 square meters in Mexico, we have more than three times as many square meters as the second largest competitor. We believe that our large scale capacity and physical proximity to our key target markets represents a key advantage versus our competitors, since it allows our enterprise clients to host their IT systems near their trading and business partners, creating interconnected ecosystems. According to IDC, in the first half of 2017, we had the largest market share (20.9%) of the total IT outsourcing services market in Mexico. Furthermore, our growth strategy has allowed us to capture a larger share of this high-growth industry, increasing our overall market share by approximately three percentage points over the last three years. Within the overall IT outsourcing services industry, we have leading positions across our target segments, including Hosting Infrastructure Services, Network and Endpoint Outsourcing Services and Hosted Application Management, where, in the first half of 2017, we had a market share of 48.8%, 29.0% and 27.1%, respectively. We believe that our leadership position across our target markets will enable us to continue capitalizing on attractive market opportunities in the Mexican IT outsourcing services market.

Best-in-class infrastructure with state-of-the-art technology and a strong market reputation. We are the leading provider of IT infrastructure outsourcing services in Mexico, with a growing presence in Latin America and operating a large portfolio of modern data centers in the region. Through our 11 technology campuses, we have an aggregate total designed capacity of approximately 22,488 square meters and an installed base ready for service of approximately 16,553 square meters. Data centers are mission critical facilities that are vital to the continuity of daily business operations and the protection of IT workloads. Our state-of-the-art facilities allow us to deliver a comprehensive set of IT solutions to our clients, with exceptional physical and network security, superior customer service and highly trained, skilled and certified support staff with technical expertise. Our main data centers in Mexico are built according to Tier IV specifications, providing up to four levels of redundancy with 99.999% availability. In addition, our facilities incorporate the latest features in data center design and technology, such as precision free cooling, and cold aisle containment. Our data centers were designed for modular expansion and allow significant future growth with marginal investments. The quality of our facilities and services has allowed us to build a reputation as the premier IT infrastructure outsourcing provider in the countries where we operate. In a global environment where operational continuity, data security and protection are increasingly important, our reputation as a local and reliable partner contributes to our success in the market.

Our facilities and services have achieved the highest levels of certification available in the industry, including PNT National Technology Award, Gartner Cool Vendor, ISO/IEC 27001, ISO/IEC 27017, ISO/IEC 27018, ISO/IEC 20000-1, ISO 22301, ISO 90001, ISO 14001, Google Apps Premier Enterprise Reseller, SAP Advanced Level in Hosting Services, SAP Certified in Cloud Services, SAP Certified in SAP HANA Operations Services, SAP Certified in Infrastructure Operations Services, PCI DSS - Payment Card Industry Data Security Standard, SSAE18 SOC 1 Type II Audit Report, ICREA 5, Intel Cloud Technology, High Security, High Available World

Class Quality Assurance Data Center (HSHA-WCQA) for our technology campus QRO 1 in Querétaro, Tier IV Design certification from Uptime Institute and vCloud Powered by VMware.

High-quality client portfolio supported by a tailored offering of mission-critical IT services. We provide managed IT infrastructure services and customized managed hosting solutions to our clients, including systems support and monitoring, systems management, engineering support services, data back-up, storage and cybersecurity services. In our core business, we provide these services through contracts that range between 12 to 48 months, with an average of 36 months and generally require setup investments, which create significant switching costs for our clients resulting in our low churn rate. Our top ten clients' average tenure with us is 8.3 years (excluding new contracts), almost half of KIO's existence, and our very first client has remained with us since our inception. In addition, the quality, complexity and breadth of our services, along with high migration costs associated with customized solutions, have enabled us to achieve a low client churn rate of 0.5% (measured by last four quarters revenue lost from canceled or terminated projects, divided by the previous quarter revenue) and an average customer retention rate of over 95% in our core business. We believe that the critical nature of our services for our clients results in low churn rates since our clients could risk significant operational failures if they were to switch providers. Our revenues from customers are diversified by industry, including federal government (36%), health care (16%), financial services (14%), IT (9%) and professional services (5%). Our total customers have grown at a CAGR of 32%, from 18 customers at our inception to 1,208 in 2017.

Loyal client relationships with stable recurring revenues. We serve over 1,200 enterprise clients, including some of the largest Mexican and multinational corporations and government entities in the markets where we operate. Our enterprise client portfolio is diversified by sector and industry. Given the high quality of our enterprise clients, the nature of our services, the low client turnover rate of 0.5% (measured by last four quarters revenue lost from canceled or terminated projects, divided by the previous quarter revenue) and an average customer retention rate of over 95% in our core business.

Solid growth with improved leverage profile. Our track record of consistent growth and strong EBITDA generation highlights our rigorous strategic planning, continuous innovation capacity and the quality and reliability of our services. In 2016 and 2017, our revenues grew 14.2% and 19.5%, respectively, significantly outperforming the Mexican IT services industry, which grew 4.9% and 6.8% in 2016 and 2017, respectively, according to Business Monitor International Research ("BMI"), and the overall economy, which achieved GDP growth rates of 3.2% and 1.5% in 2016 and 2017, respectively. For the year ended December 31, 2017, we had an Adjusted EBITDA (excluding discontinued operations) of Ps.1,831.8 million, representing a year-on-year growth of 11.3% and an Adjusted EBITDA margin (excluding discontinued operations) of 27.4%.

On November 17, 2017, we divested our connectivity business as part of our effort to focus our strategy on our core businesses and strengthen our capital structure. See "Summary—Recent Developments." Proceeds from this sale were used primarily to reinvest in our core business and to improve our leverage profile, including the repayment of US$270 million of our 2021 notes. The resulting debt reduction more than offset the EBITDA loss from the divested assets, lowering our net debt to Adjusted EBITDA ratio from 6.4x as of December 31, 2016 (including discontinued operations), to 2.9x as of December 31, 2017 (excluding discontinued operations).

Strong management and operating team backed by value-focused long-term shareholders. We were founded 16 years ago by our CEO and Chairman of the Board of Directors, Sergio Rosengaus, who recognized an opportunity to create a mission critical carrier-neutral data center services provider in Mexico. Our senior management team has on average been with the Company for 9 years and has been involved with the technology industry for an average period of 17 years. Our management team shares the ideals of our KIO DNA—reliability, flexibility, agility, sense of urgency, innovation and commitment—which we believe differentiate us from our competitors. Our senior management team has led KIO's expansion in Mexico and is replicating our success in other markets in Latin America and Europe. We strive to create an inclusive work environment that allows us to attract and retain top talent. Accordingly, KIO was selected as one of the great places to work in Mexico in 2017 by the Great Place to Work® Institute. KIO Networks was jointly founded by Sergio Rosengaus and the Aramburuzabala family, whose investment has been managed by its controlled entity Tresalia Capital. The sponsorship, commitment and guidance provided by Tresalia Capital throughout the years has been instrumental in positioning us as a leader in the markets where we are present.

Our Strategy

Our key strategies are:

Create a unique customer experience at an attractive value proposition. We plan to continue to leverage on our modern data centers and technology expertise to offer a personalized customer experience for a compelling value proposition. Because we are an independent IT services provider, we can design and offer our clients the best IT ecosystem infrastructure solutions that meet their particular needs. In addition, as we are carrier-neutral, our enterprise clients have flexibility to select carriers based on pricing, quality, redundancy and latency. Accordingly, we were selected to host the first Internet Exchange Point (IXP) in Mexico creating a low cost, ultra-low latency, high bandwidth access point to exchange the growing IP traffic in the country.

Our integrated market strategy provides enterprise clients with easy access and local hosting and colocation of their critical IT workloads at our state-of-the-art facilities. Our scale allows enterprise clients to host their IT systems near their trading and business partners, creating interconnected ecosystems. Building and operating modern data centers with leading-edge technology, security, power and cooling, and other elements requires significant capital investments, as well as highly specialized technical expertise. Through our data centers, enterprise clients benefit from our infrastructure's footprint, scale, and technical knowledge of our skilled experts and are served with customized IT systems outsourcing solutions at a fraction of the cost of building, maintaining and updating their own ecosystems.

Continue to build, own and operate state-of-the-art data center infrastructure. We plan to continue expanding our portfolio of state-of-the-art data centers to provide highly reliable and secure IT infrastructure and data interconnection solutions to our clients. Our core business operates the infrastructure that enables KIO to offer a comprehensive portfolio of mission critical IT services to large corporations and government entities. Our complementary business units, such as KIO Cyber Security, KIO Application Management, KIO Data Analytics, and Wingu (KIO SMB), allow us to bundle and offer a comprehensive array of services that provides cross selling opportunities between existing customers. As our client base expands, we plan to continue building new data center facilities to maintain our position as the largest outsourcing data center and managed IT infrastructure services provider in Mexico.

Continue to expand our offering with value-added complementary services. We strive to expand and diversify our portfolio services in order to address the full spectrum of our clients' business and IT needs. We believe that cybersecurity services provided through our Security Operations Centers (SOC), including hacking protection, penetration tests, firewalls and application security, among others, are key growth areas, which we are targeting through our subsidiary Sm4rt. We are also building a new state-of-the-art SOC in our Queretaro facility, which will be one of the largest, if not the largest, in Mexico. In addition, we have also identified our business continuity and our mobile data centers (ATOM) as additional services with growth opportunities. For example, our ATOM data center allows us to provide our clients solutions for data migration projects, disaster recovery plans, as well as data center capacity for temporary projects or in remote locations.

Furthermore, we believe that the market for private and public cloud services, AI and IoT are still at an early stage of development in Mexico, and we expect to capitalize on those opportunities by deploying EDGE data centers, which are smaller facilities in Mexico's Tier 2 and Tier 3 cities. Our EDGE data centers will allow our clients to approach their end users with ultra-low latency for specific applications such as content distribution networks, data aggregation, self-driving vehicles, gaming, financial transactions and local and regional IP traffic exchange.

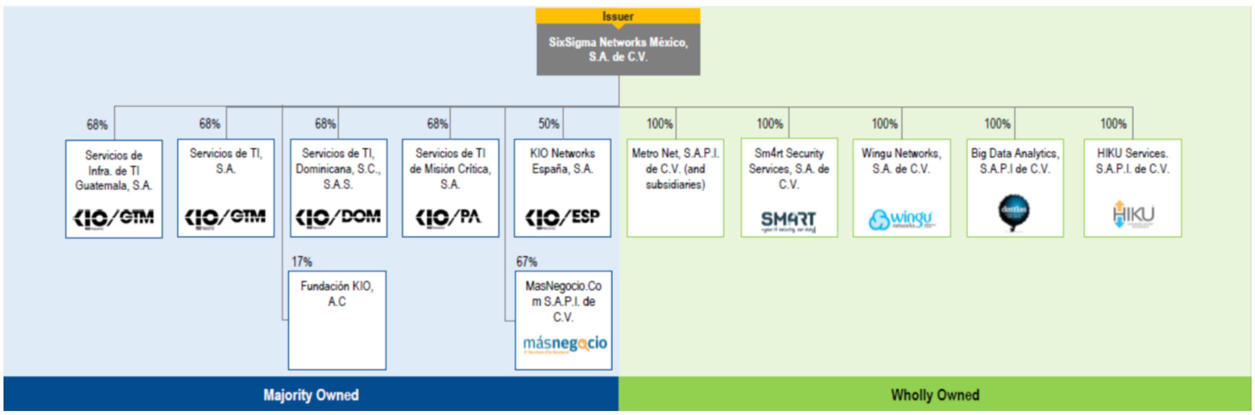
Continue to expand in new market segments and select geographies. We believe we can expand our enterprise client base, which is currently focused on large enterprises, service providers and government entities, to include the mid-market, with a IaaS, SaaS and PaaS offerings that leverage our existing capabilities. Through MásNegocio, a Mexican pioneer in offering enterprise application SaaS, Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) solutions, we plan to target the mid-size enterprise market by offering integrated local and regional cloud services with enhanced customization and customer support, adding to our revenue potential.

Through our Wingu subsidiary, we are making a targeted effort to reach SMBs and individuals, offering off-the-shelf IT solutions for customers to create and host their own web pages, purchase backup and purchase on-demand cloud-based IT services and SaaS applications, among others. We intend to continue to broaden our product portfolio in order to achieve higher participation in the low-touch, high-growth SMB segment.

We plan to continue to expand our IT services to other regions that we believe benefit from positive dynamics and high growth opportunities similar to the Mexican market, including Latin America and Spain. Our international expansion strategy may include teaming up with prominent local investment groups. Over the last six years, we have launched operations in Guatemala, Panama, the Dominican Republic and in Spain along with well-known local strategic partners.

Corporate Structure

The chart below summarizes our corporate structure.



The notes will be unconditionally guaranteed by Metro Net, S.A.P.I. de C.V., Sm4rt Security Services, S.A. de C.V. and Wingu Networks, S.A. de C.V. As of and for the twelve-month period ended December 31, 2017, the Issuer and the guarantors together represented 94% and 93% of our consolidated assets and consolidated Adjusted EBITDA (excluding discontinued operations), respectively.

Recent Developments

On November 17, 2017, we sold our subsidiary, CFCA, which holds more than 50,000 concrete poles and approximately 2,100 route miles of fiber, primarily located in Mexico’s key urban centers, to American Tower Corporation, as part of our strategy to focus our capital on our core businesses. The total cash consideration for the transaction was approximately US$500 million (inclusive of the redIT brand), subject to customary working capital adjustments. The proceeds from this sale were used to reinvest in our core business and redeem or repay certain of our outstanding indebtedness, including US$270,000,000 of our 2021 notes and lease amortizations in the ordinary course of business.

We are in discussions to enter into a revolving credit facility of up to US$20 million, to be used for working capital purposes. We are also in initial discussions towards effecting a potential redemption or repurchase, subject to applicable laws, of up to US$40 million of the Company’s equity from one of our non-controlling shareholders. No assurance can be given that we will enter into the revolving credit facility or that the share redemption or repurchase will be effected.

Corporate Information

Our global headquarters are located at Prolongación Paseo de la Reforma No. 5287, Col. Cuajimalpa, 05000, Ciudad de México, México, and our telephone number is +52-55-8503-2700.

The Offering

The following is a brief summary of certain terms of this offering and it is not intended to be complete. For a more complete description of the terms of the notes, see "Description of the Notes."

Issuer	Sixsigma Networks México, S.A. de C.V. (KIO Networks)
Notes Offered	US$300 million aggregate principal amount of 7.500% Senior Notes due 2025.
Offering Price	100.000%, plus accrued interest if any from May 2, 2018.
Maturity	May 2, 2025.
Interest	Interest will accrue at an annual rate of 7.500% and will be payable in arrears on May 2 and November 2 of each year, beginning November 2, 2018.
Guarantors	Metro Net, S.A.P.I. de C.V., Sm4rt Security Services, S.A. de C.V. and Wingu Networks, S.A. de C.V.
Guarantees	The payment of principal, interest, premium, if any, and other amounts payable on the notes will be fully, unconditionally, and irrevocably guaranteed on a senior unsecured basis by certain of our subsidiaries. See "Description of the Notes—Note Guarantees."
Optional Redemption	Prior to May 2, 2021, we may redeem the notes in whole or in part, by paying the principal amount of the notes, plus the applicable "make-whole" premium and accrued and unpaid interest to but excluding the date of redemption. On or after May 2, 2021, we may redeem all or part of the notes at any time at the redemption prices set forth in "Description of the Notes—Optional Redemption", plus accrued and unpaid interest to but excluding the date of redemption. See "Description of the Notes—Optional Redemption."
Tax Redemption	We may redeem the notes, in whole but not in part, at a redemption price equal to 100% of their principal amount plus accrued and unpaid interest and additional amounts, if any, to the redemption date, upon the occurrence of specified events relating to the applicable tax law, that result in our being required to pay additional amounts attributable to withholding taxes at a rate greater than 4.9% with respect to interest payments under the notes. See "Description of the Notes—Optional Redemption—Optional Redemption for Changes in Taxes."
Additional Amounts	Payments of interest on the notes (and amounts deemed interest, such as any discount on the principal of the notes) to investors that are non-residents of Mexico for tax purposes will generally, if the applicable

	requirements under Mexican law are met, be subject to current Mexican withholding taxes at a rate of 4.9%. See "Taxation—Certain Mexican Federal Tax Considerations—Payments of Interest." Subject to certain specified exceptions, we and the Guarantors will, jointly and severally, pay such additional amounts as may be required, so that the net amount received by the holders of the notes in respect of principal, interest or other payments on the notes, after any such withholding or deduction, will not be less than the amount each holder of notes would have received had such withholding or deduction not applied. See "Description of the Notes—Additional Amounts."
Change of Control	If we experience a Change of Control Triggering Event (as defined in the indenture governing the notes), we must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any. We may not have sufficient funds available at the time of a change of control to repurchase the notes. See "Description of the Notes—Certain Covenants—Repurchase of Notes Upon a Change of Control Event."
Ranking...	The notes will: • be our general senior unsecured obligations, guaranteed by certain of our existing subsidiaries (subject to statutory preferences, such as tax, labor and social security obligations and claims for which preferential treatment is given under the laws of Mexico, including but not limited to Mexican insolvency laws); • rank equal in right of payment with all of our and the Guarantors' existing and future unsubordinated indebtedness (subject to statutory preferences, such as tax, labor and social security obligations and claims for which preferential treatment is given under the laws of Mexico, including but not limited to Mexican insolvency laws); • rank senior in right of payment to all of our and the Guarantors' existing and future subordinated indebtedness (subject to statutory preferences, such as tax, labor and social security obligations and claims for which preferential treatment is given under the laws of Mexico, including but not limited to Mexican insolvency laws); • be effectively subordinated to all of the obligations, including trade payables, of our subsidiaries (other than the Guarantors); and • not have the benefit of any collateral and will be

effectively subordinated to all of our and the Guarantors' secured indebtedness to the extent of the value of the assets securing such indebtedness.

As of December 31, 2017, on a pro forma basis after giving effect to this offering and the application of proceeds as described under "Use of Proceeds":

- We and our subsidiaries would have had US$455.2 million of consolidated indebtedness outstanding, none of which would have been secured;
- We and the Guarantors would have had US$446.9 million of consolidated indebtedness outstanding, none of which would have been secured; and
- Our subsidiaries that are not Guarantors would have had US$8.3 million of consolidated indebtedness outstanding, none of which would have been secured.

Certain Covenants.. The terms and conditions of the notes will limit the issuer's ability and the ability of restricted subsidiaries to, among other things:

- incur additional indebtedness;
- pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness;
- make investments;
- create liens;
- create any consensual limitation on the ability of restricted subsidiaries to pay dividends, make loans or transfer property;
- engage in transactions with affiliates;
- sell assets, including capital stock of the Issuer's subsidiaries; and
- consolidate, merge or transfer assets.

These covenants are subject to a number of important exceptions and qualifications. See "Description of the Notes."

Events of Default... For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, see "Description of the Notes—Events of Default and Remedies."

Further Issuances... Subject to the limitations contained in the indenture, we may from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited

	principal amount of additional notes of the same series as the notes offered pursuant to this offering memorandum. See "Description of the Notes—Additional Notes."
Use of Proceeds	We intend to use the net proceeds from this offering (i) to redeem US$230,000,000 aggregate principal amount of our 2021 notes and pay a call premium in accordance with the terms of the 2021 notes and (ii) for general corporate purposes. See "Use of Proceeds."
Taxation	You should consult your tax advisor with respect to the Mexican federal tax considerations and the U.S. federal income tax considerations relating to owning the notes in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See "Taxation" for a summary of the Mexican federal income tax considerations and U.S. federal income tax considerations.
Governing Law	The notes, the guarantees and the indenture will be governed by, and will be construed in accordance with, the laws of the State of New York.
Listing and Trading	Application will be made to the SGX-ST for permission to deal in and the listing and quotation of the notes on the SGX-ST. Such permission will be granted when the notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the notes to the Official List of the SGX-ST and quotation of any notes on the SGX-ST are not to be taken as an indication of the merits of the offering of the notes, the Issuer, the Guarantors, their respective subsidiaries (if any), or the quality of disclosure in this offering memorandum. If the application to the SGX-ST to list the notes is approved, for so long as such notes are listed on the SGX-ST and the rules of the SGX-ST so require, such notes will be traded on the SGX-ST in a minimum board lot size of at least US$200,000. If such listing of the notes is obtained and it subsequently becomes impracticable or unduly burdensome, in our good faith determination, to maintain, due to changes in listing requirements occurring subsequent to the date of this offering memorandum, we may de-list the notes from the Official List of the SGX-ST; and, in the event of any such de-listing, we will use our best efforts to obtain an alternative admission to listing, trading and/or quotation of the notes by another listing authority, exchange or system. In these circumstances, there can be no assurance that we would be successful in obtaining such alternative admission to listing, trading and/or quotation of the notes. For information regarding the notice requirements associated with any delisting decision, see "Description

	of the Notes—Notices."
Trustee, Registrar, Paying Agent and Transfer Agent	Citibank, N.A.
Listing Agent in Singapore	Allen & Gledhill LLP
Book-Entry; Form and Denominations	The notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its direct and indirect participants including Euroclear and Clearstream. The notes will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. See "Description of the Notes."
Settlement	The notes will be delivered in book-entry form through the facilities of DTC for the accounts of its direct and indirect participants, including Euroclear and Clearstream.
Risk Factors	See "Risk Factors" in this offering memorandum for a discussion of certain relevant factors you should carefully consider before deciding to invest in the notes.
Transfer Restrictions	We have not registered the notes under the Securities Act or the securities laws of any other jurisdiction. The notes will be subject to certain restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions." As required under article 7 of the Mexican Securities Market Law and articles 24 Bis and 24 Bis 1 of the General Provisions Applicable to Securities Issuers and Other Participants in the Securities Market (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*), we will notify the CNBV of the offering of the notes outside of Mexico. The notes will not be registered with the National Securities Registry maintained by the CNBV and may not be offered or sold publicly, in Mexico, except that the notes may solely be offered privately in Mexico to Mexican qualified and institutional investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law.

Summary of Financial Data and Other Information

You should read the following summary of financial data and other information in conjunction with our Annual Audited Consolidated Financial Statements, including the notes thereto, and the information set forth in the sections "Presentation of Financial and Certain Other Information," "Selected Historical Financial Data and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum. Our Annual Audited Financial Statements for the years ended December 31, 2016 and 2015 have been retrospectively adjusted and our Annual Audited Financial Statements for the year ended December 31, 2017 has been adjusted to present CFCA, the connectivity business sold on November 17, 2017, as a discontinued operation and to classify its result of operations in a single line of the consolidated statements of comprehensive income.

The financial information as of December 31, 2017 and 2016 and for each of the years ended December 31, 2017, 2016 and 2015 has been derived from our Annual Audited Consolidated Financial Statements.

The following tables set forth our consolidated statements of comprehensive income for each of the periods presented.

	Year Ended December 31,			
	2017	**2017**	**2016**	**2015**
	(US$) (1)		**(Ps.)**	
			(in thousands)	
Statements of Comprehensive Income				
Continuing operations				
Revenue for services rendered	352,981	6,675,010	5,586,799	4,890,572
Costs of services rendered	(181,804)	(3,437,992)	(2,455,815)	(2,111,298)
Depreciation and amortization	(113,407)	(2,144,564)	(1,342,150)	(1,364,210)
Gross profit	**57,770**	**1,092,454**	**1,788,834**	**1,415,064**
Operating expenses	(104,058)	(1,967,787)	(1,538,208)	(1,161,955)
Other expenses - net	(1,650)	(31,198)	(44,493)	(397)
Operating (loss) profit	**(47,938)**	**(906,531)**	**206,133**	**252,712**
Finance income	15	292	16,324	2,169
Foreign exchange gain(3)	71,231	1,347,007	1,756,598	1,308,702
Finance expense(4)	(84,786)	(1,603,333)	(1,123,926)	(910,307)
Foreign exchange loss(5)	(25,495)	(482,115)	(3,260,611)	(2,940,251)
Loss before income tax provision	**(86,972)**	**(1,644,680)**	**(2,405,482)**	**(2,286,975)**
Income tax provision(6)	(51,624)	(976,234)	499,457	758,942
Consolidated net loss for the year from continuing operations	**(138,596)**	**(2,620,914)**	**(1,906,025)**	**(1,528,033)**
Discontinued operations				
Net income from discontinued operations	241,354	4,564,098	111,694	17,456
Consolidated net income (loss) for the year	**102,757**	**1,943,184**	**(1,794,331)**	**(1,510,577)**
Controlling interest	103,865	1,964,120	(1,776,382)	(1,471,303)
Non-controlling interest	(1,107)	(20,936)	(17,949)	(39,274)
Other Comprehensive income:				
Items that will not be subsequently reclassified to profit or loss:				
Gain on revaluation of property, plant and equipment, net of deferred taxes	—	—	1,290,338	—
Other comprehensive income arising from discontinued operation, net of deferred taxes	—	—	518,491	—

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$) (1)		(Ps.) (in thousands)	
Statements of Comprehensive Income				
Items that will be subsequently reclassified to profit or loss:				
Financial instruments, net of deferred taxes	(4,839)	(91,515)	—	—
Currency translation differences and others	(7,384)	(139,631)	127,692	(155,428)
Other comprehensive income arising from discontinued operation, net of deferred taxes	—	—	(263)	276
Consolidated comprehensive income (loss) for the year	**90,534**	**1,712,038**	**141,927**	**(1,665,729)**
Total comprehensive income (loss) for the year attributable to:				
Controlling interest	88,750	1,678,303	118,505	(1,668,448)
Non-controlling interest	1,784	33,735	23,422	2,719
Consolidated comprehensive income (loss) for the year	**90,534**	**1,712,038**	**141,927**	**(1,665,729)**

The following tables set forth our consolidated statement of financial position data as of each of the dates presented.

	As of December 31,		
	2017	2017	2016
	(US$) (2)	(Ps.) (in thousands)	
Statement of Financial Position			
Assets			
Current assets:			
Cash and cash equivalents(7)	116,715	2,303,417	583,369
Trade receivables – net	96,435	1,903,184	2,077,884
Income tax recoverable	14,199	280,227	142,696
Prepaid expenses and deferred cost	51,207	1,010,583	1,461,027
Total current assets	**278,556**	**5,497,411**	**4,264,976**
Assets held for sale	**—**	—	**240,200**
Non-current assets:			
Restricted cash held in trust	42,535	839,425	289,296
Property, machinery and equipment - net	304,579	6,010,980	6,998,866
Intangible assets – net	88,726	1,751,051	5,538,461
Goodwill	54,934	1,084,146	1,513,077
Prepaid expenses and deferred costs	39,545	780,442	1,209,875
Deferred income tax	3,552	70,110	1,210,678
Derivative financial instrument	4,344	85,726	—
Investment in joint ventures	5,218	102,984	76,941
Total non-current assets	**543,433**	**10,724,864**	**16,837,194**
Total assets	**821,989**	**16,222,275**	**21,342,370**
Liabilities and Stockholders' equity			
Current liabilities:			
Suppliers	95,961	1,893,836	2,647,386
Current portion of long-term debt	89,238	1,761,145	1,948,712

	As of December 31,		
	2017	2017	2016
	(US$) (2)	(Ps.)	
		(in thousands)	
Statement of Financial Position			
Income tax payable	30,549	602,894	—
Other accounts payable	41,688	822,730	362,919
Deferred income - current	22,770	449,370	185,400
Total current liabilities	280,206	**5,529,975**	**5,144,417**
Liabilities held for sale	—	—	**78,726**
Long-term liabilities:			
Suppliers	6,206	122,483	245,407
Long-term debt	296,830	5,858,061	11,988,310
Deferred income tax	14,011	276,504	2,025,991
Deferred income - long term	15,184	299,660	194,398
Employee benefits	448	8,849	14,020
Total long-term liabilities	332,679	**6,565,557**	**14,468,126**
Total liabilities	612,885	**12,095,532**	**19,691,269**
Stockholders' equity:			
Capital stock	187,644	3,703,215	2,939,611
Accumulated deficit	(31,365)	(618,991)	(3,245,789)
Accumulated other comprehensive income (deficit)	38,401	757,864	1,706,359
Total controlling interest	194,680	3,842,088	1,400,181
Non-controlling interest	14,424	284,655	250,920
Total stockholders' equity	**209,104**	**4,126,743**	**1,651,101**
Total liabilities and stockholders' equity	**821,989**	**16,222,275**	**21,342,370**

The following table sets forth our consolidated statement of cash flow and other financial and operational data for each of the periods presented.

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$) (1)		(Ps.)	
		(in thousands, except percentages)		
Cash Flow Data				
Net cash flows generated by operating activities	134,376	2,541,104	2,601,605	1,020,283
Net cash flows provided by (used in) investing activities	366,319	6,927,244	(1,292,134)	(1,035,657)
Net cash flows used in financing activities	(409,738)	(7,748,300)	(1,255,827)	(419,852)
Other Financial Data:				
Net margin(8)	25.6%	25.6%	2.5%	(34.1%)
Adjusted EBITDA (excluding discontinued operations)(9)	96,866	1,831,774	1,645,098	1,653,721
Adjusted EBITDA margin (excluding discontinued operations)(10)	27.4%	27.4%	29.4%	33.8%
Adjusted EBITDA (including discontinued operations)(11)	119,500	2,259,785	2,071,834	1,943,169

(1) Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(2) Converted into U.S. dollars using an exchange rate of Ps.19.7354 per U.S. dollar on December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(3) Exchange gain consists primarily of gains arising from the translation of foreign currency monetary assets and liabilities.

(4) Finance expense consists of interest payable on borrowings, including financial leases, loans and lines of credit. Interest expense is calculated by multiplying the effective interest rate by the outstanding principal amount of debt. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated cash flows through the expected life of the financial liability (or, when appropriate, a shorter period) to the net carrying amount of the financial liability.

(5) Exchange loss consists primarily of losses arising from the translation of foreign currency monetary assets and liabilities.

(6) The effective tax rate for the years ended December 31, 2017, 2016 and 2015 was 43%, 20% and 33%, respectively.

(7) Cash and cash equivalents consists mainly of cash funds, bank deposits, foreign currency balances and investments payable on demand, all highly liquid, readily convertible to cash and subject to insignificant risk for changes in value.

(8) Net margin is consolidated comprehensive income (loss) divided by revenues.

(9) We define Adjusted EBITDA (excluding discontinued operations) as gross profit plus depreciation and amortization less operating expenses plus other expenses which include expenses incurred in the sale of CFCA, non-cash charges or expenses that are not representative of our ongoing operations, costs related with divestiture and transaction expenses and other services. Our calculation of Adjusted EBITDA (excluding discontinued operations) may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial and Certain Other Information." The following table sets forth a reconciliation of Adjusted EBITDA (excluding discontinued operations) to gross profit for each of the periods presented:

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$)*		(Ps.)	
			(in thousands)	
Gross profit	57,770	1,092,454	1,788,834	1,415,064
Depreciation and amortization	113,407	2,144,564	1,342,150	1,364,210
Operating expenses	(104,058)	(1,967,787)	(1,538,208)	(1,161,955)
Other expenses	29,748	562,543	52,322	36,402
Adjusted EBITDA (excluding discontinued operations)	96,866	1,831,774	1,645,098	1,653,721

* Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(10) Adjusted EBITDA margin (excluding discontinued operations) is calculated by dividing Adjusted EBITDA (excluding discontinued operations) by revenue for services rendered.

(11) We define Adjusted EBITDA (including discontinued operations) as the Adjusted EBITDA (excluding discontinued operations) plus EBITDA from discontinued operations.

Our calculation of Adjusted EBITDA (including discontinued operations) may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial and Certain Other Information." The following table sets forth a reconciliation of Adjusted EBITDA (including discontinued operations) to Adjusted EBITDA (excluding discontinued operations) for each of the periods presented:

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$)*		(Ps.)	
			(in thousands)	
Adjusted EBITDA (excluding discontinued operations)	96,866	1,831,774	1,645,098	1,653,721
EBITDA from discontinued operations	22,634	428,011	426,736	289,448
Adjusted EBITDA (including discontinued operations)	119,500	2,259,785	2,071,834	1,943,169

* Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

RISK FACTORS

You should carefully consider the following discussion of risks, as well as all the other information presented in this offering memorandum, before investing in the notes. These risks are not the only risks that affect our business. Additional risks that are presently unknown to us or that we currently deem immaterial may also impair our business. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, financial condition and prospects.

Risks Relating to Our Business

Our business depends substantially on government contracts. Any decline in the renewal of our government contracts would harm our future operating results.

A significant portion of our business (approximately 59% of our revenues as of December 31, 2017) consists of contracts for managed IT services with Mexican government entities. The Mexican government entities generally conduct a public bidding process or a direct adjudication for these contracts. Such government contracts are typically 12 to 48 months in term, with an average term of 33 months, after which the government entities once again require bids or a direct adjudication. The government entities have no obligation to renew the contracts upon expiration, and we cannot assure you that they will continue to renew our contracts and if renewed that we will be able to charge them at the same rate or prices.

Companies entering into contracts with Mexican government entities must sign the agreements prepared by the government agency during the public bidding process or the direct adjudication contract process. The agreement usually contains provisions that mirror those contained in the Mexican Law on Acquisitions, Leasing and Services for the Public Sector (*Ley de Adquisiciones*, *Arrendamientos y Servicios del Sector Público*) and its regulations.

Government contracts generally provide for optional early termination by the government, placement of performance bonds by the contractor, events of default and penalties for non-compliant services (including the collection of liquidated damages), among others. The agreements also specifically establish the scope of services contracted by the government agency and the prices for the services. Payment of invoices is subject to the prior approval of the services rendered by the government agency. In the event that the government agency terminates the agreement in advance, the company may collect, depending on what is provided for in the agreement, only for non-recoverable expenses that are directly connected to the project.

According to the Mexican Law on Acquisitions, Leasing and Services for the Public Sector, any company may be disqualified (*inhabilitado*) by the Ministry of Internal Public Affairs (*Secretaría de la Función Pública*) from executing further contracts with any federal government agency if it fails to comply with its contractual obligations. The disqualification (*inhabilitación*) period may be from three months to five years.

As contracts with government entities constitute a significant portion of our revenues, any disqualification (*inhabilitación*) from executing further contracts with government entities, even if short-lived, would have a material adverse effect on our business, financial condition and results of operations.

Our business depends on customers renewing their contracts with us. Any decline in our customer renewals would harm our future operating results.

In order for us to maintain or improve our operating results, we depend on our customers' renewal of their contracts with us when their existing contract term expires. Our customers have no obligation to renew their contracts upon expiration, and we cannot assure you that customers will renew their contracts at the same or higher level of service, if at all.

Our retention rate may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our services, the effectiveness of our customer support services, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, the effects of global economic conditions or reductions in our customers' spending levels. If our customers do not renew their contracts or renew on less favorable terms, our revenue may decline, and we may not realize improved operating results from our customer base.

In addition, the growth of our business depends in part on our customers expanding their use of our services. As we have introduced new services throughout our operating history, our existing customers have constituted a significant portion of the users of such services. If we are unable to encourage our customers to broaden their use of our services, our business, financial condition and results of operations may be materially and adversely affected.

We have been dependent on a few major customers for a significant portion of our revenue. Our revenue could decline if we are unable to maintain or develop relationships with additional customers, and our results of operations could be adversely affected if any one of these customers reduces its demand for our services or is unable to meet its financial obligations to us.

During the year ended December 31, 2017, our top ten customers accounted for approximately 55% of our total revenues. If we are unable to diversify our customer base, our future results will be heavily dependent on these customers. Our dependence on a limited number of customers means that the loss of a major customer or any reduction in contracts by a major customer would materially reduce our revenues and adversely affect our results of operations. These customers or our other customers may not use our services at current levels in the future, if at all. If any one of these customers reduces its demand for our services, or if it is unable to pay us in full for the services that we have provided, it could have a material adverse effect on our business, financial condition and results of operations.

If we are not able to provide successful enhancements, new features and modifications to our services, our business could be adversely affected.

Our industry is marked by rapid technological developments and new and enhanced applications and services. If we are unable to provide enhancements and new features for our existing services or new services that achieve market acceptance or that keep pace with rapid technological developments, our business could be adversely affected. In addition, because our services are designed to operate on a variety of systems, we will need to continuously modify and enhance our services to keep pace with changes in IT-related hardware, computing operating systems, and other software, information analytics and database technologies. We may not be successful in either developing these modifications and enhancements or in bringing them to market in a timely fashion. Furthermore, modifications to existing platforms or technologies and the acquisition or development may require significant capital investments. Any failure of our services to operate effectively with future network platforms and technologies could reduce the demand for our services, result in customer dissatisfaction and adversely affect our business.

Our data center infrastructure may become obsolete, and we may not be able to upgrade our power and cooling systems cost-effectively, or at all.

The markets for the data centers we own and operate, as well as the industries in which our customers operate, are characterized by rapidly changing technology, evolving industry standards, frequent new service introductions, shifting distribution channels and changing customer demands. Our data center infrastructure may become obsolete due to the development of new systems to deliver power to or eliminate heat from computing data halls and/or the servers that we house.

Additionally, our data center infrastructure could become obsolete as a result of the development of new server technology that does not require the levels of critical load and heat removal that our facilities are designed to provide and could be run less expensively on a different platform. In addition, our power and cooling systems are difficult and expensive to upgrade. Accordingly, we may not be able to efficiently upgrade or change these systems to meet new demands without incurring significant costs that we may not be able to pass on to our customers. The obsolescence of our power and cooling systems could have a material adverse effect on our business, financial condition and results of operations.

If we overestimate or underestimate requirements for data center capacity or IT and computing equipment, our operating results could be adversely affected.

The costs associated with expanding and maintaining our data centers and capital expenditures for IT and computing equipment constitute a significant portion of our capital and operating expenses. We continuously evaluate our short- and long-term data center capacity requirements to ensure adequate capacity for new and existing customers while minimizing unnecessary excess capacity investment and costs. If we overestimate the demand for data center and managed IT infrastructure services solutions and therefore secure excess data center capacity, our operating margins could be reduced. If we underestimate our data center capacity and IT and computing equipment requirements, we may not be able to service the expanding needs of new and existing customers and may be required to limit new customer acquisition, which would impair our revenue growth.

We seek to sell our solutions to government entities and medium and large enterprises. Sales to and support of these types of customers involve risks that could harm our business, financial position and results of operations.

Our growth strategy is dependent, in part, upon increasing sales of our solutions to government entities and medium and large enterprises. Sales to such customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller entities. These risks include:

- more complicated service requirements, which result in more difficult and time-consuming implementation processes;
- more intensive and time-consuming customer support practices;
- increased purchasing power and leverage held by large customers in negotiating contractual arrangements with us;
- more pressure for discounts;
- more customer-favorable contractual terms, including penalties and stricter Service Level Agreements;
- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential customer that ultimately elects not to purchase our solution or purchases fewer licenses than we had anticipated;
- closer relationships with, and dependence upon, large technology companies that offer competing solutions; and
- increased reputational risk as a result of data breaches or other problems involving high profile customers.

If we are unable to increase sales of our solutions to government entities and medium and large enterprises while mitigating the risks associated with serving such customers, it would have a material adverse effect on our business, financial condition and results of operations.

We face significant competition and may be unable to enter into new contracts with customers, which may adversely affect our business, financial condition and results of operations.

We compete with numerous operators of technology-related infrastructure and data centers, many of which own or lease properties similar to ours in the same markets, as well as various other public and privately held companies that may provide managed IT infrastructure services solutions and data center services. In addition, we may face competition from new entrants into the managed IT services and data center markets. Some of our competitors may have significant advantages over us, including greater name recognition, longer operating histories, lower operating costs, pre-existing relationships with current or potential customers and greater financial, marketing and other resources. These advantages could allow our competitors to respond more quickly to strategic opportunities or changes in our markets. If our competitors offer managed IT infrastructure services solutions and data center services that our existing or potential customers perceive to be superior to ours based on numerous factors, including security considerations, location or network connectivity, or if they offer prices below our or current market rates, we may lose existing or potential customers, incur costs to improve our service offerings or be forced to reduce our prices.

The long sales cycle for managed IT infrastructure services solutions and data center services may adversely affect our business, financial condition and results of operations.

A customer’s decision to use our data centers and to purchase managed IT or other services typically involves a significant commitment of resources, significant contract negotiations regarding the service level commitments, and significant due diligence on the part of the customer regarding the adequacy of our facilities. As a result, the sale of data center services and managed IT infrastructure services solutions has a long sales cycle. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer that may not result in revenue. Our inability to adequately manage the risks associated with our sales cycle may adversely affect our business, financial condition and results of operations.

Our portfolio of properties consists primarily of data center space in which we offer managed IT infrastructure services solutions. A decrease in the demand for data center space and managed IT infrastructure services solutions would have a greater adverse effect on our business, financial condition and results of operations than if we owned a portfolio of properties with a less specialized use.

Adverse developments in the outsourced data center and managed IT infrastructure services industry could lead to reduced corporate and government IT spending or reduced demand for our outsourced data center services and managed IT infrastructure services solutions. Changes in industry practice or in technology, such as server virtualization technology, more efficient or miniaturization of computing devices, or devices that require higher power densities than today’s computing devices, could make customer improvements in our facilities obsolete or in need of significant upgrades to remain viable. Any reduction in demand or required changes could adversely affect our business, financial condition and results of operations.

Our customers may choose to develop new data centers or expand their own existing data centers, which could result in the loss of one or more key customers or reduce demand for our existing or newly developed data centers.

In the future, our customers may choose to develop new data centers or expand or consolidate into their existing data centers that we do not own. Customers may also expand their internal resources and IT facilities. In the event that any of our key customers were to do so, it could result in a loss of business to us or put pressure on our pricing. If we lose a customer, we cannot assure you that we would be able to replace that customer at a competitive rate or at all, which could adversely affect our business, financial condition and results of operations. A decrease in the demand for data center and managed IT infrastructure services solutions could adversely affect our business, financial condition and results of operations.

We do not own all of the land on which our technology campuses are located. Instead, we lease or sublease the land on which certain of our technology campuses are built, and the ability to retain these leases or subleases on favorable terms could be a significant risk to our ongoing operations.

We have 11 technology campuses in seven metropolitan areas in five countries, representing approximately 16,553 square meters of space. We lease some of our buildings and in some cases also lease the land. We have seven technology campuses in Mexico, one of which (KIO Queretaro) was built on land that we own and the remaining six were built on leased land.

Our business could be harmed if we are unable to renew the land leases on favorable terms. Our land leases have initial terms ranging between five and 20 years in length. Some lease agreements provide for an option to renew our land leases for additional periods. The land lease for KIO Santa Fe will expire in 2020, and the land lease for KIO Business Park will expire in 2018. The land lease for KIO MEX 3 will expire in 2019, and the land lease for KIO MEX 4 will expire in 2024. When the initial terms of our existing leases expire, we generally have the unilateral right to extend the terms of our leases for one or more renewal periods. For some of these leases and subleases, the renewal rent will be determined based on the fair market value of land lease rates for the property, and the then prevailing lease rates may be higher than the current lease rates. If renewal rates are less favorable than those we currently have, we may be required to increase revenues to offset such increase in lease payments. Failure to increase revenues to sufficiently offset these projected higher costs would adversely impact our operating income. At the end of our renewal options, we would have to renegotiate our lease terms with the landlord, and we cannot be certain that the new terms will be similar to our current terms, which could adversely affect our business, financial condition and results of operations. See “Business—Technology Campus and Data Center Operations.”

If we are unable to maintain and promote our brand, our business and operating results may be harmed.

We believe that maintaining and promoting our brand is critical to expanding our customer base. Maintaining and promoting our brand will depend largely on our ability to continue to provide useful, reliable and innovative services, which we may not do successfully. We may introduce new features, products, services or terms of service that our customers do not like, which may negatively affect our brand and reputation. Additionally, the actions of third parties may affect our brand and reputation if customers do not have a positive experience using services that are integrated with KIO Networks. Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and operating results could be adversely affected.

A security breach, cyberattacks or other breaches of the network or IT security could delay or interrupt service to our customers, harm our reputation or subject us to significant liability.

Our operations depend on our ability to protect our network and systems against interruption by damage from unauthorized entry, computer viruses, denial of service attacks and other security threats beyond our control. We may be subject to denial or disruption of service, attacks by hackers intent on disrupting service to our customers and illegal or abusive content on our or our customers' websites. We cannot guarantee that our backup systems, regular data backups, security protocols, network protection mechanisms and other procedures currently in place, or that may be in place in the future, will be adequate to prevent network and service interruption, system failure, damage to one or more of our systems or data loss. Also, some of our products are cloud-based, and the amount of data we store for our customers on our servers has been increasing as our business has grown. Despite the implementation of security measures, our infrastructure may be vulnerable to computer viruses, worms, other malicious software programs, illegal or abusive content or similar disruptive problems caused by our customers, employees, consultants or other Internet users who attempt to invade or disrupt public and private data networks. Any actual or perceived breach of our security could damage our reputation and brand, expose us to a risk of loss or litigation and possible liability, require us to expend significant capital and other resources to alleviate problems caused by the breach, and deter customers from using our products, any of which would harm our business, financial condition and operating results.

Furthermore, our technologies, systems, networks, and those of our business partners, may become the target of cyberattacks or information security breaches that could result in the unauthorized release, misuse or loss of confidential information, or other disruption of our business operations. Our business is highly dependent on our technology infrastructure and that of our service providers, and we are not immune to attacks against our or their network or systems. Although we have not experienced any material loss related to cyberattacks, there can be no assurance that we will not be the target of cyberattacks in the future that could adversely affect our operations or financial condition. In addition, if we fail to prevent the theft of valuable information such as financial data and sensitive information about us, or if we fail to protect the privacy of customer and employee confidential data, our business could be adversely affected. As cyber threats continue to evolve, we may be required to incur additional expenses to enhance our protective measures or to remediate any information security vulnerability.

If we fail to manage effectively our technical and infrastructure operations, our customers may experience service outages and delays in the further deployment of our services, which may adversely affect our business.

We have experienced significant growth in the number of users and the amount of computing and data that our technical and infrastructure operations support. We seek to maintain sufficient excess capacity in our infrastructure operations to meet the needs of all of our customers. We also seek to maintain excess capacity to facilitate the rapid provisioning of new customer deployments and the expansion of existing customer deployments. In addition, we need to manage properly our technological operations in order to support version control, changes in hardware and software parameters and the evolution of our services. However, the provision of new data center services, managed IT infrastructure services solutions and hosting infrastructure requires significant lead-time. We have experienced, and may in the future experience, connectivity disruptions, outages and other performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time, which may harm our reputation and operating results. Furthermore, if we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our infrastructure operations fail to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and our revenue.

We are required to maintain, repair, upgrade, and replace our data centers, and our failure to do so could harm our business, financial condition and results of operations.

Our business requires that we maintain, repair, upgrade, and periodically replace our data centers. This requires and will continue to require management time and the periodic expenditure of capital. In the event that we fail to maintain, repair, upgrade, or replace essential portions of our data centers, it could lead to a material degradation in the level of service that we provide to our customers, which would adversely affect our business. Our data centers can be damaged in a number of ways, including by other parties engaged in construction close to our data centers. In the event of such damage, we will be required to incur expenses to repair the data centers in order to maintain services to customers. We could be subject to significant data centers repair and replacement expenses in the event a terrorist attack or a natural disaster damages our data centers. Further, the operation of our data centers requires the coordination and integration of sophisticated and highly specialized equipment. Our failure to maintain or properly operate this equipment can lead to degradations or interruptions in customer service. Our failure to provide proper customer service could result in claims from our customers for credits or damages, could lead to early termination of contracts, and could damage our reputation for service, thereby limiting future sales opportunities.

We depend in part on third parties to provide network connectivity to the customers in our data centers, and any delays or disruptions in connectivity may adversely affect our business, financial condition and results of operations.

Our customers require connectivity to the fiber networks of multiple third-party telecommunications carriers. In order for us to attract and retain customers, our data centers need to provide sufficient access for customers to connect to those carriers. While we provide space and facilities in our data centers for telecommunications carriers to locate their equipment and connect customers to their networks, any telecommunications carrier may elect not to offer its services within our data centers or may elect to discontinue its service. Furthermore, telecommunications carriers may periodically experience business difficulties which could affect their ability to provide telecommunications services, or the service provided by a telecommunications carrier may be inadequate or of poor quality. If telecommunications carriers were to terminate connectivity within our data centers or if connectivity were to be degraded or interrupted, it could put that data center at a competitive disadvantage compared to a competitor’s data center that does provide adequate connectivity. A material loss of adequate third-party connectivity could have an adverse effect on the businesses of our customers and, in turn, our own results of operations and cash flow.

A failure by the third parties to comply with service level agreement or regulatory or legal requirements, in a high quality and timely manner, particularly during periods of our peak demand for their services, could result in economic and reputational harm to us. In addition, these third parties face their own technology, operating, business and economic risks, and any significant failures by them could cause harm to our reputation. An interruption in or the cessation of service by any service provider as a result of systems failures, capacity constraints, financial difficulties or for any other reason could disrupt our operations, impact our ability to offer certain services, and result in contractual or regulatory penalties, liability claims from clients and/or employees, damage to our reputation and harm to our business.

Furthermore, each new data center that we develop requires significant amounts of capital to be expended by third-party telecommunications carriers for the construction and operation of a sophisticated redundant fiber network. The construction required to connect multiple telecommunications carrier facilities to our data centers is complex and involves factors outside of our control, including regulatory requirements, the availability of construction resources and the sufficiency of such third-party telecommunications carriers’ financial resources to fund the construction. If the establishment of highly diverse network connectivity to our data centers does not occur, is materially delayed, is discontinued or is subject to failure, our results of operations and cash flow may be adversely affected. Any hardware or fiber failures on this network may result in significant loss of connectivity to our data centers, which could negatively affect our ability to attract new customers or retain existing customers.

The terms to which we agree in our Service Level Agreements or other contracts may result in increased costs or liabilities, which would in turn affect our results of operations.

Our Service Level Agreement includes indemnification provisions and provides for service credits for system unavailability, and loss, damage or costs resulting from use of our system. If we were required to provide any of these in a material way, it would have a material adverse effect on our business, financial condition and results of operations.

We rely on third parties for leasing of IT equipment and certain financial and operational services essential to our ability to manage our business. A failure or disruption in these leases or services could materially and adversely affect our ability to manage our business effectively.

We rely on third-party vendors to lease us the IT equipment, including hardware and software, that we use to provide our managed IT infrastructure services solutions. We depend on these vendors to provide us with high-quality equipment that is free of defects that could cause disruptions in our business processes. We also depend on our vendors to continue to lease us equipment at competitive prices. Any defects in the equipment we use or an increase in the prices we have to pay to lease such equipment would adversely affect our ability to operate and manage our operations.

We also rely on third parties for certain maintenance services. We depend upon these vendors providing us with services that are always available and are free of errors or defects that could cause disruptions in our business processes, which would adversely affect our ability to operate and manage our operations.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties, such as alliance partners, distributors, system integrators and developers. Identifying partners and negotiating and documenting relationships with them, requires significant time and resources. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of current and potential customers, as our partners may no longer facilitate the adoption of our services by potential customers.

If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may be materially and adversely affected. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our services or increased revenue. Furthermore, if our partners fail to perform as expected, our reputation may be harmed and our business, financial condition and results of operations could be materially and adversely affected.

Any failure to protect our trademarks could have a negative impact on the value of our brand names and adversely affect our business.

We believe our trademarks are an important component of our business. We rely on trademark laws to protect our proprietary rights. The success of our business depends in part upon our continued ability to use our trademarks to increase brand awareness and further develop our brand in both the Mexican and international markets. Monitoring the unauthorized use of our intellectual property is difficult and burdensome. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and diversion of resources, may result in counterclaims or other claims against us, divert management attention and could significantly harm our results of operations. From time to time, we apply to have certain trademarks registered. There is no guarantee that such trademark registrations will be granted. We cannot assure you that all of the steps we have taken to protect our trademarks in Mexico will be adequate to prevent imitation of our trademarks by others. The unauthorized reproduction of our trademarks could diminish the value of our brand and its market acceptance, competitive advantages or goodwill, which could adversely affect our business.

Privacy concerns relating to IT could damage our reputation and deter existing and new customers from using our products.

From time to time, concerns have been expressed about whether IT products or processes compromise the privacy of customers and others. Concerns about our practices with regard to the collection, use, disclosure or security of personally identifiable information or other privacy related matters, even if unfounded, could damage our reputation and adversely affect our business and results of operations. In addition, some of our products are cloud-based and thus the amount of data we store for our customers on our servers (including personally identifiable information) has been increasing. Any systems failure or compromise of our security that results in the release of our users' or customers' data could seriously limit the adoption of our product offerings, as well as harm our reputation and brand and, therefore, our business. We expect to continue to expend significant resources to protect against security breaches. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of cloud-based products we offer and operate.

We are susceptible to failures to comply with the Mexican laws relating to the protection of our customers' data.

We are subject to the provisions contained in the Mexican Federal Law for the Protection of Personal Data Held by Private Entities (*Ley Federal de Protección de Datos Personales en Posesión de los Particulares*) and strive to comply at all times with its provisions. However, given the nature of our business operations and the complexities associated with the protection of digital data and the management of our hardware, software, network environment, applications and other IT allowing for the exchange or processing of data, we are at risk of non-compliance with these provisions. Any failure or perceived failure by us to comply with privacy or security laws, policies, industry standards or legal obligations or any security incident that results in the unauthorized access to, or acquisition, release or transfer of, personally identifiable information or other customer data may result in government enforcement actions, litigation, fines and penalties or adverse publicity and could cause our customers to lose trust in us, which could have an adverse effect on our reputation, results of operation and business.

We expect that there will continue to be new proposed laws, regulations and industry standards concerning privacy, data protection and information security in Mexico and other jurisdictions, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. Any such new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations.

We are both a holding and operating company and depend in part on the operating results of our subsidiaries.

We are both a holding and an operating company. Accordingly, we depend in part on the results of operations of our subsidiary companies. Our ability to service our debt and other obligations, including the notes, depends on the generation of cash flow by us and our subsidiaries, and our subsidiaries' ability to make such cash available to us in the form of interest payments, debt repayment, or dividends, among others. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the notes, or honor our other obligations. Any adverse change in the financial condition or results of operations of our subsidiaries could affect our financial condition.

The loss of access to key third-party technical service providers and suppliers could adversely affect our current and any future development projects.

Our success depends, to a significant degree, on having timely access to certain key third-party technical personnel who are in limited supply and great demand, such as engineering firms and construction contractors capable of developing our properties, and to key suppliers of electrical and mechanical equipment that complement the design of our data center facilities. For any future development projects, we will continue to rely on these personnel and suppliers to develop data centers. Competition for such technical expertise is intense, and there are a limited number of electrical and mechanical equipment suppliers that design and produce the equipment that we require. We may not always have or retain access to such key service providers and equipment suppliers, which could adversely affect our current and any future development projects.

Any losses to our properties that are not covered by insurance, or that exceed our policy coverage limits, could adversely affect our business, financial condition and results of operations.

The properties in our portfolio are subject to casualty risks, including from causes related to riots, war, terrorism or acts of God. For example, our properties located in Mexico and the Dominican Republic are generally subject to risks related to tropical storms, hurricanes and other severe weather and floods. While we carry commercial liability, fire, extended coverage, earthquake, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket policy, the amount of insurance coverage may not be sufficient to fully cover the losses we suffer.

If we experience a loss that is uninsured or that exceeds our policy coverage limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties were subject to recourse indebtedness, we could continue to be liable for the indebtedness even if these properties were irreparably damaged.

In addition, even if damage to our properties is covered by insurance, a disruption of our business caused by a casualty event may result in the loss of business or customers. The business interruption insurance we carry may not fully compensate us for the loss of business or customers due to an interruption caused by a casualty event.

A disruption in the financial markets may make it more difficult to evaluate the stability, net assets and capitalization of insurance companies and any insurer's ability to meet its claim payment obligations. A failure of an insurance company to make payments to us upon an event of loss covered by an insurance policy could adversely affect our business, financial condition and results of operations.

We may be subject to unknown or contingent liabilities related to properties or businesses that we acquire for which we may have limited or no recourse against the sellers.

Assets and entities that we have acquired or may acquire in the future may be subject to unknown or contingent liabilities for which we may have limited or no recourse against the sellers. Unknown or contingent liabilities might include liabilities for clean-up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification is often limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses.

As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our business, financial condition and results of operations. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. While the sellers are generally contractually obligated to pay all losses and other expenses relating to such retained liabilities, there can be no guarantee that such arrangements will not require us to incur losses or other expenses as well.

Cross-defaults under, and/or acceleration by lenders of, our debt obligations could result in significant liquidity problems and have a material adverse effect on our business, financial condition and results of operations.

Our debt agreements contain various financial and other covenants relating to the maintenance of certain ratios, including interest coverage ratios and leverage ratios. A breach of such covenants could give rise to a default, which could entitle our lenders to accelerate the loans provided under these agreements and/or refuse to provide us with any additional funds under the facilities. We cannot assure you that we will be in compliance with our financial covenants in the future or that lenders will grant waivers to us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness." We also cannot assure you that one or more of our lenders under these loan agreements would not seek to enforce any remedies following any breach of financial covenants or an event of default thereunder. In addition, most of our loan agreements contain cross-default provisions, which would entitle the lenders to accelerate repayments under their respective loan facilities upon the occurrence of a default in our other borrowings. Any acceleration of our indebtedness may have a significant effect on our liquidity and may materially and adversely affect our business, financial condition and results of operations.

Future acquisitions and investments could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our services and grow our business in response to changing technologies, customer demands, and competitive pressures. In some circumstances, we may choose to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;

- coordination of research and development and sales and marketing functions;
- retention of key employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- liability for activities of the acquired company before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- unanticipated write-offs or charges; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses or the write-off of goodwill, any of which could harm our financial condition or operating results.

We may not be able to generate sufficient cash flows from our operations or obtain sufficient funds from external sources to fund acquisitions. Our ability to access financial markets in sufficient amounts and on acceptable terms to finance acquisitions will depend to some degree on prevailing capital and financial market conditions over which we have control.

Any loss of key personnel or our inability to hire skilled personnel may adversely affect our business.

Our business depends in significant part upon the contributions of a number of our key senior management and personnel, in particular our senior management team, engineers, project managers, sales representatives, and customer support representatives. The loss of the services of one or more members of our senior management or other employees with critical skills could have a negative effect on our business, results of operations, financial condition and prospects. If we are not successful in retaining or attracting highly qualified individuals in key management and other positions, our business may be adversely affected. If qualified people or the necessary expertise cannot be obtained or cannot be obtained at satisfactory rates, this could result in delays to or higher costs in respect of our ongoing operations, strategic objectives and the development of our projects.

Any deterioration of labor relations with our employees or increase in labor costs could adversely affect our business, results of operations and financial condition.

Although we believe our labor relations with our employees and contractors are good, there can be no assurance that a work slowdown, a work stoppage or strike will not occur at any of our facilities or development projects or prospects. There have been a number of instances in recent years of companies facing industrial action and work stoppages at their Latin American operations which, in certain instances, have led to the operations being shut down. Furthermore, under Mexican law, it is permissible for employees to engage in industrial action, including work stoppages, together with unionized employees of other companies who are engaged in a dispute, despite the absence of any dispute with their own employer. Work slowdowns, stoppages, disputes with employee unions or other labor-related developments or disputes could result in a decrease in our sales and adverse publicity, which could have a material adverse effect on our business, results of operations and financial condition.

Our operations in Mexico are subject to the Federal Labor Law (*Ley Federal del Trabajo*) ("LFT") and other labor laws and regulations. The LFT provides a specific regulation for employee outsourcing services. Our business, results of operations and financial condition may be materially and adversely affected as a result of any increases in labor costs or modified labor conditions. In particular, we could be considered an employer of the employees of our contractors if certain requirements are not met, and as such could be required to pay additional labor benefits, which could have a material adverse effect on our business, financial condition and results of operations.

Legal proceedings could adversely impact our financial condition and results of operations.

From time to time we are involved in various lawsuits, regulatory proceedings and similar matters incidental to the ordinary operations of our business. These legal proceedings could result in unfavorable verdicts, fines or other sanctions that could adversely affect our liquidity, business, financial condition and results of operations. For further details on our legal proceedings, see "Business—Legal Proceedings."

We could incur significant costs related to environmental matters.

We are subject to laws and regulations relating to the protection of the environment, including those governing the management and disposal of hazardous materials, the cleanup of contaminated sites and health and safety matters. We could incur significant costs, including fines, penalties and other sanctions, cleanup costs and third-party claims for property damages or personal injuries, as a result of violations of or liabilities under environmental laws and regulations. Some environmental laws impose liability on current owners or operators of property regardless of fault or the lawfulness of past disposal activities. For example, many of our sites contain above ground fuel storage tanks and, in some cases, currently contain or formerly contained underground fuel storage tanks, for back-up generator use. Some of our sites also have a history of previous commercial operations. We also may acquire or develop sites in the future with unknown environmental conditions from historical operations. Although we are not aware of any sites at which we currently have material remedial obligations, the imposition of remedial obligations as a result of spills or the discovery of contaminants in the future could result in significant additional costs. We also could incur significant costs complying with current environmental laws or regulations or those that are promulgated in the future.

The historical financial information in this offering memorandum is not indicative of future results.

Our periodic operating results could fluctuate for many reasons, including many of the risks described in this section, which are outside of our control. Therefore, our past results of operations are not indicative of our future results of operations. Our Annual Audited Financial Statements for the years ended December 31, 2016 and 2015 have been retrospectively adjusted and our Annual Audited Financial Statements for the year ended December 31, 2017 has been adjusted to present CFCA, the connectivity business sold on November 17, 2017, as a discontinued operation and to classify its result of operations in a single line of the consolidated statements of comprehensive income.

We prepare our financial statements in accordance with IFRS, which differ materially from U.S. GAAP.

Our consolidated financial statements, including those contained in this offering memorandum, are prepared in conformity with IFRS which is a body of guidance issued by the IASB. There are differences between IFRS and U.S. GAAP, as well as different interpretations of each. If U.S. GAAP were to be applied to our financial statements, there could be significant differences.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in the countries in which we operate. Any violation of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of the countries in which we operate. In addition, we are subject to regulations on economic sanctions that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

Risks Relating to Mexico

Changes in Mexican federal governmental policies, as well as economic, political and social developments in Mexico and other countries, could have an adverse effect on our business, financial condition and results of operations.

We are organized under the laws of Mexico and most of our assets and business operations are located in Mexico. As a result, we are exposed to political, economic, legal and regulatory risks that are specific to Mexico. The Mexican government has exercised and continues to exercise significant influence over the Mexican economy. Accordingly, Mexican governmental actions concerning the economy could have a material effect on Mexican private sector entities in general, and on us in particular, as well on market conditions, prices and returns on the securities of Mexican issuers. The Mexican government has in the past intervened in the local economy and occasionally makes significant changes in policies and regulations, which it could continue to do in the future. Such actions to control inflation and other regulations and policies have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, limits on imports and other actions. Our business, financial condition, results of operations and our ability to comply with our obligations under the notes may be adversely affected by changes in governmental policies or regulations involving or affecting our management, our operations and our tax regime.

National presidential elections in Mexico are set to take place in July 2018, and could result in political and economic instability. The Mexican president strongly influences new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition, results of operations and prospects. Furthermore, although as of the date of this offering memorandum no political party holds a simple majority in either house of the Mexican Congress, Mexico's next federal legislative election will be held in July 2018. We cannot provide any assurances that these events, over which we have no control, will not have an adverse effect on our business, financial condition and results of operations.

We cannot predict the impact that these political conditions will have on the Mexican economy. Furthermore, our business, financial condition, results of operations and prospects may be affected by currency fluctuations, price instability, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. We cannot assure you that political developments in Mexico or changes in Mexican laws, regulations and/or public policies will not adversely affect our business, financial condition, results of operations and prospects.

Furthermore, economic conditions in Mexico are highly correlated with economic conditions in the United States as a result of NAFTA and increased economic activity between the two countries. Following the U.S. elections in November 2016 and the change in the U.S. administration for the four-year period from 2017 to 2020, there is uncertainty regarding future U.S. policies with respect to matters of importance to Mexico and its economy, particularly including trade and migration. Negotiations among the United States, Mexico and Canada to revise and update NAFTA began on August 16, 2017. The U.S. administration has stated that if it is unable to reach a deal that is satisfactory to it in the NAFTA renegotiations, it may terminate NAFTA. There can be no assurance as to what the outcome of the NAFTA renegotiations will be, and the impact of these measures or any others adopted by the U.S. cannot be predicted.

In addition, the Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers.

Developments in any of these areas or other related events could have a material adverse effect on the Mexican economy and on our business and results of operations, as well as the price of our notes.

Exchange rate fluctuations and the devaluation or depreciation of the local currencies of the countries in which we operate could limit our ability to convert such currencies into U.S. dollars or other currencies and have a material adverse effect on our business, financial condition and results of operations.

Any decrease in the value of our local currencies would lead to an increase in some costs and capital expenditures. Given that most of our revenues are denominated in pesos, any decrease in the relative value of the currencies in which our costs and capital expenditures are denominated, to the U.S. dollar, could lead to an increase in our operating costs and, accordingly, adversely affect our results of operations. In addition, severe devaluations or depreciations of our local currencies may result in governmental intervention or destabilize the international foreign exchange markets, which could limit our ability to convert our local currencies into U.S. dollars or other currencies in order to satisfy our foreign-denominated obligations.

In the past, the Mexican economy has experienced balance of payments deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to foreign currencies, including U.S. dollars, it has done so in the past and could do so again in the future. We cannot assure you that the Mexican government will not implement a restrictive exchange control policy in the future. Any such restrictive exchange control policy could prevent or restrict our access to U.S. dollars to meet our U.S. dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations.

High inflation rates may adversely affect our results of operations.

Historically, Mexican inflation rates have been high. In 2015, 2016 and 2017, Mexico's annual inflation, as measured in terms of the changes in the Mexican National Consumer Price Index was 2.1%, 3.3% and 6.6%, respectively. High inflation rates may adversely affect our results of operations due to the following:

- Inflation may adversely affect the consumers' purchasing power and, in turn, the demand for our products and services; and
- To the extent that the rate of inflation exceeds the pace at which we are able to increase our prices, our prices and revenues would decrease in real terms.

Any increase in domestic interest rates in Mexico could lead to an increase in our finance costs.

Mexico has experienced high interest rates, both in nominal and real terms. According to *Banco de México*, in 1999, 2000 and 2001 the average interest rate for the 28-day Mexican treasury certificates was 21.3%, 15.3% and 11.3%, respectively. While this rate decreased to 7.1% in 2002, 6.2% in 2003, 6.8% in 2004, 9.2% in 2005, 7.2% in 2006, 7.2% in 2007, 7.7% in 2008, 5.4% in 2009, 4.4% in 2010, 4.2% in 2011, 4.2% in 2012, 3.8% in 2013, 3.0% in 2014, 3.0% in 2015, 4.2% in 2016 and 6.7% in 2017, we cannot assure you that interest rates will remain at the current levels. Accordingly, in the event we incur additional debt in the future, such debt could bear interest at rates higher than the currently prevailing rates, which could have a material adverse effect on our business, financial condition and results of operations.

Changes in U.S. policy towards Mexico may impact our results of operation and prospects.

The 2016 U.S. presidential election and the change in the U.S. administration have had an impact on the worldwide economy and in Mexico. The current U.S. governmental policies towards Mexico have created instability, uncertainty and may adversely affect the Mexican economy. For example, President Donald Trump has announced plans to institute import tariffs and to control illegal immigration from Mexico, which may create friction between the U.S. and Mexican governments and reduce economic activity between these countries.

The recent increase in violence in Mexico, including violence associated with Mexican drug cartels, has had a negative impact on and could continue to adversely affect the Mexican economy and our business, results of operations, financial condition and prospects.

In recent years, Mexico has experienced prolonged periods of criminal violence, primarily due to the activities of drug cartels. This violence has been particularly pronounced in the northern states of the country that share a border with the United States. Although the Mexican government has increased its security measures by strengthening military and police forces, drug-related violence and crime continue to pose a significant threat to the

Mexican economy and are a source of economic and political instability and uncertainty. Systemic criminal activity and isolated criminal acts may disrupt our operations, impact our ability to earn revenue and add to our cost of operations. Continued violence could result in the Mexican government taking additional measures, which may include restrictions on cross-border transport and trade. If the levels of violence in Mexico, over which we have no control, remain the same or increase, they could have an adverse effect on the Mexican economy and our business, results of operations, financial condition and prospects.

Our business may be materially and adversely affected by obligations and liabilities under – or our failure to comply with – applicable administrative laws, regulations and official standards.

We operate under the laws and regulations of various federal, state and local governmental agencies in Mexico and are required to obtain and maintain permits, licenses and/or governmental approvals for our activities. The failure to obtain or maintain these permits, licenses or authorizations could adversely affect our business or require us to incur significant costs. The relevant governmental agencies could take enforcement action against us for any failure to comply with applicable laws, regulations, official standards and related policies, and any compliance failures could subject us to penalties, such as fines, facility closings, cancellation of licenses, revocation of licenses or concessions or other restrictions on our ability to operate, which could have a material adverse effect on our business, financial condition and results of operations. Certain of our operating permits are currently pending. We are in the process of renewing or have applied for approval of such pending permits.

We cannot predict any future changes in such laws, regulations, official standards and policies or the effect that this changing regulatory environment will have on our business. In addition, we cannot assure you that new and stricter standards will not be adopted or become applicable, or that more stringent interpretations will not be given to existing laws and regulations applicable to our business. Any of these events may require us to incur additional costs to comply with new requirements, which would increase our operating costs.

Risks Relating to the Notes and the Guarantors

Our significant debt could adversely affect our financial health, prevent us from fulfilling our obligations under the notes, diminish our ability to adequately address the credit needs of our customer base and raise additional capital to fund our operations and limit our ability to react to changes in the economy or the technology industry.

We have a significant amount of debt and debt service obligations. As of December 31, 2017, after giving effect to the offering of the notes and the application of proceeds therefrom as described under "Use of Proceeds," our total debt and other financing, including all of our consolidated subsidiaries, would have been US$455.2 million. Of this amount, US$407.8 million represented our indebtedness and US$47.4 million represented the indebtedness of our subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Indebtedness."

Our level of indebtedness could have important negative consequences for us and to you as a holder of the notes, including the following:

- it could require us to dedicate a large portion of our cash flow from operations to fund payments on our debt, thereby reducing our ability to expand our data center capabilities and grow our operations;
- reduce the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future or increase the cost of such funding;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- make it more difficult for us to satisfy our obligations with respect to the notes and our other debt; and

- place us at a competitive disadvantage with competitors that have less debt.

The indenture governing the notes, and the instruments governing our existing indebtedness, contains various covenants that limit our ability to take certain actions.

The indenture governing the notes, and the instruments governing our existing indebtedness, contain various covenants that limit our flexibility in operating our business. For example, the indenture and the instruments governing our existing indebtedness restrict the ability of the Issuer and certain of its subsidiaries to, among other things:

- incur additional indebtedness or issue guarantees;
- pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;
- make investments;
- create liens;
- create any consensual limitation on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us;
- engage in transactions with affiliates;
- sell assets, including capital stock of our subsidiaries; and
- consolidate, merge or transfer assets.

The financial restrictions and covenants in the indenture and the instruments governing our existing indebtedness may adversely affect our ability to finance our future operations or capital needs, engage in other business activities that may be in our interest, or react to adverse market developments.

The notes and the guarantees will be unsecured, effectively subordinated to our secured indebtedness and to certain obligations and claims preferred by statute.

The notes and the obligations of the Guarantors under their respective guarantees will be unsecured obligations of the Issuer and the Guarantors, respectively, will be subordinate to the respective secured indebtedness and obligations given preference by mandatory provisions of law (including certain obligations and claims relating to taxes, labor and social security obligations for which preferential treatment is given under the laws of Mexico, including but not limited to Mexican insolvency laws) and will rank equally in right of payment with all of the Issuer's and the Guarantor's other unsecured indebtedness. As of December 31, 2017, the Issuer and the Guarantors together had no secured indebtedness. As of December 31, 2017, our non-guarantor subsidiaries together had no secured indebtedness and Ps.163.9 million of unsecured indebtedness.

In addition, under Mexican law, our obligations under the notes are subordinated to certain statutory preferences, including claims for salaries, wages, secured obligations (to the extent of the value of the collateral provided), social security, employee housing fund contributions, taxes and court fees and expenses. In the event of our liquidation, such statutory preferences will have preference over any other claims, including obligations and claims by any holder of the notes.

Further, if any assets remain after payment of these lenders, the remaining assets would be available to creditors preferred by statute, such as holders of tax and labor claims, and might be insufficient to satisfy the claims of the holders of the notes and holders of other unsecured debt including trade creditors that rank equal to holders of the notes. Certain of our subsidiaries will not be Guarantors.

Pursuant to the terms of the indenture governing the notes, certain subsidiaries of the Issuer, representing in the aggregate 7% of our Adjusted EBITDA (excluding discontinued operations) and 6% and of our consolidated assets for the year ended December 31, 2017 will not guarantee the notes. See "Description of the Notes—Note Guarantees." The creditors of our non-guarantor subsidiaries have direct claims on the non-guarantor subsidiaries and their assets, and the claims of holders of the notes are structurally subordinated to any existing and future liabilities of our non-guarantor subsidiaries. This means that the creditors of the non-guarantor subsidiaries have priority in their claims on the assets of the Issuer's subsidiaries over the Issuer's creditors, including the holders of the notes.

In the event that any such non-guarantor restricted subsidiary becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its debt, and its trade creditors generally, will be entitled to payment on their claims from the assets of that subsidiary before any of those assets are made available to us or any Guarantors. Consequently, your claims in respect of the notes will be effectively subordinated to all of the liabilities of any of our subsidiaries that is not a Guarantor, including trade payables.

The guarantees may not be enforceable.

The notes will be fully and unconditionally guaranteed by certain of our Mexican subsidiaries. The guarantees provide a basis for a direct claim against the Guarantors; however, it is possible that the guarantees may not be enforceable under Mexican law. While Mexican law does not prohibit the making of guarantees and, as a result, does not prevent the guarantees from being valid, binding and enforceable against the Guarantors, in the event that a Guarantor becomes subject to a *concurso mercantil* (reorganization proceeding) or to *quiebra* (bankruptcy), the relevant guarantee may be deemed to have been a fraudulent transfer and declared void, based upon the Guarantor being deemed not to have received fair consideration in exchange for such guarantee. If any such event were to occur, the creditworthiness of the notes and the market value of the notes in the secondary market may be materially and adversely affected.

Under various fraudulent conveyance or fraudulent transfer laws (including under the laws of the United States), a court could subordinate or void the obligations of our subsidiaries under the guarantees. Generally, to the extent that a court were to find that at the time one of our subsidiaries entered into a guarantee either (a) the guarantor incurred the guarantee with the intent to hinder, delay or defraud any present or future creditor or contemplated insolvency with a design to favor one or more creditors to the exclusion of others or (b) the guarantor did not receive fair consideration or reasonably equivalent value for issuing the guarantee and, at the time it issued the guarantee, the guarantor (i) was insolvent or became insolvent as a result of issuing the guarantee, (ii) was engaged or about to engage in a business or transaction for which the remaining assets of the guarantor constituted unreasonably small capital, (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they matured or (iv) was a defendant in an action for money damages, or had a judgment for money damages declared against such guarantor if, after final judgment, the judgment is unsatisfied, then the court could void or subordinate the guarantor's obligations under the guarantee in favor of the guarantor's other obligations. In addition, any payment by any guarantor could be voided and required to be returned to such guarantor, or to a fund for the benefit of its creditors.

Among other things, a legal challenge of a guarantor's obligations under a guarantee on fraudulent conveyance grounds could focus on the benefits, if any, realized by the guarantors as a result of the issuance of the notes. To the extent a subsidiary guarantee is voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of the notes would not have any claim against that guarantor and would be creditors solely of the Issuer and the guarantors, if any, whose obligations under the guarantees were not held unenforceable. If any such event were to occur, the creditworthiness of the notes, and the market value of the notes in the secondary market, may be materially adversely affected.

We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations, including the notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternatives may not allow us to meet our scheduled debt service obligations. The indenture governing the notes will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the notes.

If we cannot make scheduled payments on our debt, we will be in default and holders of the notes could declare all outstanding principal and interest to be due and payable, causing a cross-acceleration or cross-default under certain of our other debt agreements, and we could be forced into bankruptcy, liquidation or restructuring proceedings. All of these events could result in your losing your investment in the notes or your investment being impaired.

The collection of interest on interest may not be enforceable in Mexico.

Mexican law does not permit the collection of interest on interest and, as a result, the accrual of default interest on past due ordinary interest accrued in respect to the notes may be unenforceable in Mexico.

If we or any of the guarantors were to be declared insolvent or bankrupt, holders of the notes may find it difficult to collect payment on the notes.

Under the *Ley de Concursos Mercantiles* (Mexican Bankruptcy Law), if we or the Guarantors are declared bankrupt or become subject to *concurso mercantil* (judicial reorganization), our obligations and the obligations of the Guarantors in respect of the notes, (i) would be converted into pesos and then from pesos into *Unidades de Inversión* (inflation indexed units), or UDIs, 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 satisfied at the time claims of all our creditors are satisfied, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings, (iv) would cease to accrue interest from the date a *concurso mercantil* is declared and (v) would be subject to certain statutory preferences, including tax, social security and labor claims and claims of secured creditors.

We may not be able to make payments in U.S. dollars.

In the past, the Mexican economy has experienced balance of payments deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert pesos to foreign currencies, including U.S. dollars, it has done so in the past and could do so again in the future. We cannot assure you that the Mexican government will not implement a restrictive exchange control policy in the future. Any such restrictive exchange control policy could prevent or restrict our access to U.S. dollars to meet our U.S. dollar obligations and could have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Mexican economy.

Payments claimed in Mexico on the notes, pursuant to a judgment or otherwise, may be in pesos.

In the event that proceedings are brought against us in Mexico, either to enforce a judgment or as a result of an original action brought in Mexico, or if payment is otherwise claimed from us in Mexico, we would not be required to discharge those obligations in a currency other than Mexican currency. Under Article 8 of the Monetary Law of the United Mexican States (*Ley Monetaria de los Estados Unidos Mexicanos*), an obligation, whether resulting from a judgment or by agreement, denominated in a currency other than Mexican currency, which is payable in Mexico, may be satisfied in Mexican currency at the rate of exchange in effect on the date on which payments are made. Such rate is currently determined by *Banco de México* and published every banking day in the Federal Official Gazette (*Diario Oficial de la Federación*). As a result, you may suffer a U.S. dollar shortfall if you obtain a judgment or a payment in Mexico. You should be aware that no separate action exists or is enforceable in Mexico for compensation for any shortfall.

Provisions of Mexican law may make it difficult for holders of the notes to convert payments they receive in pesos into U.S. dollars or to recognize the full value of payments to them.

We are required to make payments in respect of the notes in U.S. dollars. However, under the *Ley Monetaria de los Estados Unidos Mexicanos* ("Mexican Monetary Law"), obligations to make payments in Mexico in foreign currency, whether by agreement or upon enforcement of a judgment, may be discharged in pesos at the exchange rate for pesos prevailing at the time and place of payment or judgment. Accordingly, we will be legally entitled to make payment of amounts due on the notes in pesos if payment of the notes is sought in Mexico through the enforcement of a non-Mexican judgment or otherwise. If we elect to make payments due on the notes in pesos in accordance with the Mexican Monetary Law, we can make no assurance that the amounts paid may be converted by the payee into U.S. dollars or that, if converted, such amounts would be sufficient to purchase U.S. dollars equal to the amount of principal, interest or additional amounts due on the notes.

We may be unable to purchase the notes upon a specified change of control event, which would result in defaults under the indenture governing the notes.

The terms of the notes will require us to make an offer to repurchase the notes upon the occurrence of a specified change of control event at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Any financing arrangements we may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit our ability to fund the repurchase of your notes in certain circumstances. It is possible that we will not have sufficient funds at the time of the change of control to make the required repurchase of notes or that restrictions in our other financing arrangements will not allow the repurchases. If we fail to repurchase the notes in such circumstance, we would default under the indenture which may, in turn, trigger cross-default provisions in any of our other debt instruments. See "Description of the Notes— Certain Covenants—Repurchase of Notes Upon a Change of Control Event."

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions" for a full explanation of such restrictions.

The indenture governing the notes will contain periodic reporting requirements that will be different and less burdensome than would be applicable to us if we had agreed to register the notes following the closing of the offering.

We do not presently file periodic reports and other information with the SEC, and the indenture governing the notes will not require us to file such reports or other information. The indenture will require us to provide annual and quarterly reports to the holders of notes and the trustee. The requirements of the indenture, however, will be more limited in certain respects than those applicable to public companies under the Exchange Act. See "Description of Notes—Certain Covenants—Reports."

The Issuer and the Guarantors may incur substantially more debt, which could further exacerbate the risks associated with our indebtedness.

The Issuer may be able to incur substantial additional debt in the future. Although the agreements governing the Issuer and the Guarantors' outstanding indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent the Issuer or the Guarantors from incurring obligations that do not constitute "indebtedness" as defined in the relevant documents. Adding new debt to our current indebtedness levels would increase our leverage. The related risks that we now face could intensify.

The interests of our controlling shareholder may differ from, and could conflict with, those of the holders of the notes.

The interests of our controlling shareholder may differ from, and could conflict with, those of the holders of the notes. Actions taken by the controlling shareholder may limit our flexibility to respond to market developments, to engage in certain transactions or to otherwise make changes to our business and operations, all of which may have a material adverse effect on our business, financial condition, results of operations and the Issuer's ability to repay the notes.

An active trading market for the notes may not develop.

The notes are new securities for which there is currently no existing market. Although we intend to apply to list the notes on the SGX-ST, the notes may not become listed or may not remain listed. A liquid market may not develop for the notes, and the holders of the notes may not be able to sell them at a profitable price. The liquidity for any market for the notes will depend on the number of holders of the notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition and results, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the notes, has been subject to disruptions that have caused substantial price volatility. If a market for the notes develops, such a market may be subject to similar disruptions.

Trading in the clearing systems is subject to minimum denomination requirements.

The terms of the notes provide that notes will be issued in minimum denominations of U.S.$200,000 and multiples of U.S.$1,000 in excess thereof. It is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denomination. If definitive notes are required to be issued in relation to such notes in accordance with the provisions of the relevant global note, a holder who does not have the minimum denomination or any integral multiple of U.S.$1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive notes unless and until such time as its holding satisfies the minimum denomination requirement.

You may have difficulty enforcing your rights against us and our directors and executive officers.

We are a company incorporated in Mexico. Most of our directors and executive officers are non-residents of the U.S. As a result, you may be unable to effect service of process within the U.S. on us, our directors and executive officers. In addition, as all of our assets and substantially all of the assets of our directors and executive officers are located outside of the U.S., you may be unable to enforce against us and our directors and executive officers judgments obtained in the U.S. courts predicated upon civil liability provisions of the U.S. federal securities laws or state securities laws.

No treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of principles of reciprocity and comity as well as the provisions of Article 1347-A of the Mexican Commerce Code (*Código de Comercio*), consisting, among other requirements, of the review by Mexican courts of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*) have been duly complied with, without reviewing the merits of the subject matter of the case, provided that U.S. courts would grant reciprocal treatment to Mexican judgments.

The notes will not be considered negotiable instruments under Mexican law, and thus will not grant rights to executory proceedings (*título ejecutivo*) such as rights to attach assets of the issuer at inception of judicial proceedings.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

USE OF PROCEEDS

We estimate that the net proceeds from the issuance of the notes will be approximately US$295.5 million (after deducting the initial purchasers' discount and the payment of estimated offering expenses). We intend to use the net proceeds from this offering (i) to redeem all outstanding 2021 notes and pay a call premium in accordance with the terms of the 2021 notes and (ii) for general corporate purposes.

EXCHANGE RATES

This offering memorandum contains translations of certain Peso amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These convenience translations 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 specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate we used in preparing our financial statements, which means that U.S. Dollar-denominated items, including U.S. Dollar-denominated expenses and liabilities, may have been translated into Pesos using one exchange rate (or an average exchange rate) and have been re-translated into U.S. Dollars for the convenience of the reader using the convenience translation exchange rate.

The following table sets forth, for the periods indicated, the high, low, average and period end free market exchange rate for the purchase of U.S. dollars, expressed in nominal pesos per U.S. dollar. All amounts are stated in pesos per U.S. dollar. Certain amounts presented in pesos in this offering memorandum as of and for the year ended December 31, 2017 have been converted into U.S. dollars at specified exchange rates. According to Mexican MFRS and IFRS, the Issuer determines the exchange rate applicable for the end of each period from the conversion rate of the transactions executed by the Issuer in the open market prior to the end of the dates indicated. Unless otherwise indicated, the exchange rate used in converting pesos into U.S. dollars for amounts presented for the year ended December 31, 2017 was determined by reference to the average exchange rate of Ps.18.9104 per U.S. dollar and the exchange rate used for amounts presented as of December 31, 2017 was determined by reference to the exchange rate of 19.7354 per U.S. dollar. Management does not believe there is a material difference between the rate applied for purposes of our financial reporting and the published rates set forth below as of such dates.

	Exchange rate (1)			
	High	**Low**	**Average (2)**	**Period end**
Year ended December 31,				
2013	13.4394	11.9807	12.7691	13.0652
2014	14.7853	12.8462	13.2966	14.7348
2015	17.3776	14.5559	15.8710	17.3398
2016	21.0511	17.1767	18.6752	20.6640
2017	21.9076	17.4937	18.9104	19.7354
Month ended,				
November 30, 2017	19.2268	18.5190	18.9420	18.5190
December 31, 2017	19.7867	18.6229	19.1265	19.7354
January 31, 2018	19.6629	18.4672	18.9554	18.6982
February 28, 2018	18.8815	18.4004	18.6330	18.7902
March 31, 2018	18.8909	18.3268	18.6604	18.3445
April 30, 2018 (through April 26, 2018)	19.0530	17.9787	18.2784	19.0530

(1) The exchange rates are the exchange rates published by the Banco de México in the Federal Official Gazette (*Diario Oficial de la Federación*) as the rate for the payment of obligations denominated in non-Mexican currency payable in Mexico.

(2) The average rate means the daily average of the exchange rates on each day during the relevant period.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of December 31, 2017 (i) on a historical basis and (ii) on an as adjusted basis to give effect to the issuance of the notes and the use of the proceeds therefrom as if it had occurred on December 31, 2017. This table should be read together with our Annual Audited Consolidated Financial Statements included in this offering memorandum.

Actual amounts may vary from estimated amounts depending on several factors, including differences from our estimate of fees and expenses, fluctuations in cash on hand between December 31, 2017 and the date of this offering memorandum.

	As of December 31, 2017			
	Historical	**As Adjusted**	**Historical**	**As Adjusted**
	(in thousands of US$)(1)		**(in thousands of Ps.)**	
Cash and cash equivalents(2)	116,715	185,847	2,303,417	3,667,774
Debt:				
Current debt	89,238	89,238	1,761,145	1,761,150
Other long-term debt	70,505	70,505	1,391,442	1,391,447
The 2021 notes(3)	226,325	—	4,466,619	—
The notes offered hereby	—	295,457	—	5,830,972
Total debt	386,068	455,200	7,619,206	8,983,568
Equity:				
Other stockholders' equity accounts(4)	226,045	226,045	4,461,079	4,461,079
Accumulated deficit	(31,365)	(31,365)	(618,991)	(618,991)
Non-controlling interests	14,424	14,424	284,655	284,655
Total equity	209,104	209,104	4,126,743	4,126,743
Total capitalization(5)	595,172	664,304	11,745,949	13,110,311

(1) Converted into U.S. dollars using the exchange rate of Ps.19.7354 per U.S. dollar, the closing exchange rate as of December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(2) Cash and cash equivalents consists mainly of cash funds, bank deposits, foreign currency balances and investments payable on demand, all highly liquid, readily convertible to cash and subject to insignificant risk for changes in value.

(3) We intend to redeem the 2021 notes shortly after the settlement of the notes.

(4) Consists of capital stock and accumulated other comprehensive income (loss).

(5) Consists of the sum of total equity plus total debt.

SELECTED HISTORICAL FINANCIAL DATA AND OTHER INFORMATION

You should read the following selected historical financial data and other information in conjunction with our Annual Audited Consolidated Financial Statements, including the notes thereto, and the information set forth in the sections "Presentation of Financial and Certain Other Information," "Summary of Financial Data and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum. Our Annual Audited Financial Statements for the years ended December 31, 2016 and 2015 have been retrospectively adjusted and our Annual Audited Financial Statements for the year ended December 31, 2017 has been adjusted to present CFCA, the connectivity business sold on November 17, 2017, as a discontinued operation and to classify its result of operations in a single line of the consolidated statements of comprehensive income.

The financial information as of December 31, 2017 and 2016 and for each of the years ended December 31, 2017, 2016 and 2015 has been derived from our Annual Audited Consolidated Financial Statements.

The following tables set forth our consolidated statements of comprehensive income for each of the periods presented.

	Year Ended December 31,			
	2017	**2017**	**2016**	**2015**
	(US$) (1)		**(Ps.)**	
			(in thousands)	
Statements of Comprehensive Income				
Continuing operations				
Revenue for services rendered	352,981	6,675,010	5,586,799	4,890,572
Costs of services rendered	(181,804)	(3,437,992)	(2,455,815)	(2,111,298)
Depreciation and amortization	(113,407)	(2,144,564)	(1,342,150)	(1,364,210)
Gross profit	**57,770**	**1,092,454**	**1,788,834**	**1,415,064**
Operating expenses	(104,058)	(1,967,787)	(1,538,208)	(1,161,955)
Other expenses - net	(1,650)	(31,198)	(44,493)	(397)
Operating (loss) profit	**(47,938)**	**(906,531)**	**206,133**	**252,712**
Finance income	15	292	16,324	2,169
Foreign exchange gain(3)	71,231	1,347,007	1,756,598	1,308,702
Finance expense(4)	(84,786)	(1,603,333)	(1,123,926)	(910,307)
Foreign exchange loss(5)	(25,495)	(482,115)	(3,260,611)	(2,940,251)
Loss before income tax provision	**(86,972)**	**(1,644,680)**	**(2,405,482)**	**(2,286,975)**
Income tax provision(6)	(51,624)	(976,234)	499,457	758,942
Consolidated net loss for the year from continuing operations	**(138,596)**	**(2,620,914)**	**(1,906,025)**	**(1,528,033)**
Discontinued operations				
Net income from discontinued operations	241,354	4,564,098	111,694	17,456
Consolidated net income (loss) for the year	**102,757**	**1,943,184**	**(1,794,331)**	**(1,510,577)**
Controlling interest	103,865	1,964,120	(1,776,382)	(1,471,303)
Non-controlling interest	(1,107)	(20,936)	(17,949)	(39,274)
Other Comprehensive income:				
Items that will not be subsequently reclassified to profit or loss:				
Gain on revaluation of property, plant and equipment, net of deferred taxes	—	—	1,290,338	—
Other comprehensive income arising from discontinued operation, net of deferred taxes	—	—	518,491	—

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$) (1)		(Ps.) (in thousands)	
Statements of Comprehensive Income				
Items that will be subsequently reclassified to profit or loss:				
Financial instruments, net of deferred taxes	(4,839)	(91,515)	—	—
Currency translation differences and others	(7,384)	(139,631)	127,692	(155,428)
Other comprehensive income arising from discontinued operation, net of deferred taxes	—	—	(263)	276
Consolidated comprehensive income (loss) for the year	**90,534**	**1,712,038**	**141,927**	**(1,665,729)**
Total comprehensive income (loss) for the year attributable to:				
Controlling interest	88,750	1,678,303	118,505	(1,668,448)
Non-controlling interest	1,784	33,735	23,422	2,719
Consolidated comprehensive income (loss) for the year	**90,534**	**1,712,038**	**141,927**	**(1,665,729)**

The following tables set forth our consolidated statement of financial position data as of each of the dates presented.

	As of December 31,		
	2017	2017	2016
	(US$) (2)	(Ps.) (in thousands)	
Statement of Financial Position			
Assets			
Current assets:			
Cash and cash equivalents(7)	116,715	2,303,417	583,369
Trade receivables – net	96,435	1,903,184	2,077,884
Income tax recoverable	14,199	280,227	142,696
Prepaid expenses and deferred cost	51,207	1,010,583	1,461,027
Total current assets	**278,556**	**5,497,411**	**4,264,976**
Assets held for sale	**—**	—	**240,200**
Non-current assets:			
Restricted cash held in trust	42,535	839,425	289,296
Property, machinery and equipment - net	304,579	6,010,980	6,998,866
Intangible assets – net	88,726	1,751,051	5,538,461
Goodwill	54,934	1,084,146	1,513,077
Prepaid expenses and deferred costs	39,545	780,442	1,209,875
Deferred income tax	3,552	70,110	1,210,678
Derivative financial instrument	4,344	85,726	—
Investment in joint ventures	5,218	102,984	76,941
Total non-current assets	**543,433**	**10,724,864**	**16,837,194**
Total assets	**821,989**	**16,222,275**	**21,342,370**
Liabilities and Stockholders' equity			
Current liabilities:			
Suppliers	95,961	1,893,836	2,647,386
Current portion of long-term debt	89,238	1,761,145	1,948,712
Income tax payable	30,549	602,894	—
Other accounts payable	41,688	822,730	362,919
Deferred income - current	22,770	449,370	185,400

	As of December 31,		
	2017	2017	2016
	(US$) (2)	(Ps.)	
		(in thousands)	
Statement of Financial Position			
Total current liabilities	280,206	**5,529,975**	**5,144,417**
Liabilities held for sale	—	—	**78,726**
Long-term liabilities:			
Suppliers	6,206	122,483	245,407
Long-term debt	296,830	5,858,061	11,988,310
Deferred income tax	14,011	276,504	2,025,991
Deferred income - long term	15,184	299,660	194,398
Employee benefits	448	8,849	14,020
Total long-term liabilities	332,679	**6,565,557**	**14,468,126**
Total liabilities	612,885	**12,095,532**	**19,691,269**
Stockholders' equity:			
Capital stock	187,644	3,703,215	2,939,611
Accumulated deficit	(31,365)	(618,991)	(3,245,789)
Accumulated other comprehensive income (deficit)	38,401	757,864	1,706,359
Total controlling interest	194,680	3,842,088	1,400,181
Non-controlling interest	14,424	284,655	250,920
Total stockholders' equity	**209,104**	**4,126,743**	**1,651,101**
Total liabilities and stockholders' equity	**821,989**	**16,222,275**	**21,342,370**

The following table sets forth our consolidated statement of cash flow and other financial and operational data for each of the periods presented.

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$) (1)	(Ps.)		
		(in thousands, except percentages)		
Cash Flow Data				
Net cash flows generated by operating activities	134,376	2,541,104	2,601,605	1,020,283
Net cash flows provided by (used in) investing activities	366,319	6,927,244	(1,292,134)	(1,035,657)
Net cash flows used in financing activities	(409,738)	(7,748,300)	(1,255,827)	(419,852)
Other Financial Data:				
Net margin(8)	25.6%	25.6%	2.5%	(34.1%)
Adjusted EBITDA (excluding discontinued operations)(9)	96,866	1,831,774	1,645,098	1,653,721
Adjusted EBITDA margin (excluding discontinued operations)(10)	27.4%	27.4%	29.4%	33.8%
Adjusted EBITDA (including discontinued operations)(11)	119,500	2,259,785	2,071,834	1,943,169

(1) Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(2) Converted into U.S. dollars using an exchange rate of Ps.19.7354 per U.S. dollar on December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(3) Exchange gain consists primarily of gains arising from the translation of foreign currency monetary assets and liabilities.

(4) Finance expense consists of interest payable on borrowings, including financial leases, loans and lines of credit. Interest expense is calculated by multiplying the effective interest rate by the outstanding principal amount of debt. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest

rate is the rate that exactly discounts the estimated cash flows through the expected life of the financial liability (or, when appropriate, a shorter period) to the net carrying amount of the financial liability.

(5) Exchange loss consists primarily of losses arising from the translation of foreign currency monetary assets and liabilities.

(6) The effective tax rate for the years ended December 31, 2017, 2016 and 2015 was 43%, 20% and 33%, respectively.

(7) Cash and cash equivalents consists mainly of cash funds, bank deposits, foreign currency balances and investments payable on demand, all highly liquid, readily convertible to cash and subject to insignificant risk for changes in value.

(8) Net margin is consolidated comprehensive income (loss) divided by revenues.

(9) We define Adjusted EBITDA (excluding discontinued operations) as gross profit plus depreciation and amortization less operating expenses plus other expenses which include expenses incurred in the sale of CFCA, non-cash charges or expenses that are not representative of our ongoing operations, costs related with divestiture and transaction expenses and other services. Our calculation of Adjusted EBITDA (excluding discontinued operations) may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial and Certain Other Information." The following table sets forth a reconciliation of Adjusted EBITDA (excluding discontinued operations) to gross profit for each of the periods presented:

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$)*	(Ps.)		
	(in thousands)			
Gross profit	57,770	1,092,454	1,788,834	1,415,064
Depreciation and amortization	113,407	2,144,564	1,342,150	1,364,210
Operating expenses	(104,058)	(1,967,787)	(1,538,208)	(1,161,955)
Other expenses	29,748	562,543	52,322	36,402
Adjusted EBITDA (excluding discontinued operations)	96,866	1,831,774	1,645,098	1,653,721

* Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(10) Adjusted EBITDA margin (excluding discontinued operations) is calculated by dividing Adjusted EBITDA (excluding discontinued operations) by revenue for services rendered.

(11) We define Adjusted EBITDA (including discontinued operations) as the Adjusted EBITDA (excluding discontinued operations) plus EBITDA from discontinued operations.

Our calculation of Adjusted EBITDA (including discontinued operations) may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial and Certain Other Information." The following table sets forth a reconciliation of Adjusted EBITDA (including discontinued operations) to Adjusted EBITDA (excluding discontinued operations) for each of the periods presented:

	Year Ended December 31,			
	2017	2017	2016	2015
	(US$)*	(Ps.)		
	(in thousands)			
Adjusted EBITDA (excluding discontinued operations)	96,866	1,831,774	1,645,098	1,653,721
EBITDA from discontinued operations	22,634	428,011	426,736	289,448
Adjusted EBITDA (including discontinued operations)	119,500	2,259,785	2,071,834	1,943,169

* Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is based on financial information extracted and derived from our Annual Audited Consolidated Financial Statements beginning on page F-1 of this offering memorandum.

You should read this discussion in conjunction with our Annual Audited Consolidated Financial Statements and the other financial information included elsewhere in this offering memorandum. Our Annual Audited Consolidated Financial Statements as well as the other financial information in this offering memorandum related to these financial statements, have been prepared in accordance with IFRS.

Overview

We are the leading provider of Information Technology infrastructure outsourcing services in Mexico, with a 58% market share in terms of operational space in Mexico (with the next largest provider providing approximately 17%) and expanding our presence throughout Latin America. Founded in 2002, we offer a comprehensive set of IT infrastructure outsourcing services and solutions within our 29 state-of-the-art data centers in 11 technological campuses in Mexico, Panama, Guatemala, the Dominican Republic, and Spain. As part of our EDGE strategy, we have 8 EDGE data centers with 209 square meters of installed base, which are smaller facilities throughout Mexico's Tier 2 and Tier 3 cities to serve the growing need of low-latency IT services. Our campus data centers are among the most modern, reliable and secure in Latin America.

Our customers are mainly large and mid-sized enterprises and government entities as well as SMBs. The core offerings we deliver to our customers consist of value-added mission critical IT services, which are solutions tailored to specific client needs, including complex managed IT infrastructure services, private and public cloud computing solutions, cybersecurity, ultra-low latency services for proximity solutions, database management, storage and backup and Internet Exchange Point infrastructure, among others. We also offer data center offerings for mission critical services to clients that need state-of-the-art hosting and colocation facilities for their critical IT infrastructure, including cross-connects and physical security.

We believe we differentiate ourselves from our competitors by our "KIO DNA," which consists of six key elements: reliability, flexibility, agility, sense of urgency, innovation and commitment. We believe our reputation and track record give us a competitive advantage as a mission critical IT infrastructure services provider, in a setting where data center availability and reliability are key to our clients' operations. We serve a loyal base of private and public sector clients, which include many of Mexico's largest companies and government entities. Our top ten enterprise and government clients' average tenure with us is 8.3 years, almost half of KIO's existence, and our very first client has remained with us since our inception. Typically, we provide our core services over contract periods of 12 to 48 months, with an average of 36 months, which provides us with strong cash flow visibility. In addition, the quality, complexity and breadth of our services, along with high migration costs associated with customized solutions, have enabled us to achieve a relatively low client churn rate of 0.5% (measured by last four quarters revenue lost from canceled or terminated projects, divided by the previous quarter revenue) and an average customer retention rate of over 95% in our core business. Quarterly churn rates (as a percentage of quarterly revenue) were 1.4%, 2.8%, 0.1% and 0.0% for each of the quarters in 2016 and 0.0%, 0.2%, 0.8% and 0.9% for each of the quarters in 2017. Our complementary businesses, including Sm4rt (cybersecurity), MásNegocio (application management) and Wingu (SMB IT services), feed our existing customers into our core businesses, which enables us to target a broader client base and increase our share-of-wallet penetration through the cross-selling activities and market synergies.

Mexican Economic Environment

Our business is closely tied to the rapid growth in the IT service industry, and as a result, we have a resilient revenue generation. Our performance is also influenced by the general economic conditions in Mexico, our main market.

Mexico is the second largest economy in Latin America with nominal GDP of US$966 billion in 2017, converted into U.S. dollars using an exchange rate of Ps.19.7354 per U.S. dollar, according to INEGI, supported by a stable macroeconomic environment for the past 15 years as a result of conservative monetary, fiscal and debt policies.

From the beginning of his administration in 2012, Mexico's President Enrique Peña Nieto submitted proposals to Congress to implement substantial changes to laws and regulations covering different sectors and has implemented significant changes in public policy. The Mexican Congress has approved several of the proposed bills, including structural reforms related to energy, political elections, labor, telecommunications, financial services and taxes. While Mexico's growth is expected to continue as the effect of these major structural reforms takes hold, there is no certainty about the impact of such changes on Mexico's economy going forward.

In 2015, the Mexican economy achieved GDP growth of 2.7%, with an unemployment rate of 4.2% and an inflation rate of 2.1% according to INEGI. During the same period, the Mexican peso depreciated 17.7% with an exchange rate as of December 31, 2015 of Ps.17.3398 according to Banco de México.

In 2016, the Mexican economy achieved GDP growth of 3.2%, with an unemployment rate of 3.5% and an inflation rate of 3.31% according to INEGI. During the same period, the Mexican peso depreciated 19.2% with an exchange rate as of December 30, 2016 of Ps.20.6640 according to Banco de México.

In 2017, the Mexican economy achieved GDP growth of 1.5%, with an unemployment rate of 3.3% and an inflation rate of 6.6% according to the INEGI. During the same period, the Mexican peso appreciated 4.5% with an exchange rate as of December 29, 2017 of Ps.19.7354 according to Banco de México. During 2018, the Mexican peso has appreciated 8.4% with an exchange rate of Ps.18.0870 as of April 13, 2018 according to Banco de México.

The US government and policy makers suggested the renegotiation of NAFTA (opening the possibility that the U.S. may withdraw from NAFTA if the U.S. is unable to reach a fair deal in the NAFTA renegotiations) and the implementation of tariffs, border taxes or other measures that could impact the level of trade between the US, Canada and Mexico. The first round of renegotiation among the United States, Mexico and Canada to revise and update NAFTA began on August 2017 and are still under negotiation, final negotiation are expected to take place during the first half of 2018.

Mexico has national presidential elections in July 2018, in which a change in the political party is expected.

Factors Affecting Our Results of Operations

Our revenues are mostly recurring in nature, and in 2017, 2016 and 2015, recurring revenue represented 96%, 94% and 92% of our total revenue, respectively. Our contracted recurring revenue model together with low levels of monthly churn provide significant predictability of future revenue.

Revenue

We enter into contracts with large and mid-sized enterprises and government entities for initial terms of generally 12 to 48 months. Our customer contracts with large and mid-sized enterprises and government entities provide for a fixed monthly recurring fee for managed IT and data center services. These fees are billed monthly, together with fees for on-demand IT services incurred, such as network support, maintenance and set-up services.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period. This initial set-up and installation fee is generally billed when the set-up services are completed.
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold.
- Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

We recognize revenue from hosting, colocation and business security when persuasive evidence of an arrangement exists, delivery has occurred or about the percentage of completion of the contract, the fee is fixed or determinable, and collectability is reasonably assured. In instances where final acceptance of the solution or system is specified by the customer, revenue is deferred until all acceptance criteria have been met.

Cloud, data center and service desk revenue is recognized as the services are performed. Where a fixed fee is agreed for the right to continuously access and use these services offering for a certain term, the fee is recognized ratably over the term covered by the fixed fee.

Technical support services revenue is deferred and recognized ratably over the period during which the services are to be provided.

Telecommunication services are recognized as they are provided to customers.

With our SMB customers, we derive revenue from fees associated with our subscription services, which are generally sold through our web services, cloud-based productivity platforms (G Suite and Office 365), ERP, online marketing, e-commerce, email and domain name registration offerings, among others. We invoice a majority of our SMB customers in advance through their credit cards, bank accounts or business merchant accounts, and revenue is recognized monthly as services are accrued.

Costs

Our offering to the market consists primarily of value-added mission critical IT and hosted infrastructure services. Consequently, our cost base mainly consists of depreciation and maintenance of IT equipment, software licensing, personnel and professional services, power and property costs. We typically purchase IT hardware and software as a result of a client contract. The cost of IT equipment related to IT solutions is amortized over the life of the contract with the client, which is the useful life of the asset.

The majority of our personnel work in operations and support, operating our managed IT infrastructure services contracts on a schedule of 24 hours a day, 365 days a year. As of December 31, 2017, 62% of personnel worked in operations and support, 19% in general and administrative areas, 15% in sales and marketing, and 4% in the executive team. We also rely on our related parties, technological partners and third-party IT services companies to complement our own IT services. We outsource these services for specific tasks related to set-up of managed IT infrastructure service projects or in the daily operation of managed IT infrastructure service projects.

A data center will normally require a fixed number of personnel to run, regardless of the facility's utilization. Increases in operations and support personnel and third-party IT services occur when we bring new managed IT infrastructure services solutions into production.

IT equipment consumes significant amounts of power and generates heat. In maintaining the correct environmental conditions for the IT equipment to operate most effectively, our cooling and air conditioning infrastructure also consumes significant amounts of power. Our power costs are variable and directly dependent on the amount of power consumed by the IT equipment and cooling systems.

Increases in our overall property costs occur when we bring new data centers into service. This also has the effect of temporarily reducing our overall utilization rate while the new data center gets occupied by additional services to customers. Furthermore, we enter into annual maintenance contracts with our major plant and equipment suppliers. This cost increases as we enter into additional maintenance contracts to support new data center operations.

The majority of our costs of services rendered are denominated in pesos. Accordingly, cost of sales can be affected by exchange rate fluctuations between the U.S. dollar and the Mexican peso. Costs of services rendered, including depreciation and amortization, amounted to 83.6% of revenues in 2017.

Exchange Rate Fluctuations

Our results may be affected by exchange rate fluctuations between the U.S. dollar and the Mexican peso.

The Mexican peso depreciated against the U.S. dollar by 17.7% to Ps.17.3398 per U.S. dollar at the end of 2015. The Mexican peso depreciated against the U.S. dollar by 19.2% to Ps.20.6640 per U.S. dollar at the end of

2016. The Mexican peso appreciated against the U.S. dollar by 4.5% to Ps.19.7354 per U.S. dollar at the end of 2017.

Description of Principal Line Items

Revenue for Services Rendered

Revenue for services rendered consists primarily of our sales of complex managed IT services and hosted infrastructure for mission critical IT workloads, data center offerings, application management and cybersecurity solutions, among others.

Costs of Services Rendered and Depreciation and Amortization

Costs of services rendered consist primarily of depreciation and maintenance of IT equipment, software licensing, personnel and third-party IT services and power and property costs.

Operating Expenses

Operating expenses comprise expenses attributable to the administrative function such as administration, management, marketing, maintenance, human resources and other services including, but not limited to, accounting and financial reporting, treasury and taxation.

Other Income (Expenses), Net

Other income (expenses) represents income and expenses that we do not consider part of our core business, including gains or losses on disposals or sales of an item of property, machinery and equipment.

Financial Income and Financial Expense

Finance income primarily consists of interest earned on cash and cash equivalents. Finance expense consists of interest payable on borrowings, including financial leases, loans and lines of credit. Finance expense is calculated using the effective interest method. As of December 31, 2017, we have Ps.7,619.2 million of outstanding third-party indebtedness (without giving effect to the offering of the notes).

Foreign Exchange Gains and Losses

Foreign exchange gains and losses consist primarily of gains and losses arising from the translation of foreign currency monetary assets and liabilities.

Income Tax Provision

Income Tax Provision includes taxes paid or accrued during the period. The statutory income tax rate in Mexico is 30.0%. For the year ended December 31, 2017, our effective tax rate was 43%. Our effective tax rate was higher than the statutory tax rate for the period primarily due to non-deductible expenses and inflationary effects on our financial statements.

Discontinued operations

The connectivity business we sold in November 2017 is presented as a discontinued operation in our Annual Audited Consolidated Financial Statements, with net income from discontinued operations presented within a single line item in the consolidated statements of comprehensive income. Results for the years ended December 31, 2016 and 2015 have been retroactively adjusted for this presentation for comparison.

Critical Accounting Policies

We have identified certain key accounting estimates on which our 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 which affect the amounts reported in the financial statements. We base our estimates on historical information, where applicable, and other assumptions that we believe are reasonable under the circumstances.

A summary of these critical judgments and estimates is set out below.

Critical judgments in applying accounting policies

Classification of lease agreements

We have determined that certain leases should be classified as capital leases (financial leases). The classification of leases depends on the extent of transfer of the risks and rewards to ownership of the leased asset to the lessee, considering the substance of the transaction rather than the form of lease contracts. For those leases classified as capital leases, we have determined, based on the terms and conditions of the respective lease contract, that we substantially holds all the risks and benefits for certain leased assets.

Functional currency

We have determined that our functional currency is the Mexican peso, as it is the primary currency of the economic environment in which we operate. The factors considered in determining functional currency are the percentage of operations of the currency in which we essentially receive payments for services rendered and the percentage of operations of the currency in which we essentially pay costs and expenses. Certain subsidiaries have a different functional currency and thus convert their financial information into Mexican pesos according to applicable accounting standards.

Impairment of goodwill

We perform annual tests to determine whether goodwill has suffered any impairment, in accordance with IFRS. The recoverable amount of the cash generating-units has been determined based on value in use or fair value calculations. The determination of value in use requires the use of estimates.

Key sources of estimation uncertainty

Revaluation of property, machinery and equipment and licenses

We account for property, machinery and equipment and licenses in accordance with the revaluation model. Fair values are obtained from independent appraisers.

Fair value measurements and valuation processes

Some of our assets are measured at fair value for financial reporting purposes. Our Board of Directors has set up a valuation committee, which is led by our Chief Financial Officer, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, we use market-observable data to the extent it is available. Where Level 1 inputs are not available, we engage third party qualified appraisers to perform the valuation. The valuation committee works closely with the qualified external appraisers to establish the appropriate valuation techniques and inputs to the model. Our Chief Financial Officer reports the valuation committee's findings to the board of Management every quarter to explain the cause of fluctuations in the fair value of assets and liabilities.

Estimated useful lives, residual values and depreciation methods

We periodically review estimates of useful lives and depreciation and amortization methods related to our property, plant and equipment and licenses. The effect of any change in the estimate is recognized prospectively. Changes in these estimates could have a significant impact on our consolidated statements of financial position and comprehensive income.

Impairment of assets

We perform impairment tests whenever there are events or changes in circumstances in property, plant and equipment and intangible components which indicate that an impairment may exist (other than goodwill). Those tests involve the estimation of future cash flows and the appropriate discount rate. At December 31, 2017, 2016 and 2015, we have not identified any impairment for the aforementioned assets.

Allowance of doubtful accounts

We record an allowance of doubtful accounts which is determined by considering the balances under litigation or with recovery problems.

Deferred income tax

We record deferred tax assets based on the likelihood that these assets are realized in the future. This likelihood is assessed by taking into consideration the future taxable income. In the event we determine that we will be able to realize our deferred income tax asset in the future in excess of the net recorded amount, an adjustment to the deferred income tax asset would increase income in the period such determination was made. Should we determine that we will not be able to realize all or part of our net deferred income tax asset in the future, an adjustment to the deferred income tax asset would be charged to income in the period such determination was made.

New Accounting Principles and Standards under IFRS

The following standards have been adopted by the Issuer for the first time for the financial year beginning on or after January 1, 2017.

- *Amendments to IAS 7 Disclosure Initiative*. The Issuer has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Issuer’s liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances has not been disclosed as the principal amounts reflecting changes in the Issuer’s financial liabilities is included in the cash flow statement. The application of these amendments has had no impact on the Issuer’s consolidated financial statements.
- *Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses*. The Issuer has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference. The application of these amendments has had no impact on the Issuer’s consolidated financial statements as the Issuer already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
- *Annual Improvements to IFRSs 2014-2016 Cycle.* The Issuer has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Issuer. IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The application of these amendments has had no effect on the Issuer's consolidated financial statements as none of the Issuer’s interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

Results of Operations

The following financial information has been derived from our Annual Audited Financial Statements, prepared in accordance with IFRS.

	Year Ended December 31,						Percent Change	
	2017	Percent of Revenues	2016	Percent of Revenues	2015	Percent of Revenues	2017 vs. 2016	2016 vs. 2015
	(in thousands of Ps., except percentages)							
Continuing operations								
Revenue for services rendered	6,675,010	100.0%	5,586,799	100.0%	4,890,572	100.0%	19.5%	14.2%
Costs of services rendered	(3,437,992)	51.5%	(2,455,815)	44.0%	(2,111,298)	43.2%	40.0%	16.3%
Depreciation and amortization	(2,144,564)	32.1%	(1,342,150)	24.0%	(1,364,210)	27.9%	59.8%	(1.6)%
Gross profit	**1,092,454**	16.4%	**1,788,834**	32.0%	**1,415,064**	28.9%	(38.9)%	26.4%
Operating expenses	(1,967,787)	29.5%	(1,538,208)	27.5%	(1,161,955)	23.8%	27.9%	32.4%
Other expenses – net	(31,198)	0.5%	(44,493)	0.8%	(397)	0.0%	(29.9)%	11,107.3%
Operating (loss) profit	**(906,531)**	13.6%	**206,133**	3.7%	**252,712**	5.2%	(539.8)%	(18.4)%
Finance income	292	0.0%	16,324	0.3%	2,169	0.0%	(98.2)%	652.6%
Foreign exchange gain	1,347,007	20.2%	1,756,598	31.4%	1,308,702	26.8%	(23.3)%	34.2%
Finance expense	(1,603,333)	24.0%	(1,123,926)	20.1%	(910,307)	18.6%	42.7%	23.5%
Foreign exchange loss	(482,115)	7.2%	(3,260,611)	58.4%	(2,940,251)	60.1%	(85.2)%	10.9%
Loss before income tax provision	**(1,644,680)**	24.6%	**(2,405,482)**	43.1%	**(2,286,975)**	46.8%	(31.6)%	5.2%
Income tax provision	(976,234)	14.6%	499,457	8.9%	758,942	15.5%	(295.5)%	(34.2)%
Consolidated net loss for the year from continuing operations	**(2,620,914)**	39.3%	**(1,906,025)**	34.1%	**(1,528,033)**	31.2%	37.5%	24.7%
Discontinued operations								
Net income from discontinued operations	4,564,098	68.4%	111,694	2.0%	17,456	0.4%	3,986.3%	539.9%
Consolidated net income (loss) for the year	**1,943,184**	29.1%	**(1,794,331)**	32.1%	**(1,510,577)**	30.9%	(208.3)%	18.8%
Controlling interest	1,964,120	29.4%	(1,776,382)	31.8%	(1,471,303)	30.1%	(210.6)%	20.7%
Non-controlling interest	(20,936)	0.3%	(17,949)	0.3%	(39,274)	0.8%	16.6%	(54.3)%
Other comprehensive income								
Items that will not be subsequently reclassified to profit or loss:								
Gain on revaluation of property, plant and equipment, net of deferred taxes	—	—	1,290,338	23.1%	—	—	—	—
Other comprehensive income arising from discontinued operation, net of deferred taxes	—	—	518,491	9.3%	—	—	—	—
Items that may be subsequently reclassified to profit or loss:								
Financial instruments, net of deferred taxes	(91,515)	1.4%	—	—	—	—	—	—
Currency translation differences and others	(139,631)	2.1%	127,692	2.3%	(155,428)	3.2%	(209.3)%	(182.2)%
Other comprehensive income arising from discontinued operation, net of deferred taxes	—	—	(263)	0.0%	276	0.0%	—	(195.3)%
Consolidated comprehensive income (loss) for the year	**1,712,038**	25.6%	**141,927**	2.5%	**(1,665,729)**	34.1%	(1,106.3) %	(108.5)%
Total comprehensive income for the year attributable to:								
Controlling interest	1,678,303	25.1%	118,505	2.1%	(1,668,448)	34.1%	1,316.2%	(107.1)%
Non-controlling interest	33,735	0.5%	23,422	0.4%	2,719	0.1%	44.0%	761.4%
Consolidated comprehensive income (loss) for the year	**1,712,038**	**25.6%**	**141,927**	2.5%	**(1,665,729)**	34.1%	1,106.3%	(108.5)%

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue for Services Rendered

Revenue for services rendered for the year ended December 31, 2017 was Ps.6,675.0 million, an increase of 19.5% from the Ps.5,586.8 million for the same period in 2016. This increase was primarily due to the ramp up of large projects that were contracted in 2016 that have reached more mature stages, KIO's efforts to expand and diversify its client base, and upselling to existing clients. Furthermore, the increase was strengthened by the step-up in recurring services from the PITA project (*Proyecto de Integración Tecnológica Aduanera*), and the full year recognition of revenues. KIO entered into the PITA project with the Mexican tax authorities in March 2016.

Costs of Services Rendered and Operating Expenses

Costs of services rendered and operating expenses for the year ended December 31, 2017 were Ps.5,405.8 million, an increase of 35.4% from the Ps.3,994.0 million for the same period in 2016. The variation was mainly due to an increase in consulting, colocation and maintenance costs from new projects and increased expenses related to professional advisors' fees and a larger employee base. The operating expenses for the year ended December 31, 2017 had Ps.562.5 million of other expenses which include expenses incurred in the sale of CFCA, non-cash charges or expenses that are not representative of our ongoing operations, costs related with divestiture and transaction expenses and other services.

Depreciation and Amortization

Depreciation and amortization costs increased by 59.8% for the year ended December 31, 2017 to Ps.2,144.6 million from Ps.1,342.2 million for the same period in 2016. This was mainly due to depreciation of assets related to specific projects that were contracted during the year ended December 31, 2016 and the increased depreciation related to the deployment of infrastructure for the PITA project for Ps.337.1 million. Additionally, in July 2016, the Company adopted the Revaluation Model under IAS 16 PP&E, which specifies that an asset will be carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. As a result, the value of such assets increased, resulting in an increase in the related depreciation and amortization. The depreciation and amortization related to the asset revaluation for the year ended December 31, 2017 was Ps.205.4 million and is a non-cash and non-taxable item.

Other Expenses - Net

Other expenses - net decreased by 29.9% for the year ended December 31, 2017 to Ps.31.2 million from Ps.44.5 million for the same period in 2016.

Operating (Loss) Profit

As a result of the movements in revenues and cost of sales described above, reported operating loss for the year ended December 31, 2017 was Ps.906.5 million compared to operating profit of Ps.206.1 million for the year ended December 31, 2016. This decrease was primarily due to non-recurring expenses mentioned above and the increase in depreciation and amortization from the asset revaluation.

Net Financing Expense

Net financing costs consist of interest income and expenses. Interest income consists of interest earned on cash and cash equivalents. Interest expense consists of interest payable on borrowings, including financial leases, loans and lines of credit.

Net financing expense increased by 44.7% for the year ended December 31, 2017 to Ps.1,603.3 million from Ps.1,107.6 million primarily due to the call premium on the US$ 270 million principal amount that was redeemed on December 29, 2017, and premiums paid for the call spread hedge executed in March 2017.

Net Foreign Exchange Gain (Loss)

Foreign exchange gain and loss consists primarily of gains and losses arising from the translation of foreign currency monetary assets and liabilities.

Net foreign exchange gain was Ps.864.9 million for the year ended December 31, 2017, compared to a net foreign exchange loss of Ps.1,504.0 million in 2016. This increase was primarily due to the effect that the slight appreciation of the peso had on the translation of monetary assets and liabilities denominated in foreign currency.

Income Tax Provision

Income tax provision for the year ended December 31, 2017 was an expense of Ps.976.2 million, compared to an income tax benefit of Ps.499.5 million for the same period in 2016. The income tax provision recorded in 2017 was a result of applying the annual effective tax rates estimated for the year to the operating results of the period and taxes related to the profit gained from the sale of the telecommunications business unit. The decrease in our income tax provision was primarily due to a significant deferred income tax benefit that was recognized in 2016 resulting from the recognition of tax loss carryforwards in 2016.

Net Income from Discontinued Operations

Net income from discontinued operations for the year ended December 31, 2017 was Ps.4,564.1 million and that for the same period in 2016 was Ps.111.7 million. This increase was a direct result of the gain on sale of CFCA.

Consolidated Net Income (Loss) for the Year

Consolidated net income (loss) for the year ended December 31, 2017 was Ps.1,943.2 million, as compared to a loss of Ps.1,794.3 million for the same period in 2016.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue for Services Rendered

Revenue for services rendered for the year ended December 31, 2016 was Ps.5,586.8 million, an increase of 14.2% from Ps.4,890.6 million for the same period in 2015. This increase was primarily due to contracts awarded to KIO, as well as upselling to its client base and extending current contracts. Additionally, KIO was awarded the PITA contract in March 2016. The project is the renewal and expansion of the VIVA contract that was formerly operated by KIO until 2014. PITA is the largest IT infrastructure contract ever tendered by the Mexican Federal Government and is worth up to Ps.8.5 billion.

Costs of Services Rendered and Operating Expenses

Costs of services rendered and operating expenses for the year ended December 31, 2016 were Ps.3,994.0 million, an increase of Ps.720.7 million or 22.0% from Ps.3,273.2 million for the same period in 2015. The costs of services rendered grew in line with revenues for the year and were related to colocation, maintenance, and storage from new managed and IT services projects. The increase in operating expenses was mainly driven by higher administrative costs related to a larger headcount and consulting expenses in order to serve new contracts in their implementation stage. Additionally, KIO incurred in certain consulting expenses for the adoption of the PP&E revaluation model.

Depreciation and Amortization

Depreciation and amortization costs amounted to Ps.1,342.2 million for the year ended December 31, 2016, relatively flat compared to Ps.1,364.2 million for the same period in 2015.

Other income (expenses) - net

Other income (expenses) - net for the year ended December 31, 2016 was Ps.44.5 million from Ps.0.4 million for the same period in 2015.

Operating Profit

Operating profit for the year ended December 31, 2016 was Ps.206.1 million compared to operating profit of Ps.252.7 million for the year ended December 31, 2015. This represents a decrease of 18.4% as a result of the aforementioned factors.

Net Financing Expense

Net financing expense consists of interest income and expenses. Interest income consists of interest earned on cash and cash equivalents. Interest expense consists of interest payable on borrowings, including financial leases, loans and lines of credit.

Net financing expense increased by 22.0% from Ps.908.1 million in 2015 to Ps.1,107.6 million in 2016 mainly due to the depreciation of the peso on U.S. dollar-denominated interest on U.S. dollar denominated debt.

Net Foreign Exchange Gain (Loss)

Foreign exchange gain and loss consists primarily of gains and losses arising from the translation of foreign currency monetary assets and liabilities.

Net foreign exchange loss decreased 7.8% from a loss of Ps.1,631.5 million for the year ended December 31, 2015 to a loss of Ps.1,504.0 million for the same period in 2016. This was mainly due to the impact the depreciation of the peso had on the translation of monetary assets and liabilities denominated in foreign currency.

Income Tax Provision

Income taxes for the year ended December 31, 2016 were a benefit of Ps.499.5 million, compared to a benefit of Ps.758.9 million for the same period in 2015. The income tax provision recorded in 2016 was a result of the Company's losses before taxes in the period. This decrease in our income tax benefits was primarily due to lower losses before taxes in the period.

Net Income from Discontinued Operations

Net income from discontinued operations for the year ended December 31, 2016 was Ps.111.7 million and that for the same period in 2015 was Ps.17.5 million. This increase is due to net income generated by the operations at CFCA, which was ultimately sold in 2017.

Consolidated Net Loss for the Year

Consolidated net loss for the year for the year ended December 31, 2016 was Ps.1,794.3 million and that for the same period in 2015 was Ps.1,510.6 million. This increase is primarily due to the factors discussed above.

Liquidity and Capital Resources

Our primary source of liquidity is cash flows generated from operating activities. Additionally, we derive capital resources from operating leases, lines of credit and revolving credit facilities.

Liquidity

The following table shows the generation and use of cash in 2017, 2016 and 2015.

	For the Year Ended December 31,		
	2017	2016	2015
		(in thousands of Ps.)	
Cash Flow Data			
Net cash flows generated by operating activities	2,541,104	2,601,605	1,020,283
Net cash flows provided by (used in) investing activities	6,927,244	(1,292,134)	(1,035,657)
Net cash flows used in financing activities	(7,748,300)	(1,255,827)	(419,852)
Net increase (decrease) in cash and cash equivalents	1,720,048	53,644	(435,226)

Net Cash Flows Generated By Operating Activities

In 2017, net cash flows generated by operating activities was Ps.2,541.1 million, primarily attributable to cash generated by our operations of Ps.2,613.0 million, which was offset by an investment in working capital of Ps.71.9 million.

In 2016, net cash flows generated by operating activities was Ps.2,601.6 million, primarily attributable to cash generated by our operations of Ps.2,409.5 million, coupled with cash generated from working capital of Ps.192.1 million.

In 2015, net cash flows generated by operating activities was Ps.1,020.3 million, primarily attributable to cash generated by our operations of Ps.1,505.3 million, which was offset by an investment in working capital of Ps.485.0 million.

Net Cash Flows Provided By (Used In) Investing Activities

In 2017, net cash flows generated from investing activities was Ps.6,927.2 million, primarily attributable to proceeds from the sales of subsidiaries of Ps.9,125.0 million, primarily related to the sale of CFCA. This was offset by (i) purchases of property, machinery and equipment, and intangible assets, and (ii) an increase in restricted cash.

In 2016, net cash flows used in investing activities was Ps.1,292.1 million, primarily attributable to purchases of property, machinery and equipment, and intangible assets, partially offset by proceeds from sales of subsidiaries.

In 2015, net cash flows used in investing activities was Ps.1,035.7 million, wholly attributable to purchases of property, machinery and equipment and intangible assets.

Net Cash Flows Used In Financing Activities

In 2017, net cash flows used in financing activities was Ps.7,748.3 million, primarily attributable to payment of loan borrowings from the redemption of KIO's 2021 notes in the principal amount of US$270 million, partially offset by proceeds from loans and proceeds from issuances of ordinary shares.

In 2016, net cash flows used in financing activities was Ps.1,255.8 million, primarily attributable to payment of loan borrowings and interest paid, partially offset by proceeds from loans and proceeds from issuances of ordinary shares.

In 2015, net cash flows used in financing activities was Ps.419.9 million, primarily attributable to payment of loan borrowings and interest paid, partially offset by proceeds from loans.

Indebtedness

Indebtedness of KIO Networks

As of December 31, 2017, we had outstanding debt with third parties in the aggregate amount of Ps.7,619.2 million. Debt from affiliates is described under "Related Party Transactions." The following table contains a summary of our third-party debt as of December 31, 2017. In 2017, we repaid a total of Ps.6,847.6 million in debt, including US$270 million in connection with the sale of CFCA. Our total third-party debt as of December 31, 2016 and 2015 was Ps.13,937.0 million and Ps.11,983.2 million, respectively.

	As of December 31, 2017	% of Total
	(in thousands of Ps.)	
Short-term borrowings:		
Short-term lines of credit	470,968	27%
Short-term loans	434,984	25%
Short-term leases	855,193	49%
Long-term borrowings:		
Long-term loans	265,955	5%
Long-term leases	1,068,820	18%
Long-term financial debt	4,523,286	77%
Short-term debt	1,761,145	23%
Long-term debt	5,858,061	77%
Total debt	**7,619,206**	

Some of our indebtedness is subject to restrictive covenants. The paragraphs below briefly summarize material terms of certain of the Issuer's credit arrangements. These descriptions are only summaries and do not purport to describe all of the terms of the credit arrangements that may be important.

Existing loans. As of December 31, 2017, some outstanding loans, due from the Issuer to its lenders in the aggregate amount of Ps.87.5 million are subject to certain restrictive covenants, including maintaining a total debt divided by EBITDA ratio (as defined in such loans) lower than or equal to 5.25 in 2017.

Existing Notes. On November 7, 2014, we issued US$500 million aggregate principal amount of 8.250% senior notes due 2021. The 2021 notes mature on November 7, 2021, with interest due on May 7 and November 7 of each year. We may redeem the 2021 notes on or after November 7, 2017 at certain specified redemption prices. The terms and conditions of the 2021 notes limit the issuer's ability and the ability of restricted subsidiaries to, among other things, incur additional indebtedness; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; make investments; create liens; create any consensual limitation on the ability of restricted subsidiaries to pay dividends, make loans or transfer property; engage in transactions with affiliates; sell assets, including capital stock of the Issuer's subsidiaries; and consolidate, merge or transfer assets. In November 2017, we redeemed US$270 million aggregate principal amount of the 2021 notes. As of December 31, 2017, US$230 million aggregate principal amount of 2021 notes remained outstanding. We intend to use the net proceeds from this offering to redeem all 2021 notes that remain outstanding. See "Use of Proceeds."

Capital Expenditures

In 2017, 2016 and 2015, we made capital expenditures (including fixed assets under capital leases and intangible assets) of Ps.2,465.7 million, Ps.2,283.1 million and Ps.2,460.4 million, respectively. These capital expenditures mainly include leased IT equipment, data center equipment and software licenses.

Tabular Disclosure of Contractual Obligations

The following is a summary of our contractual obligations as of December 31, 2017:

	Payments Due By Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(in thousands of Ps.)		
Unsecured Loans	700,939	434,984	265,955	—	—
Financial leases	1,924,013	855,193	1,068,820	—	—
Financial debt	4,994,254	470,968	56,667	4,466,619	—
Total	**7,619,206**	**1,761,145**	**1,391,442**	**4,466,619**	**—**

Off-Balance Sheet Arrangements

As of December 31, 2017, we had no off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Currency Risk

We are exposed to exchange risk primarily due to our debt agreements and lease agreements which we enter for the purchase of computer equipment, transportation equipment and furniture and equipment, which have been determined as finance leases. Those agreements give rise mainly to accounts payable in U.S. dollars. In addition, we entered into contracts for the sale of services to our customers in U.S. dollars, which offsets partially the foreign currency exchange rate risk. Of our total indebtedness, 74.9% is denominated in Mexican pesos and 25.1% is denominated in U.S. dollars.

In addition, we have policies in place to determine the amounts of cash and cash equivalents to be held in foreign currency.

The monetary position and the transactions in U.S. dollars are shown below:

2017	**2016**	**2015**	**2017**	**2016**	**2015**
	(in thousands of US$)			**(in thousands of Ps.)**	

Monetary assets	$ 177,794	$ 133,355	$ 78,964	$ 3,508,830	$ 2,755,647	$ 1,358,694
Monetary liabilities	(348,310)	(704,568)	(653,186)	(6,874,041)	(14,559,193)	(11,239,045)
Net long position	(170,516)	(571,213)	(574,222)	($ 3,365,211)	($ 11,803,546)	($ 9,880,351)

In the years ended on December 31, 2017, 2016 and 2015, KIO carried out the following foreign currency transactions that were converted and recorded in Mexican pesos at the exchange rate prevailing on the date of each transaction.

	2017	2016	2015	2017	2016	2015
	(in thousands of US$)			(in thousands of Ps.)		
Revenue for services rendered	$ 101,007	$ 100,349	$ 179,854	$ 1,910,082	$ 1,866,501	$ 2,854,460
Cost of services rendered	51,934	18,243	33,858	982,097	340,687	537,330
Interest expense	68,563	48,697	46,233	1,296,548	904,411	733,722

The exchange rates prevailing at December 31, 2017, 2016 and 2015 were Ps.19.7354, Ps.20.6640 and Ps.17.2065 per U.S. dollar, respectively. The average exchange rates for the years ended December 31, 2017, 2016 and 2015 were Ps.18.9104, Ps.18.6752 and Ps.15.8710 per U.S. dollar, respectively.

We are primarily exposed to peso-dollar exchange rate fluctuations. The following sensitivity analysis discloses our exposure to a 10% change in the peso against the dollar. The 10% represent the sensitivity rate used when reporting foreign exchange risk internally to key management and represents management's assessment of the possible reasonable change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts translation to the period end for a 10% change in exchange rates.

If the Mexican peso exchange rate weakened with respect to the dollar by 10% and all other variables held constant, the net comprehensive loss for the year would increase by Ps.336,520, Ps.1,180,355 and Ps.988,035, in the year ended on December 31, 2017, 2016 and 2015, respectively. Strengthening of the Mexican peso to the dollar rate would generate the opposite effects to those noted previously in net comprehensive income by the same amounts.

Derivative financial instruments

During the year ended December 31, 2017, we decided to hedge a portion of the principal of our U.S. dollar-denominated bonds through a Mexican peso / U.S. dollar exchange rate collar from Ps.18.925 to Ps.24.060 over U.S.$125 million of such debt that matures in 2021. This instrument was designated as a cash flow hedge for the intrinsic value of the options and the premiums are liquidated under the modality of "pay as you go". As of December 31, 2017, the outstanding amount of premiums payable amounts to U.S.$11.4 million.

As of December 31, 2017, the fair value of the net collar is an asset of Ps.85,726.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period:

Outstanding contracts	Average exchange rate	Foreign currency	Notional value	Fair value assets (liabilities)
	2017	2017	2017	2017
Cash flow hedges	Ps.18.9104	Ps.19.7354	US$125,000	Ps.85,726

As of December 31, 2017, the aggregate amount of gains under foreign exchange option contracts recognized in other comprehensive income was Ps.130,736.

Interest rate risk

Interest rate risk arises from financial debt. The loans contracted at variable interest rates expose us to interest rate risk which is partially offset by cash held at floating rates. Loans issued at fixed rates expose us to fair value risk of interest rate. As of December 31, 2017, 2016 and 2015, we had contracted a portion of the loans at floating rates.

Finance leases were contracted at fixed rates. As of December 31, 2017, 2016 and 2015, we did not contract financial instruments as protection against interest rate risk.

Liquidity risk

Management is responsible for liquidity risk management, which has established an appropriate liquidity risk management framework for financing at short, medium and long-term.

We manage liquidity risk by maintaining adequate cash and cash equivalent reserves for our operations, by contracting credit lines and by continuously monitoring projected and real cash flows, for which we reconcile the maturity profiles of financial assets and liabilities. See Note 15(g) to our Annual Audited Consolidated Financial Statements.

Credit risk

Credit risk refers to the risk that a counterparty will default its contractual obligations resulting in financial loss for us.

We have adopted a policy of only engaging with creditworthy parties to mitigate the risk of financial loss caused by breach.

As indicated in Note 7 to our Annual Audited Consolidated Financial Statements, in order to manage credit risk, our policy focuses on research and subsequent selection of customers based on their character and financial solvency. Additionally, we monitor collection and recovery of debt due based on aging, in order to identify impairment on a timely basis. Based on historic default rates, we believe that no impairment allowance is necessary in respect of trade receivables.

INDUSTRY

Overview

Data centers are critical infrastructures that concentrate all IT operations of an organization and house all of its data processing, storage, archiving, and management equipment. Data centers protect the most critical systems of an organization and are vital for business activities and continuity, while protecting critical and confidential information.

Data centers are complex, multi-disciplinary structures comprised of hundreds of sub-components supplied by different vendors, all of which need to be reliable, efficient, and secure to ensure the correct processing and storage of information. Many entities, such as major multi-national organizations and governments, lack the resources and experience necessary to manage the development, implementation, and maintenance of a data center. Time and capital investment commitments are substantial, and possible errors in the construction and operation of a data center can be critical. Costs from system outages, information leakage, and loss of data may significantly damage the reputation and results of operations of private companies and government entities.

Equipment housed in data centers (e.g., mainframes, servers, switches, storage devices, routers, fiber optic transmission gear) consume significant power, generate substantial heat and are particularly sensitive to power fluctuations as well as changes in temperature and humidity. As a result, control of the data center environment by means of uninterrupted power, ventilation, air conditioning, heating, fire suppression and monitoring is critical. A data center generally consists of: (i) space that houses IT equipment, in the form of cabinets, cages, or suites; (ii) Uninterruptible Power Supply (UPS) systems, including backup generators and batteries; (iii) cooling equipment, including raised flooring to accommodate air circulation, thermal containment units, cooling systems; (iv) fire suppression systems; (v) security, including physical security, video surveillance systems, biometric access control, and mantraps; (vi) staging areas; and (vii) office space.

Whereas data centers were historically utilized primarily for space, today they are increasingly used for data processing in support of data ecosystem applications that require network connectivity. Data centers that provide access to connectivity with multiple carriers and interconnection services can improve application resilience and reliability, which allows clients to benefit from operating their IT infrastructures along with their most important business partners and permits local and direct exchange of circuits and data required for them to operate efficiently.

Some clients will generally prefer data centers with close physical proximity to their operations for several reasons, including lower latency for their applications and connections, the ability to periodically visit the data center to physically inspect their key IT hardware, a direct and close relationship with the data center and managed IT infrastructure services personnel, particularly for crisis management and as a potential site for business continuity and disaster recovery. Nonetheless, local data centers also pose an issue relating to laws governing data protection and data geography. Clients focus on reliability and service quality when selecting services providers.

Data center outsourced services are fostered by secular growth drivers including: (i) a strong growth in global IP traffic, backed by the continuing growth of consumer Internet traffic from new bandwidth-intensive services, such as video, VoIP, IoT, social media, AI, mobile data, gaming, data-rich media, Ethernet and wireless services, with an expected CAGR of 25% from 2016 to 2021, according to the Cisco Visual Networking Index Forecast (2016); (ii) significant increases in security, power and cooling requirements for modern data center equipment which cannot be supplied by most "in-house" or legacy data centers; (iii) the growth of enterprise applications, such as SaaS and disaster recovery and the adoption of private and public cloud computing technology services; and (iv) the high capital commitments required to build and maintain data centers, which create an opportunity to leverage on the outsourced model. The growth in data generation and the ever-growing dependence of businesses on IT solutions make a data center a key part of operation and growth corporate strategy for every company.

The data center services spectrum is generally divided into two broad categories: (i) managed IT infrastructure services, which focuses on providing services and full package solutions to clients, and (ii) colocation and connectivity, which is dedicated to housing clients' hardware in secure facilities. Both categories are detailed below:

Managed IT infrastructure services are generally comprised of:

- Integration of the client company's accounting, management information, human resources and other administrative systems;

- Application management allows customers to outsource the process of managing the operation, maintenance, versioning, upgrading and providing support for an application throughout its lifecycle;

- Private and Public Cloud IT services allow customers to contract the delivery of hosted services over a network or the Internet, enabling end-users to access a variety of applications, data and resources running on a network of servers owned and operated by a hosting provider.

  - Public cloud: delivered on shared hardware, allowing for significant economies of scale and on-demand scalability, but typically with limited configurations, security protections and availability variances.

  - Private cloud: delivered on dedicated hardware, backed by comprehensive service-level agreements and dedicated support teams, allowing customers to host applications in the cloud, while maintaining security and data control.

- Managed IT infrastructure hosting allows customers to lease dedicated servers and associated hardware from a hosting provider. Leased equipment is located at the provider's facility and is managed and maintained for by the provider. Customers manage and maintain the applications running on leased servers.

Colocation and connectivity is generally comprised of:

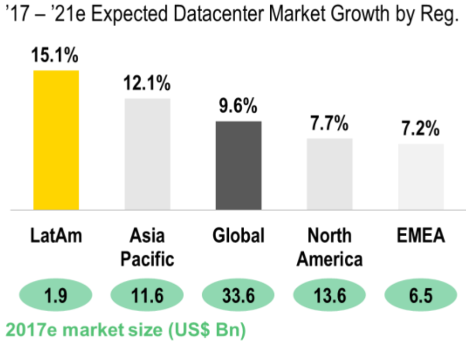
- Colocation services allow customers to place their own servers within a professional (i.e. third-party) data center and pay for the space, power, and cooling necessary to run such servers. These services (alone) do not include providing servers. A common distinction between wholesale and retail colocation is the amount of square feet and power leased to customers. Wholesale colocation typically involves more than 2,500 square feet or more than 500KW of power sold in cells or pods. Retail typically involves less than 2,500 square feet or less than 500KW of power sold in racks or cabinets.

- Interconnection within a colocation facility allows customers to connect their networks to other networks by running fiber or other media to a central point in a facility called a "meet-me-room," providing access to a wide range of telecom carriers and service providers without the costs or latency of a local access loop.

IT and Data Center Industry in Latin America and Mexico

The IT and Data Center market in Latin America is considered a large, under-developed and under-penetrated market with high growth rates. According to 451 Research (Multi-Tenant Datacenter Global Providers 2017), the Latin American multi-tenant data center market will experience the highest growth globally over the next four years, with a CAGR of 15.1% from 2017 to 2021. We believe that Mexico is still an underserved market with significant growth opportunities. Within Latin America, Mexico is classified by 451 Research as an emerging data center market, with a lower level of data center services penetration relative to other developing economies such as Brazil and China and to developed countries such as the U.S. Out of the fourteen Mexican cities with a population of over one million inhabitants, only four host multi-tenant data center facilities, according to 451 Research.

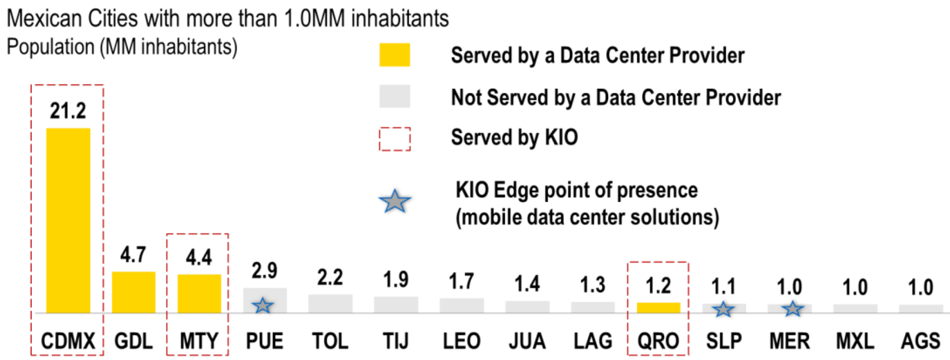
'17 – '21e Expected Datacenter Market Growth by Reg.



Source: 451 Research, "Multi-tenant Datacenter Global Providers", December 2017

Data Center Market Maturity

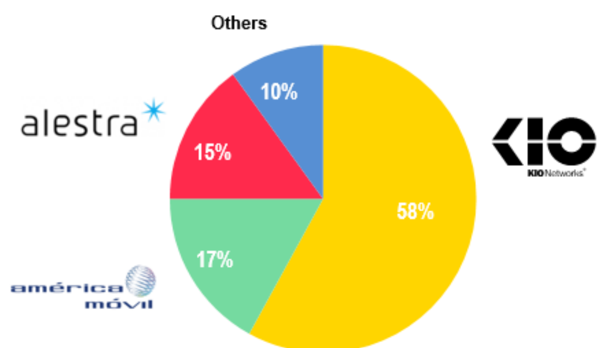
Country	Category	
USA	4	*Mature*
China	3	*Adolescent*
India	3	*Adolescent*
Brazil	3	*Adolescent*
Mexico	2	*Emerging*



Source: 451 Research, "Mexico: Multi-tenant Datacenter Market", August 2016

In Mexico, most data center providers are affiliated with telecommunications companies. We are the largest data center services provider in terms of available floor space. Our closest competitors are Triara, a company owned by America Movil and Axtel. As the only carrier-neutral provider in Mexico, we believe we are best positioned to provide the most attractive solutions to our clients.

The chart below shows the market share of Kio in terms of percentage of operational space as of 2016:



Source: 451 Research, "Mexico: Multi-tenant Datacenter Market", August 2016

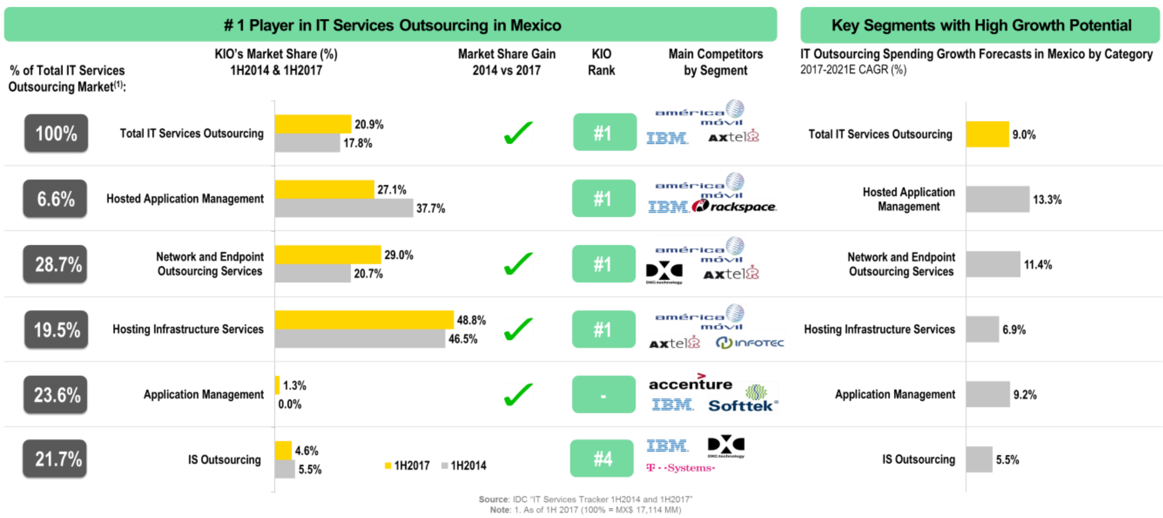
We believe that the increasing rate of internet penetration in Mexico will continue supporting the long-term demand for IT services. The number of internet users in Mexico as a percentage of total population increased from 31.1% in 2010 to 59.5% in 2016 (The Little Data Book in ICT, World Bank Group). However, the level of internet penetration in Mexico is still below that of developed markets and some regional peers. As a comparison, the number of internet users as a percentage of total population in 2016 was 89.8% in Canada, 76.2% in the United States, 70.2% in Argentina, 66.0% in Chile, 66.0% in Costa Rica, 60.0% in Venezuela and 59.7% in Brazil (The Little Data Book in ICT, World Bank Group).

Following a legislative reform to the Mexican telecommunications sector in 2013, the Mexican government launched the "Red Compartida" initiative, a public-private partnership with the objective of building a shared, wholesale telecommunications network that all operators can access. The wholesale network roll out should allow the Mexican telecommunications industry to lower operating expenses and capex requirements. As a result, mobile broadband access penetration should increase while lowering costs to consumers. A key objective of the Red Compartida is to provide mobile broadband access in regions that currently lack access to these services, covering 92% of Mexico's population by 2024.Mexico is among the fastest growing major markets in Latin America for IT services spending, with an expected CAGR of 8.0% from 2017 to 2021 compared to 6.1% for Brazil, 2.6% for the United States and 1.5% for Western Europe for the same period (IDC Worldwide Black Book 3Q 2017). In addition, within the overall IT services market in Mexico, outsourcing services, which represent KIO's target market, are expected to outperform the overall market, with a projected CAGR of 9.0% from 2017 to 2021, according to IDC. In

Mexico, outsourcing represented 40.0% of all IT services revenue in 2017, compared to 47.0% in Chile and 43.0% in Colombia, according to an IDC research study (Worldwide Black Book 3Q2017).

We are the leading provider of IT outsourcing services in Mexico (other competitors include IBM, America Movil, Axtel, Softtek, Infotec and Accenture). According to IDC, in the first half of 2017 we had the largest market share of the total IT outsourcing services market. Furthermore, our growth strategy has allowed us to capture a larger share of this high-growth industry, increasing our overall market share from 17.8% in the first half of 2014 to 20.9% in the first half of 2017. Within the overall IT outsourcing services industry, we have leading positions across our target segments, including Hosting Infrastructure Services, Network and Endpoint Outsourcing Services and Hosted Application Management.

The chart below provides an overview of Mexico's key IT services outsourcing segments and players in each market:



BUSINESS

Overview

We are the leading provider of Information Technology infrastructure outsourcing services in Mexico and the largest in installed data center capacity, with a 58% market share in terms of operational space, while also expanding our presence throughout Latin America. Founded in 2002, we offer a comprehensive set of IT infrastructure outsourcing services and solutions within our 29 state-of-the-art data centers in 11 technological campuses in Mexico, Panama, Guatemala, the Dominican Republic, and Spain. As part of our EDGE strategy, we have 8 EDGE data centers with 209 square meters of installed base, which are smaller facilities throughout Mexico's Tier 2 and Tier 3 cities to serve the growing need of ultra-low latency IT services. Our campus data centers are among the most modern, reliable and secure in Latin America. Our data centers and IT services have the highest levels of certification and awards available in the industry, including "Best Colocation Provider in Latin America 2017" by DatacenterDynamics, as well as Tier IV Design and ISO 9001, 14001, 20000-1, 22301 and 27001 certifications for certain of our data centers. As an independent, carrier-neutral IT infrastructure services provider, we are able to bundle and customize the best IT ecosystem infrastructures into solutions that create a unique and differentiated value proposition that affiliated IT services providers cannot replicate.

Our customers are mainly large and mid-sized enterprises, government entities and SMBs. The core offerings we deliver to our customers consists of value-added mission critical IT services, which are solutions tailored to specific client needs, including complex managed IT infrastructure services and cloud computing solutions, cybersecurity, ultra-low latency services for proximity hosting solutions, database management, storage and backup and Internet Exchange Point infrastructure, among others. We also offer data center solutions for mission critical services to clients that need state-of-the-art hosting facilities for their critical IT infrastructure, including cross-connects and physical security.

Organizations and service providers are fundamentally transforming the way they do business as a result of IT innovation. New technology trends, such as the adoption of web-based applications, including SaaS, the consumerization of IT, the proliferation of mobile devices, cloud computing, IoT, IoMT and AI and robotics, as well as the increasing criticality of data and information are changing the way companies and consumers interact with IT. As a result, we operate in an expanding industry in which demand for data center services is outgrowing supply. From 2016 to 2021, data center IP traffic globally was expected to grow at a compound annual growth rate (CAGR) of 25.0%, driven mainly by cloud workloads, according to the "Cisco Global Cloud Index: Forecasts and Methodology 2016-2021" report. According to an IDC research report, Mexico is the fastest growing major market in Latin America for IT services spending, with an expected CAGR of 8% from 2017 to 2021 compared to 6.1% for Brazil, 2.6% for the United States and 1.5% for Western Europe for the same period. In addition, as of 2016, Internet penetration in Mexico was only 59.5% compared to 76.2% in the United States, according to the World Bank Group Little Data Book on ICT.

We believe factors that will continue to drive long-term demand for our services include: (i) a strong growth in global IP traffic, backed by increasing consumer Internet traffic from new bandwidth-intensive services, such as video, Voice-over-Internet Protocol (VoIP), social media, mobile data, gaming, blockchain, crypto-currency mining platforms, data-rich media, Ethernet and wireless services; (ii) significant increases in cybersecurity, power and cooling requirements for modern data center equipment which cannot be supplied by most "in-house" or legacy data centers; (iii) the growth of enterprise applications, such as SaaS, the adoption of cloud computing technology, new-generation data storage and management technology and data analytics services; and (iv) the high capital commitments required to build, maintain and update data centers, which create an opportunity to leverage on the outsourced model.

We believe we differentiate ourselves from our competitors by our "KIO DNA," which consists of six key elements: reliability, flexibility, agility, sense of urgency, innovation and commitment. We believe our reputation and proven track record give us a competitive advantage as a mission critical IT infrastructure services provider, in a setting where data center availability and reliability are key to our clients' operations. We serve a loyal base of private and public sector clients, which include many of Mexico's largest companies and government entities. Our top ten enterprise and government clients' average tenure with us is 8.3 years, and our very first client has remained with us since our inception. Typically, we provide our services over contract periods of 12 to 48 months, with an average of 36 months, which provides us with strong cash flow visibility. In addition, the quality, complexity and breadth of our services, along with high migration costs associated with customized solutions, have enabled us to achieve a low client churn rate of 0.5% (measured by last four quarters revenue lost from canceled or terminated projects, divided by the previous quarter revenue) and an average customer retention rate of over 95% in our core business. Our complementary businesses, including Sm4rt, MásNegocio and Wingu, feed our existing customers into our core businesses, which enables us to target a broader client base and increase our share-of-wallet penetration.

Our scale and physical proximity to our key target markets allow us to create interconnected ecosystems and offer proximity services to clients that seek ultra-low latency solutions (a network with human-unnoticeable delays between an input being processed and the corresponding output, providing real-time characteristics). For example, a global search engine may host at our facilities cached data that is the most relevant for that particular region, providing a fast response to internet users' queries. Clients of such search engine may also place their servers at our facilities, creating direct interconnectivity among the search engine and our other clients, allowing a seamless setup with minimal latency. Additionally, our EDGE infrastructure allows us to serve new and growing data needs for specific content distribution networks, IoT, data exchange, and gaming, among others.

We operate a growth-oriented, resilient business model with steady revenue growth even during volatile economic environments. We believe that the demand for IT infrastructure services will continue to grow in the near future. For the year ended December 31, 2017, we had revenues and Adjusted EBITDA (excluding discontinued operations) of Ps.6,675.0 million and Ps.1,831.8 million, respectively, representing a year-on-year growth of 19.5% and 11.3%, respectively, and an Adjusted EBITDA margin (excluding discontinued operations) of 27.4%.

The table below presents our key financial information for each of the periods indicated:

	Year Ended December 31,			
	2017	**2017**	**2016**	**2015**
	(US$) (1)	**(Ps.)**		
	(in thousands except for percentages)			
Revenue for services rendered	352,981	6,675,010	5,586,799	4,890,572
Consolidated comprehensive income (loss) for the year	90,534	1,712,038	141,927	(1,665,729)
Net margin(2)	25.6%	25.6%	2.5%	(34.1)%
Adjusted EBITDA (excluding discontinued operations)(3)	96,866	1,831,774	1,645,098	1,653,721
Adjusted EBITDA margin (excluding discontinued operations)(4)	27.4%	27.4%	29.4%	33.8%

(1) Converted into U.S. dollars using the average exchange rate of Ps.18.9104 per U.S. dollar for the year ended December 31, 2017. These conversions 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 specified exchange rate or at all. See "Exchange Rates."

(2) Net margin is consolidated comprehensive income (loss) divided by revenues.

(3) We define Adjusted EBITDA (excluding discontinued operations) as gross profit plus depreciation and amortization less operating expenses plus other expenses which include expenses incurred in the sale of CFCA, non-cash charges or expenses that are not representative of our ongoing operations, costs related with divestiture and transaction expenses and other services. Our calculation of Adjusted EBITDA (excluding discontinued operations) may not be comparable to other companies' calculation of similarly titled measures. See "Presentation of Financial and Certain Other Information."

(4) Adjusted EBITDA margin (excluding discontinued operations) is calculated by dividing Adjusted EBITDA (excluding discontinued operations) by revenue for services rendered.

Our Products and Services

Our offerings are comprised primarily of mission critical IT infrastructure services delivered within our extensive high end data center network with footprint in Mexico and Latin America. Within our portfolio of services, we provide a range of services, from basic colocation services that deliver space, power and communications to full IT outsourcing and operation for critical industries and government agencies. Designing, building and operating complex IT ecosystems in today's ever-changing technology landscape is a continuous challenge, and we have developed and built specific organizations within our group that provide data center services, managed IT infrastructure services, cybersecurity services, application management services, big data and analytics services and SMB IT services that cover the whole scope of market IT demands.

Our Strengths

We believe that our principal strengths are:

Leading provider of IT outsourcing and data center services in Mexico. We are the largest multi-tenant data center provider in Mexico, with a 58% market share in terms of operational space, according to a research report prepared by 451 Research. With an aggregate total designed capacity of 21,150 square meters in Mexico, we have more than three times as many square meters as the second largest competitor. We believe that our large scale capacity and physical proximity to our key target markets represents a key advantage versus our competitors, since it allows our enterprise clients to host their IT systems near their trading and business partners, creating interconnected ecosystems. According to IDC, in the first half of 2017, we had the largest market share (20.9%) of the total IT outsourcing services market in Mexico. Furthermore, our growth strategy has allowed us to capture a larger share of this high-growth industry, increasing our overall market share by approximately three percentage points over the last three years. Within the overall IT outsourcing services industry, we have leading positions across our target segments, including Hosting Infrastructure Services, Network and Endpoint Outsourcing Services and Hosted Application Management, where, in the first half of 2017, we had a market share of 48.8%, 29.0% and 27.1%, respectively. We believe that our leadership position across our target markets will enable us to continue capitalizing on attractive market opportunities in the Mexican IT outsourcing services market.

Best-in-class infrastructure with state-of-the-art technology and a strong market reputation. We are the leading provider of IT infrastructure outsourcing services in Mexico, with a growing presence in Latin America and operating a large portfolio of modern data centers in the region. Through our 11 technology campuses, we have an aggregate total designed capacity of approximately 22,488 square meters and an installed base ready for service of approximately 16,553 square meters. Data centers are mission critical facilities that are vital to the continuity of daily business operations and the protection of IT workloads. Our state-of-the-art facilities allow us to deliver a comprehensive set of IT solutions to our clients, with exceptional physical and network security, superior customer service and highly trained, skilled and certified support staff with technical expertise. Our main data centers in Mexico are built according to Tier IV specifications, providing up to four levels of redundancy with 99.999% availability. In addition, our facilities incorporate the latest features in data center design and technology, such as precision free cooling, and cold aisle containment. Our data centers were designed for modular expansion and allow significant future growth with marginal investments. The quality of our facilities and services has allowed us to build a reputation as the premier IT infrastructure outsourcing provider in the countries where we operate. In a global environment where operational continuity, data security and protection are increasingly important, our reputation as a local and reliable partner contributes to our success in the market.

Our facilities and services have achieved the highest levels of certification available in the industry, including PNT National Technology Award, Gartner Cool Vendor, ISO/IEC 27001, ISO/IEC 27017, ISO/IEC 27018, ISO/IEC 20000-1, ISO 22301, ISO 90001, ISO 14001, Google Apps Premier Enterprise Reseller, SAP Advanced Level in Hosting Services, SAP Certified in Cloud Services, SAP Certified in SAP HANA Operations Services, SAP Certified in Infrastructure Operations Services, PCI DSS - Payment Card Industry Data Security Standard, SSAE18 SOC 1 Type II Audit Report, ICREA 5, Intel Cloud Technology, High Security, High Available World Class Quality Assurance Data Center (HSHA-WCQA) for our technology campus QRO 1 in Querétaro, Tier IV Design certification from Uptime Institute and vCloud Powered by VMware.

High-quality client portfolio supported by a tailored offering of mission-critical IT services. We provide managed IT infrastructure services and customized managed hosting solutions to our clients, including systems support and monitoring, systems management, engineering support services, data back-up, storage and cybersecurity services. In our core business, we provide these services through contracts that range between 12 to 48 months, with an average of 36 months and generally require setup investments, which create significant switching costs for our clients resulting in our low churn rate. Our top ten clients' average tenure with us is 8.3 years (excluding new contracts), almost half of KIO's existence, and our very first client has remained with us since our inception. In addition, the quality, complexity and breadth of our services, along with high migration costs associated with customized solutions, have enabled us to achieve a low client churn rate of 0.5% (measured by last four quarters revenue lost from canceled or terminated projects, divided by the previous quarter revenue) and an average customer retention rate of over 95% in our core business. We believe that the critical nature of our services for our clients results in low churn rates since our clients could risk significant operational failures if they were to switch providers. Our revenues from customers are diversified by industry, including federal government (36%), health care (16%), financial services (14%), IT (9%) and professional services (5%). Our total customers have grown at a CAGR of 32%, from 18 customers at our inception to 1,208 in 2017.

Loyal client relationships with stable recurring revenues. We serve over 1,200 enterprise clients, including some of the largest Mexican and multinational corporations and government entities in the markets where we operate. Our enterprise client portfolio is diversified by sector and industry. Given the high quality of our enterprise clients, the nature of our services, the low client turnover rate of 0.5% (measured by last four quarters revenue lost from canceled or terminated projects, divided by the previous quarter revenue) and an average customer retention rate of over 95% in our core business, our losses due to bad receivables have historically been very low, with non-performing receivables representing 2.1% of our revenues in 2017.

Solid growth with improved leverage profile. Our track record of consistent growth and strong EBITDA generation highlights our rigorous strategic planning, continuous innovation capacity and the quality and reliability of our services. In 2016 and 2017, our revenues grew 14.2% and 19.5%, respectively, significantly outperforming the Mexican IT services industry, which grew 4.9% and 6.8% in 2016 and 2017, respectively, according to BMI, and the overall economy, which achieved GDP growth rates of 3.2% and 1.5% in 2016 and 2017, respectively. For the year ended December 31, 2017, we had an Adjusted EBITDA (excluding discontinued operations) of Ps.1,831.8 million, representing a year-on-year growth of 11.3% and an Adjusted EBITDA margin (excluding discontinued operations) of 27.4%.

On November 17, 2017, we divested our connectivity business as part of our effort to focus our strategy on our core businesses and strengthen our capital structure. See "Summary—Recent Developments." Proceeds from this sale were used primarily to reinvest in our core business and to improve our leverage profile, including the repayment of US$270 million of our 2021 notes. The resulting debt reduction more than offset the EBITDA loss from the divested assets, lowering our net debt to Adjusted EBITDA ratio from 6.4x as of December 31, 2016 (including discontinued operations), to 2.9x as of December 31, 2017 (excluding discontinued operations).

Strong management and operating team backed by value-focused long-term shareholders. We were founded 16 years ago by our CEO and Chairman of the Board of Directors, Sergio Rosengaus, who recognized an opportunity to create a mission critical carrier-neutral data center services provider in Mexico. Our senior management team has on average been with the Company for 9 years and has been involved with the technology industry for an average period of 17 years. Our management team shares the ideals of our KIO DNA—reliability, flexibility, agility, sense of urgency, innovation and commitment—which we believe differentiate us from our competitors. Our senior management team has led KIO's expansion in Mexico and is replicating our success in other markets in Latin America and Europe. We strive to create an inclusive work environment that allows us to attract and retain top talent. Accordingly, KIO was selected as one of the great places to work in Mexico in 2017 by the Great Place to Work® Institute. KIO Networks was jointly founded by Sergio Rosengaus and the Aramburuzabala family, whose investment has been managed by its controlled entity Tresalia Capital. The sponsorship, commitment and guidance provided by Tresalia Capital throughout the years has been instrumental in positioning us as a leader in the markets where we are present.

Our Strategy

Our key strategies are:

Create a unique customer experience at an attractive value proposition. We plan to continue to leverage on our modern data centers and technology expertise to offer a personalized customer experience for a compelling value proposition. Because we are an independent IT services provider, we can design and offer our clients the best IT ecosystem infrastructure solutions that meet their particular needs. In addition, as we are carrier-neutral, our enterprise clients have flexibility to select carriers based on pricing, quality, redundancy and latency. Accordingly, we were selected to host the first Internet Exchange Point (IXP) in Mexico creating a low cost, ultra-low latency, high bandwidth access point to exchange the growing IP traffic in the country.

Our integrated market strategy provides enterprise clients with easy access and local hosting and colocation of their critical IT workloads at our state-of-the-art facilities. Our scale allows enterprise clients to host their IT systems near their trading and business partners, creating interconnected ecosystems. Building and operating modern data centers with leading-edge technology, security, power and cooling, and other elements requires significant capital investments, as well as highly specialized technical expertise. Through our data centers, enterprise clients benefit from our infrastructure's footprint, scale, and technical knowledge of our skilled experts and are served with customized IT systems outsourcing solutions at a fraction of the cost of building, maintaining and updating their own ecosystems.

Continue to build, own and operate state-of-the-art data center infrastructure. We plan to continue expanding our portfolio of state-of-the-art data centers to provide highly reliable and secure IT infrastructure and data interconnection solutions to our clients. Our core business operates the infrastructure that enables KIO to offer a comprehensive portfolio of mission critical IT services to large corporations and government entities. Our complementary business units, such as KIO Cyber Security, KIO Application Management, KIO Data Analytics, and Wingu (KIO SMB), allow us to bundle and offer a comprehensive array of services that provides cross selling opportunities between existing customers. As our client base expands, we plan to continue building new data center facilities to maintain our position as the largest outsourcing data center and managed IT infrastructure services provider in Mexico.

Continue to expand our offering with value-added complementary services. We strive to expand and diversify our portfolio services in order to address the full spectrum of our clients' business and IT needs. We believe that cybersecurity services provided through our Security Operations Centers (SOC), including hacking protection, penetration tests, firewalls and application security, among others, are key growth areas, which we are targeting through our subsidiary Sm4rt. We are also building a new state-of-the-art SOC in our Queretaro facility, which will be one of the largest, if not the largest, in Mexico. In addition, we have also identified our business continuity and our mobile data centers (ATOM) as additional services with growth opportunities. For example, our ATOM data center allows us to provide our clients solutions for data migration projects, disaster recovery plans, as well as data center capacity for temporary projects or in remote locations.

Furthermore, we believe that the market for private and public cloud services, AI and IoT are still at an early stage of development in Mexico, and we expect to capitalize on those opportunities by deploying EDGE data centers, which are smaller facilities in Mexico's Tier 2 and Tier 3 cities. Our EDGE data centers will allow our clients to approach their end users with ultra-low latency for specific applications such as content distribution networks, data aggregation, self-driving vehicles, gaming, financial transactions and local and regional IP traffic exchange.

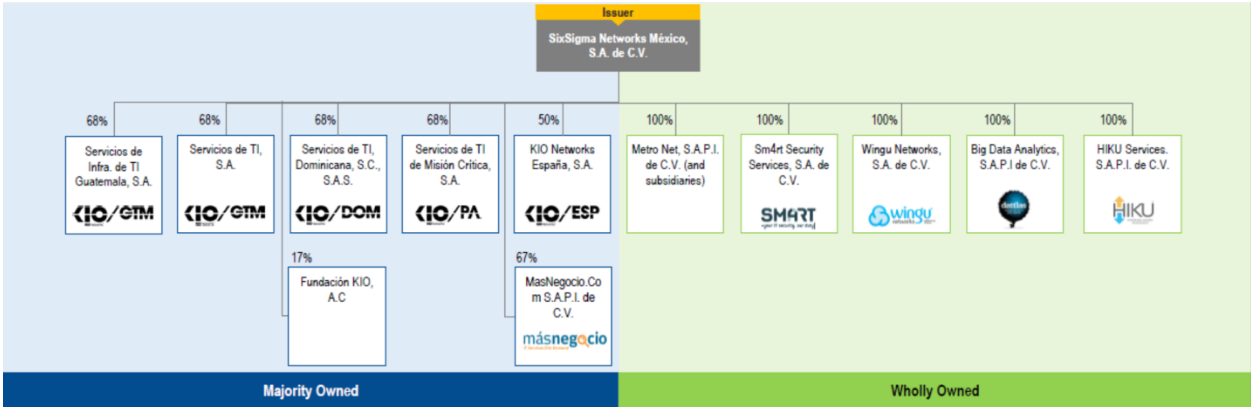
Continue to expand in new market segments and select geographies. We believe we can expand our enterprise client base, which is currently focused on large enterprises, service providers and government entities, to include the mid-market, with a IaaS, SaaS and PaaS offerings that leverage our existing capabilities. Through MásNegocio, a Mexican pioneer in offering enterprise application SaaS, Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) solutions, we plan to target the mid-size enterprise market by offering integrated local and regional cloud services with enhanced customization and customer support, adding to our revenue potential.

Through our Wingu subsidiary, we are making a targeted effort to reach SMBs and individuals, offering off-the-shelf IT solutions for customers to create and host their own web pages, purchase backup and purchase on-demand cloud-based IT services and SaaS applications, among others. We intend to continue to broaden our product portfolio in order to achieve higher participation in the low-touch, high-growth SMB segment.

We plan to continue to expand our IT services to other regions that we believe benefit from positive dynamics and high growth opportunities similar to the Mexican market, including Latin America and Spain. Our international expansion strategy may include teaming up with prominent local investment groups. Over the last six years, we have launched operations in Guatemala, Panama, the Dominican Republic and in Spain along with well-known local strategic partners.

Corporate Structure

The chart below summarizes our corporate structure.



The notes will be unconditionally guaranteed by Metro Net, S.A.P.I. de C.V., Sm4rt Security Services, S.A. de C.V. and Wingu Networks, S.A. de C.V. As of and for the twelve-month period ended December 31, 2017, the Issuer and the guarantors together represented 94% and 93% of our consolidated assets and consolidated Adjusted EBITDA (excluding discontinued operations), respectively.

History

KIO Networks was founded in Mexico in 2002 and began operations with our first technology campus with four data centers and 2,400 square meters of total capacity in Mexico City. We had 18 KIO enterprise clients. In 2003, we entered into our first managed IT infrastructure services agreement and began offering managed hosting services.

In 2004, we were awarded our first IT contract by the Mexican federal government, developed our on-demand storage offering and received the National Technology Award.

In 2006, we began construction of our KIO QRO 1, a technology campus in Queretaro, Mexico, which began operating in 2007 and includes five computing centers with 5,500 square meters of total capacity in Mexico. By 2006, we had grown to 97 clients.

In 2009, we launched our business and homeland security services offering, including solutions that involve gathering, storing and processing a high volume of data, leveraging KIO's data center infrastructure. We also added SAP solution to our services offerings. By the end of 2009, we had grown to 185 KIO Group clients.

In 2011, we expanded into other areas of Latin America and began construction of KIO PA 1, a technology campus in Panama that has two data centers with an aggregate capacity of 780 square meters. Also in 2011, we commenced operations at KIO MEX 2, a technology campus that has two data centers with a total aggregate capacity of 1,275 square meters, located in the Santa Fe region of Mexico City.

In 2012, we began operating in Panama City and commenced construction of the KIO GT 1, a technology campus in Guatemala. We also founded Wingu Networks and acquired Tocalweb and Interplanet to address the IT needs for the SMB segment.

In 2013, we started to offer new services to complement our existing service portfolio, enabling us to increase the sectors we can assist with their technology requirements. We also continued to focus on our expansion plans in Mexico, Latin America and Europe. In April 2013, we acquired a majority stake in, and established a partnership with MásNegocio, a Mexican pioneer in offering enterprise application SaaS, ERP and CRM solutions. This enabled us to expand our range and scope of cloud services. During that same year, we acquired Internet Networks and the assets of Xpress Hosting with the goal of improving and growing Wingu Networks' services portfolio, such as an online storage and backup.

In 2013, we also created Dattlas, a company specialized in providing data analytics solutions for large volume of information. Through Dattlas, we expanded our data processing and analytics capacities. During the fourth quarter of 2013, we acquired Sm4rt Security Services, a Mexican company with 10 years of experience in cybersecurity solutions. With this acquisition, we strengthened our capabilities in risk management, regulations and standards in IT security.

Our expansion efforts in 2013 included the opening of KIO Networks Guatemala, the construction of KIO DO 1, a technological campus in the Dominican Republic, and KIO ES 1, our first data center in Europe, located in Murcia, Spain. By the end of 2013, we had grown to more the 400 enterprise clients and a total of 61,287 KIO Networks Group customers (including Wingu's SMB clients).

On October 15, 2014, we acquired redIT, an emerging leader in secure, customizable managed cloud computing, data center services, and critical connectivity. RedIT had approximately 590 employees and contracted personnel, which we combined with KIO Networks' staff for a total headcount of approximately 2,200 employees (including contractors).

On October 7, 2015, we won both the Best DC Team of the Year and Best DC Energy Efficiency awards in the Latam DataCenter Dynamics Conference 2015.

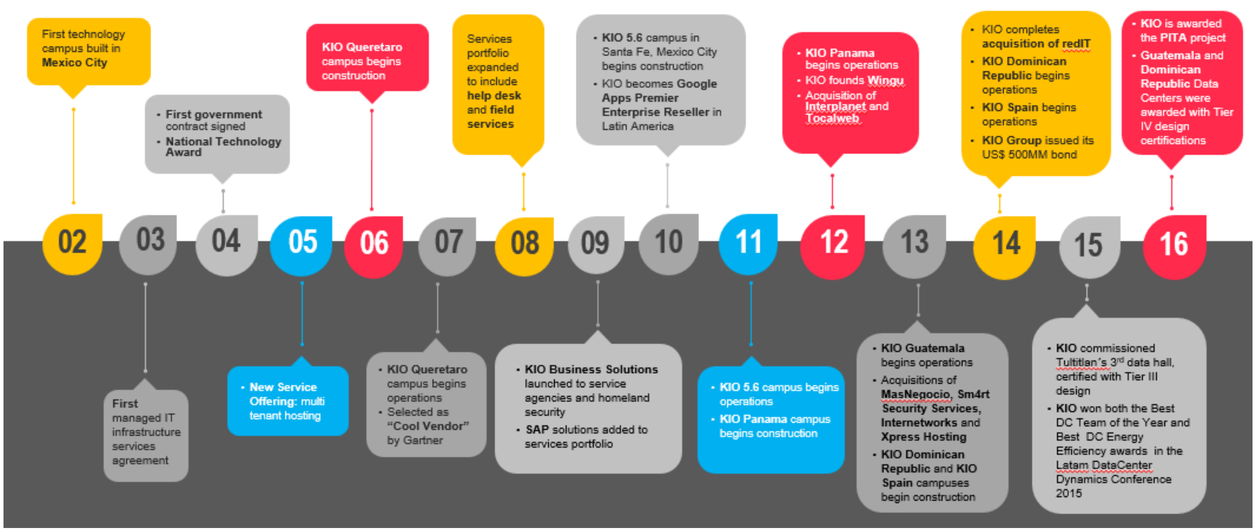
On March 4, 2016, the Mexican tax authority awarded us the *Proyecto de Integración Tecnológica Aduanera* (PITA) project, the largest managed IT infrastructure contract ever granted in Mexico's history. It is designed to integrate, modernize and secure the country's imports and exports processes at its customs entry and exit points.

On May 1, 2017, we divested our San Diego operations, which we acquired as part of redIT in October 2014, to Zayo Group Holdings.

On November 17, 2017, we closed the sale of our fiber networks subsidiary, CFCA, which holds more than 50,000 concrete poles and approximately 2,100 route miles of fiber, primarily located in Mexico's key urban centers, to American Tower Corporation, as part of our strategy to focus our capital on our core businesses. The total cash consideration for the transaction was approximately US$500 million (inclusive of the redIT brand), subject to customary working capital adjustments.

In 2017, KIO also completed the EDGE DC facility strategy to complement user demand and was recognized as the 2017 Datacenterdynamics best collocation provider in LatAm.

The chart below sets forth significant milestones in the development of our company and our current operations:



Our Services

Managed IT Infrastructure Services

We offer a broad portfolio of mission critical IT solutions, offering on-demand integrated solutions with high standards of cybersecurity, continuity and availability. We deliver both agnostic technology and connectivity services, which allows us to offer solutions to a wide array of customers. Our solutions recognize that every enterprise, public or private, has unique requirements. Therefore, our approach focuses on providing efficient and reliable services while maintaining a personalized touch, custom-tailored to our customers' individual needs and demands.

We provide a variety of managed IT infrastructure services solutions for our public and private sector customers including: application management, systems monitoring, systems management, engineering support services, data back-up and storage. Some managed IT infrastructure services are performed on an ad hoc basis, as and when requested by the customer, while others are more ongoing.

Cloud Computing. Cloud computing is the delivery of computing-as-a-service rather than a product, whereby shared resources, software, and information are provided to the users' devices over a network. We help customers select and add cloud provider services that are best suited to fulfill their needs. We help them define the architecture and manage, operate and improve the solution to ensure that our service continues to be the best alternative for the client.

Business Continuity and Disaster Recovery Plans. We are recognized as a leading provider of services for disaster recovery, as we combine strong data center infrastructure with our other capabilities. Our services include:

- *Business Continuity Plan (BCP)*. We have focused on various risks that threaten the continuity of our customers' businesses, and we have developed preventive solutions to meet a wide array of computer contingencies and help clients manage business interruption risk.

- *Disaster Recovery Plan (DRP)*. By identifying and prioritizing critical systems, key personnel and critical assets, we design engineering recovery solutions which allow us to provide business continuity disaster or contingency plans to our customers.

- *Alternative Work Positions*. We provide office space for temporary or permanent use that includes telephone services, computer equipment, and access to our customers' hosted equipment and Internet service.

Database Management. KIO Managed Services offers the best performance through the management, monitoring, backup and diagnosis of our clients' databases to guarantee the integrity, availability and confidentiality of their information.

Corporate and National Security. We offer corporate and national security outsourcing services using the best practices and technologies in the market. We offer comprehensive, unified solutions and services for the supply, installation, configuration, testing, management, support and maintenance of infrastructure and components for digital surveillance systems, access control, control centers and safe rooms, among others.

IT Cybersecurity. We offer continuous operation, monitoring, administration and immediate response to incidents related to cybersecurity, from our three Security Operation Centers (SOC), and are building a new state-of-the-art SOC in our Queretaro facility. Our services combine the vast knowledge and experience of our engineers with cutting-edge technologies and processes aligned with the best practices, which is why we believe we have become a leading provider of managed security services in cyber defense, prevention, and containment of computer attacks.

Big Data and Data Analytics. In May 2013, we created Dattlas, a specialized company that offers real-time big data analysis, complementing our other services. Dattlas offers predictive analytics services, data governance, data cleanup, automatic collection, storage and statistical analysis of large amounts of information in real-time. The Dattlas team is able to store, govern, process and correlate information simultaneously from different systems. Dattlas can analyze data from a wide range of sources, including payroll and ERP databases, as well as non-structured information such as social networks and spreadsheets. Correlation analysis allows us to identify trends and behavioral patterns which are valuable to our customers. We can create statistical and mathematical models that generate reports 100 times faster than traditional methods, which enables our clients to act swiftly and improve their decision-making process.

Managed Applications. We offer technology services for smart and connected mission critical applications with the highest level of security to our customers through innovative rental schemes that allow them to efficiently use resources and strengthen business strategies, including Oracle® and SAP® applications, among others. Our service model emphasizes automated management and operation, which provides clients with enhanced services and availability at lower operating costs.

Data Center Offerings

Our data centers are the backbone of all our products and solutions and are designed for physical security (according to military specifications in certain facilities), resilient connectivity and internet infrastructure and continuity.

Data Center. Throughout Latin America and Spain, we have 11 strategically distributed technological campuses that allow us to offer our clients space and power to deploy their IT infrastructure. Through a myriad of redundant subsystems, including power generation, connectivity and cooling, we provide our customers with highly reliable colocation services. Our data center services are scalable, allowing our customers to upgrade space, power and services as their requirements evolve. Our data centers employ a wide range of physical security features, secure access, including biometric scanners, man traps, smoke detection, and fire suppression systems.

IT Infrastructure Management Services. We constantly invest in infrastructure, such as servers, network equipment, virtualization software and facilities, and we provide these offerings to our customers as hosting or Infrastructure-as-a-Service (IaaS) contracts. Through our hosting service solutions, we manage, operate, support and monitor our customers' infrastructure, software and administrative tasks in order to make their IT systems and applications available to support their operations and business activities.

KIO Interconnected Services & Systems. We provide the following connectivity services within our data centers.

- Inter-Connect: Copper and fiber connections between the same client's infrastructure.
- Cross-Connect: Copper and fiber connections between two clients' infrastructure.
- Proximity-Connect: Ultra-low latency connections designed for customers in the finance sector.

Mobile Data Center. ATOM is our mobile and scalable modular data center for clients with specific needs, such as remote facilities, data migration projects, Disaster Recovery Plan (DRP), and data centers for temporary projects or small facilities. As an alternative to the traditional data center, ATOM can be transported wherever computing and data capacity is needed.

EDGE Data Center. EDGE data centers are small facilities deployed outside of Mexico's main cities that enable our clients to approach their end users with ultra-low latency.

SMB

We specialize in providing technology and cloud-based business solutions for SMBs in Mexico that allow them to modernize and improve their day to day operations. Our solutions include web presence, cloud services and, business process solutions, and collaboration and productivity tools such as G Suite and Office 365, among others.

We offer our SMB clients hosting services through our subsidiary Wingu Networks, comprised of Suempresa.com, Internetworks and Xpress Hosting, which is a platform for the digital transformation of our clients.

Customers

Our customers include government agencies, large enterprises, mid-sized corporates and SMBs. As of 2017, we had approximately 1,200 government, large enterprise and mid-sized corporate customers, and approximately 82,000 SMB customers.

The following table sets forth the historical evolution of our public and large enterprise customers. The decrease in the number of our customers in 2017 compared to that in 2016 is primarily due to the sale of our connectivity business in November 2017.

Public and Large Enterprise Segment

Year	Number of Customers
2002	18
2003	43
2004	62
2005	72
2006	97
2007	110
2008	142
2009	185
2010	218
2011	284
2012	364
2013	435
2014	928
2015	1,170
2016	1,332
2017	1,208

In 2017, 57% of our revenues came from our top 20 customers (compared to 52% in 2016 and 45% in 2015). In 2017, approximately 55% of our revenues came from our top 10 customers (compared to 43% in 2016 and 35% in 2015). In 2017, 59% and 41% of our revenues were derived from the government and private sectors, respectively. The following table sets forth our revenue mix by industry segment.

Revenue Mix

Industry Segment	Percentage
Federal Mexican Government	36%
Healthcare	16%
Financial Services	14%
IT	9%
Professional Services	5%
Other	20%

Our customers in the public and large enterprise segment include the *Instituto Mexicano de Servicio Social* (IMSS) and the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* (ISSSTE).

The following table sets forth our top ten enterprise and government clients' tenure with us as of the date of this offering memorandum.

Customer Rank	Tenure (years)
1	9
2	5
3	12
4	11
5	7
6	8
7	12
8	3
9	5
10	11

Customer Contracts

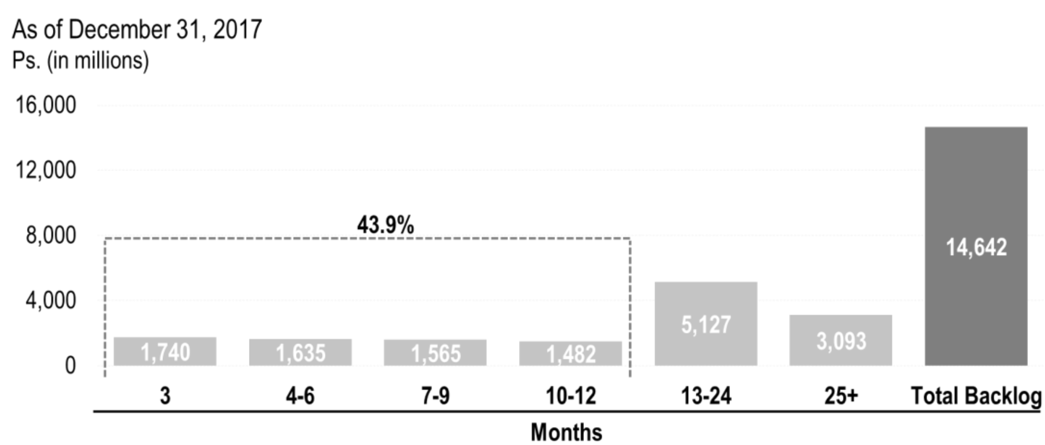
We have entered into services agreements with both private and government entities. For private entities, we use a standard master services agreement, which includes customary provisions such as payment terms, default interest, third-party liability insurance, access conditions to the data centers, customers' obligations, termination rights, suspension of services for payment default, indemnification and confidentiality clauses, among others. The services contracted by the customer are described in a services schedule that defines the infrastructure set up by KIO, the prices charged by KIO and the services provided by KIO. As we offer tailored-made solutions, prices vary from customer to customer.

Private sector customers may terminate the contracts and discontinue the services with notice to KIO and subject to the payment of a penalty, which varies depending on the year on which the services are discontinued. The penalty is higher during the first year of the agreement and decreases year by year. The penalty is calculated based on a number of monthly recurring charges.

For government entities, KIO signs the agreements prepared by the government agency during the public bidding process or the direct adjudication contract process (*procedimiento de asignación directa*). The agreement usually contains provisions that mirror those contained in the Law on Acquisitions, Leasing and Services for the Public Sector (*Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*) and its regulations. Government contracts generally provide for early termination by the government, placement of performance bonds by KIO, events of default and penalties for non-compliant services, among others. The agreements also establish the services contracted by the government agency and the prices for the services. If the government agency terminates the agreement in advance, KIO may typically collect only for non-recoverable expenses that are directly connected with the project.

A significant portion of our business (approximately 59% of our revenues as of December 31, 2017) consists of contracts for IT services with Mexican government entities. The government entities generally conduct a public bidding process for these contracts. Such government contracts are typically 12 to 48 months in term, with an average term of 33 months, after which the government entities once again require bids. The government entities have no obligation to renew the contracts upon expiration. In May 2014, the Mexican government instituted a new policy that requires any outsourcing of data centers, hosting and cloud services by Mexican government entities to be pre-approved by the *Unidad de Gobierno Digital de la Presidencia*. As a result, bidding on all government contracts was suspended but resumed in the third quarter of 2014. Our largest customer contract with the Mexican government represented approximately 18% of our revenues for 2017. The term of the contract is 48 months from March 2016. Our second largest contract is with another Mexican government agency, representing approximately 9% of our revenues for 2017, and is due to expire in December 2019. See "Risk Factors—Risks Relating to Our Business—Our business depends substantially on government contracts. Any decline in the renewal of our government contracts would harm our future operating results."

As of December 31, 2017, our total contracted revenue backlog was Ps.14,642 million. The chart below shows the breakdown of our contracted revenue backlog by month:



According to the Mexican Law on Acquisitions, Leasing and Services for the Public Sector, any company may be disqualified (*inhabilitado*) by the Ministry of Internal Public Affairs (*Secretaría de la Función Pública*) from executing further contracts with any federal government agency if it fails to comply with its contractual obligations. The disqualification (*inhabilitación*) period may be from three months to five years. We have not been disqualified in any fiscal year since our inception in 2002. As contracts with government entities constitute a significant portion of our revenues, any disqualification (*inhabilitación*) from executing further contracts with government entities, even if short-lived, would have material adverse effect on our business, financial condition and results of operations. See "Risk Factors—Risks Relating to Our Business".

Technology Campus and Data Center Operations

We have 11 technology campuses in five countries, with an aggregate total designed capacity of approximately 22,488 square meters and an installed base ready for service of approximately 16,553 square meters. Prior to the acquisition of redIT, we owned all of our buildings but in some cases leased the land. We have built seven technology campuses in Mexico, one of which (KIO Queretaro) was built on an owned property and the remaining six were built on leased land.

Through our subsidiaries, we have built three technology campuses in other geographies, such as Guatemala City, Guatemala, Panama City, Panama and Santo Domingo, Dominican Republic. The Santo Domingo technology campus was constructed on owned land, while the Panama and Guatemala technology campuses were built on leased land.

On October 25, 2013, KIO and Informática El Corte Inglés, S.A. (IECISA) formed a temporary joint venture (*union temporal de empresas* or UTE) under the laws of Spain (50/50 strategic alliance) to design, build and operate data centers in Spain. That entity acquired a piece of land in the Autonomous Community of Murcia for that purpose. The UTE transferred the title to the land to KIO Networks España, S.A., a Spanish company formed by KIO and IECISA on February 21, 2014, where the Spanish data center was built.

KIO's main administrative offices (KIO Business Park and KIO Zentrum) are located in leased facilities in Mexico City.

Our land leases have initial terms ranging between five and 20 years in length. Some have an option to renew for additional periods. The land lease on KIO Business Park will expire in 2018. We expect to be able to renew the lease at market rates.

We select sites for our data centers based primarily on expected customer demand, availability of power and access to telecommunications fiber routes. Most of our data centers are stand-alone structures, close to power sub-stations and telecommunication networks in light industrial areas outside of city centers, rather than residential areas where more prohibitive environmental regulations exist. Data center design and development is a highly complex process. Data center construction requires extensive planning and compliance with regulatory procedures which can vary by jurisdiction. We have developed extensive technical experience in building data centers in Mexico and Latin America, and we are well-positioned to bring new data centers to market rapidly to meet customer demand.

The following table presents the key characteristics of our technology campuses and data centers.

Country	Total Capacity (square meters)	Installed Base (square meters)	Utilization (% of square meters)	Data Centers	Lease vs. Ownership		Operational Since
					Building	Land	
Mexico, MEX|1 – Santa Fe	2564	2,564	84	4	Own	Lease	2002
Mexico, MEX|2 – Santa Fe	1230	1,230	95	2	Own	Lease	2011
Mexico, MEX|3 – Santa Fe	881	881	84	1	Lease	Lease	2001
Mexico, MEX|4 – Interlomas	3500	3500	77	3	Lease	Lease	1998
Mexico, MEX|5 – Tultitlan	7574	3044	91	8	Lease	Lease	2013
Mexico, QRO|1 – Queretaro	5120	4100	68	5	Own	Own	2007
Mexico, MTY|1 – Monterrey	281	281	84	1	Lease	Lease	2001
Panama, PA|1 – Panama City	770	385	84	2	Own	Lease	2012
Guatemala, GT|1 – Guatemala City	173	173	74	1	Own	Lease	2013
D. Republic, DO|1 – Santo Domingo	223	223	51	1	Own	Own	2013
Spain, ES|1 – Murcia	172	172	58	1	Own	Own	2014

Strategic Alliances

We have four material strategic alliances. In Mexico, we participate as majority shareholder in MasNegocio.Com, S.A.P.I. de C.V. (MásNegocio). KIO holds 67% of the capital stock of MásNegocio, and Contiguo Investments, B.V., retains the remaining 33%.

On October 25, 2013, KIO and Informática El Corte Inglés, S.A. (IECISA), a leading technology company with a strong local presence in Spain, formed a temporary joint venture (*union temporal de empresas* or UTE) under the laws of Spain and, on February 21, 2014, KIO and IECISA incorporated KIO Networks España, S.A. (KIO|ESP), a company under the laws of Spain. KIO's participation in the capital stock of KIO|ESP is 50%.

In Central America, we have a strategic alliance with various entrepreneurs from different countries of Central America who participate through a legal entity named CA4 Enterprises, Inc. (CA4). Through this strategic alliance, CA4 and KIO have formed three companies in Guatemala, Panama and the Dominican Republic, in which KIO holds a 68% participation in the capital stock and CA4 holds the remaining 32%. The entities incorporated by KIO and CA4 are the following:

- Servicios de TI, S.A., a company incorporated under the laws of Guatemala (KIO|GT).
- Servicios de Infraestructura de TI Guatemala, S.A., a company incorporated under the laws of Guatemala.
- Servicios de Tecnologías de Información de Misión Crítica, S.A., a company incorporated under the laws of Panama (KIO|PA).
- Servicios de TI, Dominicana, S.C., S.A.S., a company incorporated under the laws of the Dominican Republic (KIO|DOM).
- Servicios de TI, Perú S.A., a company incorporated under the laws of Peru (dormant).

KIO has entered into shareholders' agreements with each strategic alliance partner that contain customary provisions such as tag-along and drag-along rights, right of first refusal, non-compete and non-solicitation, confidentiality, put and call provisions.

KIO has the right to designate and has appointed directors for all of the strategic alliance entities. In the year ended December 31, 2017, we derived 10% of our revenue from our strategic alliances.

Regulation

We are subject to federal, state and local commercial, administrative, environmental, health and safety, labor, tax, intellectual property and/or civil laws and regulations in the countries in which we operate.

As of December 31, 2017, KIO is in compliance with all of its relevant tax obligations in Mexico, for which the Tax Administrative Service (SAT) has issued the corresponding tax compliance certificate (Certification 32D).

Insurance

We have in place cyber insurance coverage and general third-party liability coverage, which we consider to be adequate and consistent with industry standards in the markets in which we operate. We recently renewed our cyber insurance policies in March 2018. Our cyber insurance policies broadly fall under the following two categories of risk:

(i) General third-party liability, which includes the following coverage:

  - Technological services—applies in any case of error or omission in the provision of technological and internet services.
  - Network security—applies in any case in which the security of the network fails, causing damage to third parties.
  - Data privacy—applies in case of failure regarding the handling of personal or corporate data.

(ii) Property damage insurance and business interruption insurance, which includes the following coverage:

- Cybernetic extortion—applies in case of any threat of extortion that places systems at risk.
- Business interruption—applies in case of any interruption to business operation caused by a cyberattack.
- Disqualification from government—applies in case of an event that disqualifies the company to participate as a service provider of the government.
- Digital asset recovery—applies in case of damage to any digital asset attributable to a cyberattack.

Our general third-party liability insurance provides coverage against claims for damage to third parties. This policy includes coverage for our operations, properties, products and employees. Our property damage insurance covers our property and protects us against business interruptions caused by floods, hurricanes and other weather conditions, earthquakes, machinery breakdown and other catastrophic events, as well as acts of terrorism. In addition, each subsidiary maintains its own insurance policies as necessary to comply with specific regulations, such as workers' compensation and environmental liability insurance.

We believe that our insurance coverage is reasonable in amount and consistent with industry standards and do not anticipate having any difficulties in renewing any of our insurance policies.

KIO Green Side

We are committed to the environment. Our data centers are Green IT "Base Design," making the cooling energy consumption more efficient. In Mexico and Latin America, we have been a pioneer in the use of state-of-the-art equipment called Free Air Cooling (outdoor air injection into the site).

Our data center in Spain is the Leadership in Energy & Environmental Design, a certification issued by the Green Building Council. Additionally, within KIO Networks, we follow sustainable practices such as carpooling, minimizing the use of disposable products and energy consumption.

Social and Community Programs

We are involved in various projects which are designed to develop skills and to aid the communities in which we operate.

KIO Foundation

KIO Networks supports various programs for underprivileged populations in accordance with international guidelines on corporate social responsibility. We created the KIO Foundation to support formal and informal IT educational programs in Mexico. Such programs contribute to the development of the local workforce and provide career and income opportunities for individuals.

The KIO Foundation has three programs:

- *Sharing technology.* We share knowledge and materials, provide teachers and infrastructure and lead workshops.

- *Technology in Education.* We provide college scholarships within the field of technology.

- *KIO in the Community.* We plan and host educational events and volunteer in the community.

Antennas for the Children

In 2012, we began an innovative program of psychological therapy for underprivileged children as part of the "Antennas for the Children" project. The project revolves around a mobile unit through which the children can see KIObit, an interactive puppet through which psychologists provide therapy.

Niko in the Teletón Autism Center

In 2013, we donated Niko to Fundación Teletón. Niko is a state-of-the-art robot that helps children with autism develop social and communication skills. In the first stage of the program, children with speech problems participated. Niko was successful in that children were more interested in participating in therapy activities with Niko than with human therapists. In 2017, more than 100 children participated in this program.

Alliance Fundación Proacceso

In 2014, the KIO Foundation established a partnership with *Fundación Proacceso* to launch its first project within *Centros Comunitarios Red de Inovación y Aprendizaje* (RIA). The first KIO-RIA Tech Lab expects to graduate about 350 students a year in specific technology fields.

Alliance FHADI, Prociegos and Proeducacion

In 2018, the KIO Foundation provided 15 computers to support computer workshops for 150 people with motor impairment through its partnership with *FHADI*, an organization that assists individuals with motor disabilities and promotes their inclusion in social and work settings. Furthermore, the KIO Foundation provided 20 computers for 60 visually impaired children and 22 computers for the school of "Benito Juarez" in San Juan del Rio, Querétaro through its alliances with Prociego and Proeducacion, organizations that promote the education of disadvantaged children.

Employees and Contractors

Our operations in Mexico are subject to the LFT and the general labor regulations issued by the Mexican Ministry of Labor and Social Prevention (*Secretaría del Trabajo y Previsión Social*) on issues such as employees' hours and working conditions, health risks, fringe benefits and the dismissal of employees.

KIO Networks has no employees, and all administrative services are provided by related parties through contracted personnel, except for those employed by Operadora Metro Net, one of KIO Networks' subsidiaries. See "Related Party Transactions."

The following table sets forth the number of employees and contracted personnel by function as of December 31, 2017.

Function	**Number of Employees and Contracted Personnel**
Executive	90
Legal	14
Sales, sales engineering, sales operations, business development	308
Finance, human resources, client services, administration	420
Engineering/operations	1,403
Product and marketing	40
Total	**2,275**

Legal Proceedings

In the ordinary course of our business, we have been involved in various disputes and litigation, including petitions filed with government authorities to challenge results of government bidding processes. While the results of any such disputes cannot be predicted with certainty, we do not believe that there are any pending or threatened actions, suits or proceedings against or affecting us which, if determined adversely to us, would in our view, individually or in the aggregate, materially and adversely affect our business, financial condition or results of operations.

MANAGEMENT

Our board of directors is responsible for the management of our business. Our board of directors is comprised of a number of permanent members, as determined from time to time at the shareholders' meeting.

Our current board of directors was appointed at the general ordinary shareholders' meeting held on October 9, 2017. The address for each of our directors and executive officers is Prolongación Paseo de la Reforma No. 5287, Col. Cuajimalpa, 05000, Ciudad de México, México.

Our Board of Directors

Our Board of Directors currently consists of seven members and three alternate directors. The following table sets forth the name, age, title and the year elected to office of each of the current board members.

Name	Age	Title	Director since
Sergio Rosengaus Leizgold	54	Chief Executive Officer and Chairman of the Board of Directors	2002
María Asunción Aramburuzabala Larregui	55	Director	2002
Rodrigo Besoy Sánchez	43	Director	2008
Juan Ignacio Casanueva Pérez	50	Director	2007
Luis Alfonso Nicolau Gutiérrez	56	Director	2016
Miguel Ortíz Aguilar	59	Director	2016
Rogelio Velasco Romero	57	Director	2016
Antonio Rallo Verdugo	56	Alternate Director	2002
Mauricio Brocado Martínez	52	Alternate Director	2010
Rodrigo Brossier Márquez	35	Alternate Director	2014

The following sets forth certain biographical information relating to each of the members of our Board of Directors.

Sergio Rosengaus Leizgold. Mr. Rosengaus is KIO Networks' Chairman of our Board of Directors, CEO and Co-founder. He has served 17 years at KIO and has 29 years of industry experience. Prior to founding KIO, Mr. Rosengaus co-founded and served as CEO of nCubo Holdings, a Mexican venture capital fund and technology development company, where he still serves as a member of the board of directors. He is currently Chairman of the Board of Endeavor Mexico and independent director of the Board of Grupo Inter. During the 1990's, he worked in the infrastructure and construction field, and was mainly involved in the railroad industry in Mexico, Chile and Argentina. Mr. Rosengaus attended the Universidad Iberoamericana in Mexico City, where he obtained a Bachelor's degree in Industrial Engineering. He holds Master's Degree in Finance from the Instituto Panamericano de Alta Dirección de Empresa (IPADE) and has pursued post-graduate courses in Harvard University and Stanford University.

María Asunción Aramburuzabala Larregui. Ms. Aramburuzabala serves as Chairman of the board of directors of Tresalia Capital, where she has presided since 1996. Ms. Aramburuzabala is a member of the board of directors of Tresalia's portfolio companies including: ABILIA, Medistik and Red Universalia. She is also member of the Board of Anheuser-Busch Inbev, Consejo Mexicano de Negocios, and El Universal, and is an active member of the advisory board of Grupo Modelo and Mexico's Autonomous Institute of Technology (ITAM) School of Business. Ms. Aramburuzabala holds a Bachelor's degree in Accounting from ITAM.

Rodrigo Besoy Sánchez. Mr. Besoy serves as Chief Executive Officer at Tresalia Capital and has held various roles including finance, real estate, investment strategy, and new business development within the Company. He is a member of Tresalia's Investment Committee and currently serves as board member of ABILIA, Red Universalia, Medistik, Tory Burch LLC, Tresalia Fondos and Grupo Modelo. Mr. Besoy has experience in investment banking and has worked at Santander Investment and Chase Manhattan Bank (now J.P. Morgan Chase Bank). Mr. Besoy holds a Bachelor's degree in Economics from the Universidad Iberoamericana and a Master's degree in Business Administration from the Escuela Superior de Administración de Empresas (ESADE) in Barcelona, Spain.

Juan Ignacio Casanueva Pérez. Mr. Casanueva serves as Chairman and Chief Executive Officer of Grupo CP; a group of sixteen companies specialized in the insurance field, with presence in over 20 countries. Mr. Casanueva also serves on the board of directors of Grupo Axo, where he chairs the Auditing and Compensation Committees, Finacess México, Gentera and Endeavor México. He also serves on the boards of Hombre Naturaleza Foundation and Consejo de la Comunicación and is the President of Fideicomiso Pro-Bosque de Chapultepec and the Carlos Casanueva Perez Foundation. Mr. Casanueva is a Certified Public Accountant and holds a degree in accounting from Universidad Iberoamericana and has completed a program in Corporate Governance: Effectiveness and Accountability in the Boardroom at the Kellogg School of Management at Northwestern University and a program in High Management at the Instituto Panamericano de Alta Dirección de Empresa (IPADE).

Luis Alfonso Nicolau Gutiérrez. Mr. Nicolau is a partner of Ritch, Mueller, Heather y Nicolau, S.C., a law firm. He joined Ritch Mueller as a partner in 1990, specializing in mergers and acquisitions and capital markets. Mr. Nicolau was the chief financial officer of Vitro, S.A.B. de C.V. from 2000 to 2001 and also serves as member of the board of directors of Morgan Stanley Casa de Bolsa S.A. de C.V., Grupo Financiero Credit Suisse (Mexico), S.A. de C.V., UBS Asesores Mexico, S.A. de C.V., Grupo Posadas, S.A.B. de C.V., and Coca-Cola FEMSA, S.A.B. de C.V. He is also part of the investment committee of Ignia Fund (a fund traded at the Mexican Stock Exchange) and Promotora Social México, A.C. and a former member of the board of directors of Papalote Museo del Niño. Mr. Nicolau holds a law degree from the Escuela Libre de Derecho and a Master of Laws degree from Columbia University.

Miguel Ortíz Aguilar. Mr. Ortiz is a founding partner of Ortiz, Sosa Y Asociados, S.C., where he currently carries out tax advisory activities. He has more than 35 years of experience in tax matters and has worked at firms such as Ruiz, Urquiza y Cía., S.C., and Chevez, Ruiz, Zamarripa y Cía, S.C. Mr. Ortiz was president of the International Fiscal Association (IFA) Mexico and a member of its Studies and Documentation Committee. He also was president of the National Association of Fiscal Specialists (ANEFAC) and the National Tax Technical Committee of the Mexican Institute of Finance Executives (IMEF). Mr. Ortiz was appointed National Lead Partner for Tax and Legal Services of the firm KPMG, a position which he occupied from February 2014 until February 2016. Mr. Ortiz holds a degree in Public Accounting from the Universidad La Salle.

Rogelio Velasco Romero. Mr. Velasco currently serves as Vice President of Corporate Affairs at Cisco Mexico. He has more than 20 years of experience in the technology and communications industries and previously worked as General Director of Siemens Mesoamerica, President of Lucent Technologies for Latin America and the Caribbean, President and General Manager of Lucent Technologies in Mexico and General Manager for Digital Mexico. Mr. Velasco holds an MBA from the International University of Florida and has a degree in Physics from the Metropolitan Autonomous University of Mexico.

Antonio Rallo Verdugo. Mr. Rallo serves as CEO of ID345.TECH, a holding company focused on early stage seed tech startup investments mainly focused on software AI platforms. Before joining ID345.TECH, he was the Chief Technology Strategist at Grupo Televisa, where he was responsible for the development and implementation of key technological infrastructure, including convergence, digital lifestyles, disruptive technologies and other critical tech trends. Mr. Rallo is also co-founder and Chairman of nCubo Holdings, a technology development and investment company based in Mexico City. In the early 2000's nCubo focused on infrastructure, enabling technologies and innovation for a portfolio of eight tech companies, including KIO Networks. Prior to that, Mr. Rallo spent six years at Apple in a number of management roles, including multimedia technologies regional director for Apple in Europe. Mr. Rallo holds a Bachelor's degree in Marine Biology from the University of California at San Diego.

Mauricio Brocado Martínez. Mr. Brocado has served as Head of Fundamental Analysis and Research for Tresalia Capital for the last decade. Currently, Mr. Brocado is a member of Tresalia's Investment Committee and currently serves on the board of several of its portfolio companies including Medistik and Red Universalia. He is also an independent member of the board of directors of the equity mutual funds that Operadora de Fondos Actinver manages. Prior to joining Tresalia, he was Head of Research and Equity Strategist at Actinver. As director of the research department, he coordinated and supervised equity and economic research for the financial group. Previously, Mr. Brocado was part of the equity research team for IXE Grupo Financiero. He holds a Bachelor's degree in Accounting from Universidad Iberoamericana.

Rodrigo Brossier Márquez. Mr. Brossier is Head of Strategic Planning at Tresalia Capital overseeing the global portfolio with special focus on alternative investments and value creation strategies. He is a member of Tresalia's Investment Committee and currently serves on the board of several portfolio companies including ABILIA, Medistik and Red Universalia. He also served as board member in Tory Burch, LLC. Before joining Tresalia, he spent several years working at Goldman, Sachs & Co. in the Investment Banking Division and for BBVA in Corporate and Investment Banking. Mr. Brossier holds a Master's degree in Finance from the London Business School, where he received concentrations in both Corporate Finance and Investments. He holds a Bachelor's degree in Industrial Engineering from Universidad Iberoamericana.

Board Practices

Pursuant to our corporate bylaws, our Board of Directors must, among other things:

- determine our general business strategy;
- approve (i) policies and guidelines for the use of our assets by related parties, and (ii) any transaction with related parties, subject to certain limited exceptions, in both cases taking into consideration the opinion of the Audit Committee;
- approve unusual or non-recurrent transactions and any transactions that imply the acquisition or sale of assets with a value equal to or in excess of 5% of our consolidated assets, or the provision of collateral or guarantees or the assumption of liabilities equal to or in excess of 5% of our consolidated assets;
- appoint and remove our chief executive officer, and approve the policies for the appointment of our executive officers;
- approve our financial statements, accounting policies and internal control systems;
- approve the appointment of our external auditors; and
- approve the policies for the disclosure of information.

Senior Management

Our Senior Management team, in addition to the directors listed above, is as follows:

Name	Position
Sergio Rosengaus Leizgold	Chief Executive Officer
Jorge Sapién Almada	Co-Chief Executive Officer
David Felipe Craig García	Senior Vice President Corporate Finance
Sebastian Creel Lerdo de Tejada	General Manager – Financial Planning and Investor Relations
Jaime Favela Ayala	General Counsel
Luis Mejía Reséndiz	General Manager – Managed Services
Santiago Suinaga Sainz	General Manager – Data Center Business
Luis Enrique Sanchez Reyna	General Manager – SMB
Cristian Ali	General Manager – Central America and the Caribbean
Netzahualcóyotl Álvarez Cejudo	General Manager – Customer and Business Insight
Erika Domínguez Galván	General Manager – Strategic Planning
Julián Martínez Ramos	General Manager – Comptroller and Compliance
Elena Beguerisse Rivera Torres	General Manager – Human Resources
José Fonseca Rodríguez	Vice President Enterprise Sales
Luis Maza García	Vice President Enterprise Sales
Bernardo González Mendoza	General Manager – Innovation
Ricardo Massa Peimbert	General Manager – Marketing

The following sets forth selected biographical information relating to each of the members of our Senior Management.

Sergio Rosengaus Leizgold. See "Our Board of Directors" above.

Jorge Sapién Almada. Mr. Sapién serves as Co-Chief Executive Officer. He joined KIO Networks in 2010 as Chief Financial Officer. Prior to joining KIO Networks, Mr. Sapién served as Director of Finance of Softtek, Director of Services for Financial Consulting at Deloitte and he has held several other positions in areas of finance, strategic planning and consulting in more than 24 years of professional experience and 14 years of industry experience. Mr. Sapién holds a Bachelor of Business Administration degree from the Institute of Superior Studies of Monterrey (ITESM) and a Master's degree in Business Administration with a specialization in Finance from The Wharton School at the University of Pennsylvania. He has also completed postgraduate studies in management at Harvard University.

David Felipe Craig García. Mr. Craig serves as Senior Vice President Corporate Finance where he is responsible for M&A, treasury and finance, and financial and cost accounting, among other things. Prior to joining KIO in 2013, he was an investment banking director at Bank of America Merrill Lynch and held multiple positions at UBS Investment Bank and Credit Suisse. Mr. Craig holds a Bachelor of Science degree from the Institute of Superior Studies of Monterrey (ITESM) and a Master's degree in Business Administration with a specialization in Finance from The University of Chicago Booth School of Business.

Sebastian Creel Lerdo de Tejada. Mr. Creel serves as General Manager for our Financial Planning and Investor Relations unit and has seven years of industry experience. Prior to joining KIO in 2011, he was an investment analyst for Chelsea Real Estate Fund. Mr. Creel is currently a member of the Investment Committee at On Ventures, a venture capital fund with a special focus on emerging technologies. Mr. Creel holds a Bachelor of Science degree from the Universidad Iberoamericana.

Jaime Favela Ayala. Mr. Favela joined KIO Networks in 2014 as General Counsel and has 11 years of industry experience. Prior to joining KIO Networks, Mr. Favela was the General Counsel of GE Capital Americas Mexico's flow business. Prior to joining GE Capital Americas, Mr. Favela was the General Counsel of Prudential International in Mexico and the Assistant General Counsel of Citibank México. Mr. Favela also worked as a Senior Associate at Ritch, Mueller, Nicolau y Heather. He holds a Law degree from the Universidad Nacional Autónoma de México, a Master's degree in Law from the University of Pittsburgh School of Law and a Master's degree in Business Administration from the Instituto Panamericano de Alta Dirección de Empresa (IPADE).

Luis Mejía Reséndiz. Mr. Mejía serves as General Manager of our Managed Services unit. He has over 23 years of experience in the field of Information Technology and has played strategic roles in other companies, mainly in IT and Data Center. In the past he has participated and collaborated in the design and construction of Mission Critical Data Centers and has given multiple conferences on national and international best practices forums. Mr. Mejía holds a Bachelor's degree in Electronic and Communications Engineering.

Santiago Suinaga Sainz. Mr. Suinaga serves as General Manager of our Data Center Business unit. He has 13 years of experience in the IT and data center industry. He joined KIO in 2005 and previously managed KIO's global data center operations. Mr. Suinaga holds a Bachelor's degree in Business from the Universidad Iberoamericana and a Master's in Business Administration degree from the Instituto Panamericano de Alta Dirección de Empresa (IPADE).

Luis Enrique Sanchez Reyna. Mr. Sanchez Reyna serves as General Manager of Wingu, our SMB unit. He has 23 years of experience in the IT industry, web hosting and internet related services. Prior to joining KIO in 2003, he served as CEO of Aerored and CEO of PSINet Mexico, a subsidiary of PSINet Inc. Mr. Sanchez Reyna holds a Bachelor's degree in Business Administration from Universidad Anahuac and a Post Graduate Degree in Finance from ITAM.

Cristian Ali. Mr. Ali serves as General Manager of our Central America and the Caribbean region. He has more than 20 years of experience in the IT and Data Center Industry. Prior to joining KIO in 2017, he served as Senior Expert and Sales Director at DELL EMC. Mr. Ali holds a Bachelor's degree in Electric Engineering from Universidad de La Plata in Buenos Aires, Argentina.

Netzahualcóyotl Álvarez Cejudo. Mr. Álvarez serves as General Manager of our Customer and Business Insight unit. He joined KIO in 2007 and has over 25 years of experience in IT systems, operations and project management. Prior to joining KIO he was a systems manager in the retail industry. He holds a degree in Career Systems from the Institute of Superior Studies of Monterrey of Monterrey (ITESM), and has postgraduate studies in Strategic Management from Anahuac University, IPADE and Stanford University.

Erika Domínguez Galván. Ms. Domínguez serves as General Manager of our Strategic Planning unit. She has 18 years of industry experience. Prior to joining KIO, she worked at nCubo Holdings, a Mexican venture capital fund and focused on technology start-ups. She also held several administrative positions for companies in the infrastructure and construction industry, the railroad industry and the pharmaceuticals industry. Ms. Domínguez holds a Bachelor's degree in Administration from the Helen's School Institute and has conducted post-graduate studies in Graphic Design Art and Languages.

Julián Martínez Ramos. Mr. Martinez serves as General Manager of our Comptroller and Compliance unit. He joined KIO in 2002 and has 17 years of experience in the IT industry. During his first 10 years at KIO, he served as the Administration and Finance Director. From 1995 to 1998, he served as President of the C*ámara Nacional de la Industria de Transformación – CANACINTRA* in Tlaxcala. He holds a Bachelor's degree in Accountancy from Escuela Bancaria y Comercial and a Master's degree in Business, Finance and Executive Management at the Instituto de Especialización para Ejecutivos.

Elena Beguerisse Rivera Torres. Ms. Berguerisse serves as General Manager of our Human Resources unit. She has 29 years of experience in human resources and eight years of industry experience. Prior to joining KIO in 2010, she served as Head of Human Resources at Crédito Familiar, a subsidiary of Citigroup and as Head of Human Resources at La Salle Group. Ms. Berguerisse holds a Bachelor's degree in Human Resources from Universidad Iberoamericana and a Master's degree in Business Administration from Universidad Iberoamericana.

José Fonseca Rodríguez. Mr. Fonseca serves as Vice President Enterprise Sales. He has had a long-standing career of over 29 years in IT services. Mr. Fonseca has occupied senior positions at leading IT firms like IBM and EDS, both local and globally. Prior to joining KIO Networks in 2003, Mr. Fonseca served as Regional Sales Manager of Gedas North America. Mr. Fonseca holds Bachelor's and Master's Degrees in Computer Sciences and Administration from ITAM. He has also attended development programs in business and technology at Boston University and at Harvard School of Business.

Luis Maza García. Mr. Maza serves as Vice President Enterprise Sales. He has 19 years of industry experience. Prior to joining KIO in 2009, he held various executive positions including Sales Manager for the Public Sector at Hewlett-Packard Mexico. Mr. Maza holds law degrees from Escuela Libre de Derecho and from Universidad Panamericana. He has also completed postgraduate studies at Stanford University and Columbia University.

Bernardo González Mendoza. Mr. Gonzalez serves as General Manager of our Innovation unit. He has more than 25 years of experience in IT and is a professor of technology subjects at the Master Internet Business. He holds a degree on Administrative Computing Systems from the University UVM and a Master's in Business Administration from the Iberoamericana University.

Ricardo Massa Peimbert. Mr. Massa serves as General Manager of our Marketing unit. He joined KIO in January 2017. Prior to joining KIO, Mr. Massa was Marketing Director of Dish Mexico at the Ad Sales division. He was responsible for the implementation of numerous campaigns for some of the country's largest advertisers, including Coca-Cola, P&G, Sanborns and Telmex. Mr. Massa also worked as Creative Director for media and advertising companies in Mexico including MVS TV, EXA TV, and Taurina Entertainment. He holds a Bachelor's Degree in Marketing and Advertising at the Intercontinental University. He is also a candidate for a Master's Degree in Higher Management and Strategic Intelligence from the Instituto de Estudios Universitarios.

Compensation of Directors and Executive Officers

The amounts that the members of our Board of Directors received during 2017 and 2016 were Ps.1.1 millon and Ps.265.8 thousand, respectively.

Salaries and benefits received by our senior officers that were paid or accrued by us in 2017 and 2016 amounted to Ps.86.8 million and Ps.65.5 million, respectively, consisting of base salary amounts, benefits and variable compensation programs.

Stock Option and Share Compensation Plans

We do not currently have any stock option or share compensation plans for our employees or executive officers.

Share Ownership

See “Principal Shareholders” for a description of the current ownership of our common stock by directors and executive officers.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the ownership of our capital structure as of the date of this offering memorandum.

	Number of Shares(1)				
Shareholder	**A-1**	**A-2**	**B-2**	**C-2**	**%**
Lucrecia Aramburuzabala Larregui		49,300,305	84,852,396	17,030,720	39.39
LSC Ventures, S. de R.L. de C.V (1)	49,999	3,087,694			0.82
Sergio Rosengaus Leizgold		16,778,719			4.37
Lucrecia Larregui González		9,568,291		7,072,701	4.34
AWA Holding Company, S.A. de C.V	1	21,416,885			5.58
Banco Nacional de México, S.A., acting as trustee under Trust No. 17403-1 (2)		6,387,700		14,172,901	5.36
Banco Nacional de México, S.A., acting as trustee under Trust No. 17405-8 (2)		3,218,269	84,852,396	63,112,756	39.38
Gabriela del Castillo y Arreguín		2,933,559			0.76
Total	**50,000**	**112,691,422**	**169,704,792**	**101,389,078**	**100.0%**

(1) LSC Ventures, S. de R.L. de C.V is held jointly by Lucrecia Larregui González (91.25%) and Sergio Rosengaus Leizgold (8.75%).

(2) María Asunción Aramburuzabala Larregui individually controls the trust and has the right to control the vote of the shares and to designate the trustee.

Pursuant to the by-laws of the Issuer, all shares confer to its holders equal voting and economic rights and impose same statutory obligations. There are no preferred shares issued.

RELATED PARTY TRANSACTIONS

Related Party Transactions

We enter into transactions with related parties on a regular basis. Parties are considered to be related if one party has the ability to exercise significant influence over the other party in making financial or operational decisions.

All of our administrative services are provided by related parties through contracted personnel. The contracted key management personnel perform certain day-to-day business and operational processes on behalf of the Company, including: finance, business development and human resources.

Pursuant to the services agreement, we pay monthly fees to the related parties corresponding to management services provided by key management employees and others. It is our policy to conduct all of these transactions on an arms-length basis and on market terms.

The following table details the management fees and the amounts accrued at the end of each year.

	Year Ended December 31,		
	2017	2016	2015
	(thousands of Ps.)		
Management Fees	680,236	648,279	652,235
Accrued at the end of the year	74,757	71,487	75,680

Affiliates Outstanding Balances

As of December 31, 2017, we did not have any amount due to related parties.

DESCRIPTION OF THE NOTES

The Notes will be issued under the Indenture among SixSigma Networks México S.A. de C.V., a *sociedad anónima de capital variable* organized under the laws of Mexico (the "Company"), each of Metro Net, S.A.P.I. de C.V., Sm4rt Security Services, S.A. de C.V. and Wingu Networks, S.A. de C.V., as subsidiary guarantors (the "Subsidiary Guarantors"), and Citibank, N.A., as trustee, registrar, transfer agent and paying agent (the "Trustee"). The Subsidiary Guarantors will unconditionally guarantee all obligations of the Company under the Indenture and the Notes (the "Note Guarantees").

The statements in this section of the offering memorandum relating to the Indenture, the Notes and the Note Guarantees are summaries and are not a complete description of the Indenture, the Notes or the Note Guarantees. Where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to the provisions of the Indenture. Unless otherwise indicated, references in this section of the offering memorandum to Sections or Articles are references to sections and articles of the Indenture.

You are urged to read the Indenture because it, and not this description, will define your rights as a holder of Notes and Note Guarantees. Copies of the Indenture are available for inspection during normal business hours at the Company's principal office and at the office of the Trustee in New York, New York.

You can find the definitions of certain capitalized terms used in this section under "—Certain Definitions." When we refer to:

- the "Company" in this section, we mean SixSigma Networks México, S.A. de C.V. (parent company only), and not its Subsidiaries, and

- the "Notes" in this section, we mean the notes originally issued on the Issue Date and any Additional Notes.

Overview

The Notes will:

- be general unsecured obligations of the Company;

- rank equal in right of payment with any existing and future senior unsecured Indebtedness of the Company (subject to certain statutory preferences, including without limitation, tax and labor claims);

- rank senior in right of payment to any existing and future obligations of the Company that are, by their terms, expressly subordinated in right of payment to the Notes (subject to certain statutory preferences, including without limitation, tax and labor claims);

- be effectively subordinated to all existing and future secured obligations of the Company, to the extent of the value of the assets securing such obligations;

- be structurally subordinated to all Indebtedness and other liabilities and commitments, including trade payables, lease obligations and preferred stock, of each Subsidiary of the Company (other than the Subsidiary Guarantors); and

- be subordinated to obligations preferred by statute or by operation of law, including tax and labor obligations.

The Note Guarantee of each Subsidiary Guarantor will:

- be an unconditional and irrevocable general unsecured obligation of such Subsidiary Guarantor;

- rank equal in right of payment with any existing and future senior unsecured Indebtedness of such Subsidiary Guarantor (subject to certain statutory preferences, including without limitation, tax and labor claims);

- rank senior in right of payment to any existing and future obligations of such Subsidiary Guarantor that are, by their terms, expressly subordinated in right of payment to its Note Guarantee (subject to certain statutory preferences, including without limitation, tax and labor claims);

- be effectively subordinated to existing and future secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets securing such obligations;

- be granted based upon any waivers to rights and benefits which, under applicable law, may be waived;

- be structurally subordinated to all Indebtedness and other liabilities and commitments, including trade payables, lease obligations and preferred stock, of each Subsidiary of such Subsidiary Guarantor (other than any other Subsidiary Guarantor); and

- be subordinated to obligations preferred by statute or by operation of law, including tax and labor obligations.

As of December 31, 2017, as adjusted to give effect to this offering and the assumed application of the estimated net proceeds therefrom, as described under "Use of Proceeds":

- the total outstanding consolidated Indebtedness of the Company would have amounted to US$455.2 million; and

- the Company's and Subsidiary Guarantors' outstanding senior Indebtedness would have amounted to US$446.9 million, none of which would have been secured.

The Company will be permitted to incur additional *pari passu* Indebtedness, which may also be secured Indebtedness, subject to the covenants described below under "—Certain Covenants—Limitation on Incurrence of Indebtedness" and "—Certain Covenants—Limitation on Liens."

As of the Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. As described under the caption "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. The Unrestricted Subsidiaries of the Company will not be subject to many of the restrictive covenants in the Indenture and will not be required to guarantee the Notes.

Principal, Maturity and Interest

The Company will initially issue US$300 million in aggregate principal amount of Notes in this offering. The Company will issue the Notes in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Notes will mature on May 2, 2025. Interest on the Notes will accrue at a rate of 7.500% per annum and will be payable semi-annually in arrears on May 2 and November 2. The first interest payment will be made on November 2, 2018 in respect of the period from (and including) May 2, 2018 to (but excluding) November 2, 2025. The Company will make each interest payment to the holders of record on the 15th calendar day immediately preceding the following interest payment date (April 17 and October 18). Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid.

Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Additional Notes

The Company may issue additional Notes (the "Additional Notes") under the Indenture from time to time after this offering in an unlimited principal amount. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness." Any Additional Notes will have the same terms and conditions as the Notes (including the benefit of the Note Guarantees) in all respects (other than the issue date, issue price and date from which interest will accrue and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes will be part of the same series as the Notes offered hereby and will vote on all matters that require a vote, including, without limitation, waivers, amendments, redemptions and offers to purchase; *provided* that Additional Notes with the same securities identifiers may be issued only if such Additional Notes would be fungible with the Notes for U.S. federal income tax purposes.

Note Guarantees

Not all of our Subsidiaries will guarantee the Notes. The Subsidiary Guarantors will, subject to applicable legal limitations, including without limitation statutory preferences, including without limitation tax and labor claims, fully, unconditionally and irrevocably guarantee the full and punctual payment of principal, premium, if any, interest, Additional Amounts and any other amounts that may become due and payable by the Company in respect of the Notes and under the Indenture. The Note Guarantees will provide that the Subsidiary Guarantors will immediately pay any amount that the Company fails to punctually pay but is required to pay pursuant to the terms of the Indenture.

The Note Guarantees will not be secured by any of the assets or properties of the Subsidiary Guarantors. As a result, if the Subsidiary Guarantors are required to pay under the Note Guarantees, holders of the Notes would be unsecured creditors of the Subsidiary Guarantors. The Note Guarantees will not be subordinated to any of the Company's or the Subsidiary Guarantors' other unsecured debt obligations. The Subsidiary Guarantors will waive all benefits applicable thereto to the fullest extent possible under existing law for the Note Guarantees to be joint and several with the obligations of the Company. In the event of a bankruptcy, liquidation or similar proceeding against the Company or any of the Subsidiary Guarantors, the Note Guarantees would rank equally in right of payment with all of the Company's or such Subsidiary Guarantor's other unsecured and unsubordinated debt, subject to obligations preferred by statute, such as tax and labor claims.

The Notes and the Note Guarantees will be effectively subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of the Company's Subsidiaries (other than the Subsidiary Guarantors). The Indenture will limit the obligations of each Subsidiary Guarantor under its Note Guarantee to an amount not to exceed the maximum amount that can be guaranteed by such Subsidiary Guarantor by law or without resulting in its obligations under its Note Guarantee being voidable or unenforceable under applicable laws relating to fraudulent transfer, or under similar laws affecting the rights of creditors generally. By virtue of these limitations, a Subsidiary Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Notes and the Indenture, or a Subsidiary Guarantor may have effectively no obligation under its Note Guarantee. The above limitation may not protect the Note Guarantees from fraudulent transfer challenges, or other challenges under similar laws affecting the rights of creditors generally, or, if it does, the remaining amount due and collectible under the Note Guarantees may not suffice, if necessary, to pay the Notes in full when due. See "Risk Factors—Risks Relating to the Notes."

The Subsidiary Guarantors will initially be composed of certain of the Company's Wholly-Owned Mexican Restricted Subsidiaries. The Company's non-Mexican Subsidiaries (all of which are non-Wholly-Owned Subsidiaries), non-Wholly-Owned Subsidiaries and certain immaterial Wholly-Owned Mexican Restricted Subsidiaries will not guarantee the Notes. The Company and the Subsidiary Guarantors together as of and for the twelve-month period ended December 31, 2017 represented approximately 93% and 94% of the Company's Consolidated Assets and Consolidated EBITDA, respectively.

The Company will cause any existing or future Wholly-Owned Mexican Restricted Subsidiary that (A) as of the last date of any fiscal quarter and with respect to the Company and its Restricted Subsidiaries, individually represents at least 5% of the Consolidated Assets of the Company and its Restricted Subsidiaries as determined in accordance with IFRS, or (B) for any twelve-month period ending as of the last day of any fiscal quarter, individually represents at least 5% of the Consolidated EBITDA of the Company and its Restricted Subsidiaries as determined in accordance with IFRS, to become a Subsidiary Guarantor, execute a supplemental indenture and deliver an Opinion of Counsel as to the due authorization, execution and delivery thereof and as to its validity, legality and binding effect; *provided, however,* that if (i) with respect to (A) above, as of the last date of the relevant fiscal quarter, the Company and the then-existing Subsidiary Guarantors collectively represent at least 80% of the Consolidated Assets of the Company and the then-existing Restricted Subsidiaries, then such Restricted Subsidiary will not be required to become a Subsidiary Guarantor, and (ii) with respect to (B) above, for the relevant twelve-month period, the Company and the then-existing Subsidiary Guarantors collectively represent at least 80% of the Consolidated EBITDA of the Company and the then-existing Restricted Subsidiaries, then such Restricted Subsidiary will not be required to become a Subsidiary Guarantor; and *provided further* that if the Company provides the Trustee with an Officers' Certificate as of the last day of the applicable fiscal quarter certifying that any such Restricted Subsidiary is prevented by local law from Guaranteeing the Notes, then such Restricted Subsidiary will not be required to become a Subsidiary Guarantor. If subsequently such Restricted Subsidiary is no longer prevented from Guaranteeing the Notes, the Company will promptly cause such Restricted Subsidiary to become a Subsidiary Guarantor by executing a supplemental indenture, but only if the Company and the then-existing Subsidiary Guarantors do not satisfy the tests set forth in (i) and (ii) in the first sentence of this paragraph.

The Subsidiary Guarantors will guarantee the Company's Obligations under the Notes and the Indenture jointly and severally, fully and unconditionally, on a senior unsecured basis (subject to certain statutory preferences, including without limitation, tax and labor claims). The Subsidiary Guarantors will agree to pay, in addition to the amount stated above, any and all fees, indemnity amounts and reasonable and documented costs and expenses (including reasonable and documented counsel fees and expenses) incurred by the Trustee or the holders of Notes in enforcing any rights under the Note Guarantees. The Obligations of each of the Subsidiary Guarantors under its Note Guarantee will rank equally in right of payment with other senior unsecured Indebtedness of such Subsidiary Guarantor (subject to certain statutory preferences, including without limitation, tax and labor claims), except to the extent such other Indebtedness is expressly subordinate to the Obligations arising under such Note Guarantee.

A Subsidiary Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into another Person (whether or not such Subsidiary Guarantor is the surviving Person), other than the Company, another Subsidiary Guarantor or a Person who becomes a Subsidiary Guarantor concurrently with such transaction, unless:

(1) immediately after giving effect to that transaction (and treating any Indebtedness that becomes an Obligation of the resulting, surviving or transferee Person or any Restricted Subsidiary as a result of that transaction as having been incurred by such Person or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default exists;

(2) either:

(A) the Person formed by or surviving any such consolidation or merger (if other than the Subsidiary Guarantor) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made (the "Successor Subsidiary Guarantor") assumes all the obligations of the Subsidiary Guarantor under the Note Guarantee and the Indenture and, in the case of a consolidation or merger, the Successor Subsidiary Guarantor agrees to modify the provisions under "—Additional Amounts" if necessary so that Tax Jurisdiction will be defined to include any jurisdiction in which such Person is resident for tax purposes; or

(B) the transaction is made in compliance with the covenant described under "—Certain Covenants—Limitation on Asset Sales"; and

(3) the Company will have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

The Note Guarantee of a Subsidiary Guarantor will be released:

(1) in connection with a sale or other disposition (including by way of consolidation or merger) of that Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of that Subsidiary Guarantor (other than to the Company or a Restricted Subsidiary) if such sale or other disposition is in compliance with the Indenture, including the covenant "—Certain Covenants—Limitation on Asset Sales";

(2) if the Company designates any Restricted Subsidiary that is a Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture; or

(3) upon legal defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge."

In each case, the Company will deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such release complies with the Indenture.

Additional Amounts

All payments of principal, premium (if any) or interest by the Company in respect of the Notes or the Subsidiary Guarantors in respect of the Note Guarantees (whichever applicable, the "Applicable Payor") will be made without deduction or withholding for or on account of any present or future taxes, penalties, fines, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction in which the Applicable Payor is then resident for tax purposes or any jurisdiction by or through which payment is made (each, a "Tax Jurisdiction"), or any political subdivision thereof or any authority therein having power to tax (such taxes, penalties, fines, duties, assessments or other governmental charges, "Applicable Taxes"), unless such deduction or withholding is required by law. As of the Issue Date, the Company and the Subsidiary Guarantors are required by Mexican law to deduct Mexican withholding taxes at a rate of 4.9% from payments of interest or interest-like amounts to investors who are non-residents of Mexico for tax purposes and will pay additional amounts on those payments and certain other payments to the extent described below.

In the event that any Applicable Taxes are required to be so deducted or withheld, the Applicable Payor will pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by holders of such Notes after such withholding or deduction will equal the respective amounts that would have been receivable in respect of such Notes in the absence of such withholding or deduction. In addition, if an Applicable Payor will be obligated to pay Additional Amounts under or with respect to any payment made on the Notes, at least 30 days prior to the date of such payment (unless such Applicable Payor becomes aware of the obligation to pay Additional Amounts shortly before or after the 30th day prior to such date, in which case it shall be promptly thereafter), the Company or such Applicable Payor will deliver to the Trustee an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Trustee and/or paying agent to pay Additional Amounts to Holders on the relevant interest payment date; *provided* that no such Officers' Certificate will be required if there has been no change with respect to the matters set forth in a prior Officers' Certificate. The Applicable Payor's obligation to pay Additional Amounts is subject to several important exceptions. No such Additional Amounts will be payable:

(1) to or on behalf of a holder or beneficial owner of a Note that is liable for Applicable Taxes in respect of such Note by reason of having a present or former connection with the relevant Tax Jurisdiction imposing or levying the Applicable Taxes other than the mere holding or owning of such Note or the enforcement of rights with respect to such Note or the receipt of income or any payments in respect thereof;

(2) to or on behalf of a holder or beneficial owner of a Note in respect of Applicable Taxes that would not have been imposed but for the failure of the holder or beneficial owner of a Note to comply with any certification, identification, information, documentation or other reporting requirement if such compliance is required by applicable law, rule, regulation, administrative practice or an applicable treaty to which the relevant Tax Jurisdiction is a party, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Applicable Taxes;

(3) to or on behalf of a holder or beneficial owner of a Note in respect of any estate, inheritance, gift, sales, transfer, personal assets or similar tax, assessment or other governmental charge;

(4) to or on behalf of a holder or beneficial owner of a Note in respect of Applicable Taxes payable otherwise than by withholding from payment of principal, premium (if any) or interest on the Notes;

(5) to or on behalf of a holder or beneficial owner of a Note in respect of Applicable Taxes that would not have been imposed but for the fact that the holder presented such Note for payment (where presentation is required) more than 30 days after the later of (x) the date on which such payment became due and (y) if the full amount payable has not been received by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect will have been given to the holders by the Trustee; and no Additional Amounts shall be paid for or in account of any additional withholdings or deductions that arise as a result of such presentment after such 30-day period;

(6) in respect of any tax, duty, assessment or governmental charge imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations thereunder ("FATCA"), any intergovernmental agreement between the United States and any other jurisdiction implementing or relating to FATCA, any law, regulation, guidance or interpretations enacted or

issued in any jurisdiction with respect thereto, or any agreements entered into in connection with the implementation thereof;

(7) to or on behalf of a holder or beneficial owner of a Note in respect of any tax, duty, assessment or government charge that is imposed on or with respect to a Note presented for payment by or on behalf of a holder or beneficial owner to a paying agent in the European Union if such holder or beneficial owner would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent in a member state of the European Union; or

(8) any combination of items (1) to (7) above;

nor will Additional Amounts be paid with respect to any payment of the principal, premium (if any) or interest on, any Notes to any holder or beneficial owner of a Note who is a fiduciary, or partnership, or limited liability company or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the relevant Tax Jurisdiction to be included in the income for tax purposes of a beneficiary, or settlor with respect to such fiduciary, or a member of such partnership or limited liability company or a beneficial owner who would not have been entitled to such Additional Amounts had it been the holder of such Notes.

The limitations on the Applicable Payor's obligations to pay Additional Amounts stated in (2) above also will not apply if, with respect to taxes imposed by Mexico or any political subdivision or taxing authority thereof or therein, Article 166, Section II, or a substitute or equivalent provision, of the Mexican Income Tax Law is in effect, unless (a) the provision of the information, documentation or other evidence described in (2) above is expressly required by the applicable Mexican laws and regulations in order to apply such Article 166, Section II (or substitute or equivalent provision) of the Mexican Income Tax Law, (b) the Applicable Payor cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican laws and regulations on the Applicable Payor's own through reasonable diligence, and (c) the Applicable Payor otherwise would meet the requirements for application of the applicable Mexican laws and regulations.

In the event that Additional Amounts actually paid with respect to the Notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such Notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Company. However, by making such assignment, the holder makes no representation or warranty that the Company will be entitled to receive such claim for a refund or credit and incurs no other obligations with respect thereto.

All references in this offering memorandum to principal, premium (if any) or interest payable hereunder will be deemed to include references to any Additional Amounts payable with respect to such principal, premium (if any) or interest. Upon written request from the Trustee, the Applicable Payor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of any amounts deducted or withheld promptly upon the Applicable Payor's payment thereof, and copies of such documentation will be made available by the Trustee to holders upon written request to the Trustee.

The Company will pay promptly when due any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery, enforcement or registration of each Note or any other document or instrument referred to in the Indenture or such Note, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside the relevant Tax Jurisdiction; *provided* that such taxes, charges or levies resulting from, or required to be paid in connection with, the enforcement of such Note or any other such document or instrument after the occurrence and during the continuance of any Event of Default with respect to the Note in default shall be paid by the Company when due.

Optional Redemption

The Company may acquire Notes by means of the redemption provisions below or by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with the applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

Optional Redemption upon Equity Offerings

At any time prior to May 2, 2021, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture (including any Additional Notes issued after the Issue Date) at a redemption price of 107.500% of the principal amount, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings of the Company; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes originally issued under the Indenture (including any Additional Notes issued after the Issue Date) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

Optional Redemption with a Make-Whole Premium

At any time prior to May 2, 2021, the Company may also redeem the Notes (including any Additional Notes issued after the Issue Date) in whole at any time or in part from time to time, at its option, upon not less than 30 nor more than 60 days' prior notice delivered to each holder's registered address, at a "make-whole" redemption price equal to the greater of (A) 100% of the principal amount of such Notes and (B) the sum of the present value at such redemption date of (i) the redemption price of the Notes at May 2, 2021 (such redemption price being set forth in the table below under "—Optional Redemption Without a Make-Whole Premium") and (ii) all required interest payments on the Notes through May 2, 2021 (excluding accrued but unpaid interest to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points; plus, in each case, any accrued and unpaid interest and Additional Amounts, if any, on such Notes to the redemption date as calculated by the Independent Investment Banker.

Optional Redemption Without a Make-Whole Premium

On or after May 2, 2021, the Company may redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' prior notice delivered to each holder's registered address, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning May 2 of the years indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date.

Year	Percentage
2021	105.625%
2022	103.750%
2023	101.875%
2024 and thereafter	100.000%

Optional Redemption for Changes in Taxes

The Company may redeem the Notes, in whole but not in part, at its discretion at any time at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest to (but excluding) the date fixed by the Company for redemption (a "Tax Redemption Date") if on the next date on which any amount would be payable in respect of the Notes, the Applicable Payor is or would be required to pay (after taking reasonable measures to avoid this requirement) Additional Amounts on the Notes (or in the case of the Subsidiary Guarantors, the Note Guarantees) in excess of the Additional Amounts that it would pay if payment in respect of the Notes (or in the case of the Subsidiary Guarantors, the Note Guarantees) were subject to deduction or withholding at a rate in effect in its Tax Jurisdiction on the Issue Date, determined without regard to any interest, fees, penalties or other additions to tax, as a result of any change in, expiration of or amendment to the law of the relevant Tax Jurisdiction or any rules or regulations promulgated thereunder, or any change in the official interpretation or official application of such laws, rules or regulations, or any execution of or amendment to any treaty or treaties affecting taxation to which the relevant Tax Jurisdiction is a party, which change, expiration, amendment or treaty becomes effective on or after the Issue Date, and on or after such jurisdiction becomes a relevant Tax Jurisdiction, or in the case of any withholding taxes imposed by the jurisdiction of the paying agent after the date of appointment of such paying agent.

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company or any Subsidiary Guarantor would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Prior to the publication or delivery of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee, at least 30 days but not more than 60 days prior to the redemption date, an Opinion of Counsel upon which the Trustee can conclusively rely (which may be the Company's counsel, so long as such counsel is admitted in the relevant Tax Jurisdiction) to the effect that there has been such change or amendment which would entitle the Company to redeem the Notes hereunder and the Company or the Subsidiary Guarantor cannot avoid any obligation to pay Additional Amounts by taking reasonable measures available.

Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption by lot, subject to applicable DTC procedures unless otherwise required by law or applicable stock exchange requirements. If less than all of the Notes of any series are to be redeemed at any time, the Trustee shall select the Notes to be redeemed or purchased (1) if the Notes are listed on any national notes exchange, in compliance with the requirements of the principal national notes exchange on which the Notes are listed, (2) if the Notes are not so listed but are in global form, then by lot or otherwise in accordance with the procedures of DTC or the applicable depositary or (3) if the Notes are not so listed and are not in global form, then on a pro rata basis, by lot or by such other method as the Trustee in its sole discretion shall deem fair and appropriate.

No Notes of US$200,000 or less can be redeemed in part. Notices of redemption with respect to Global Notes will be delivered in accordance with DTC procedures at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to such Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of the Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless payment is not made on that date. Any redemption and notice thereof pursuant to the Indenture may, in the Company's discretion, be subject to the satisfaction of any condition precedent specified therein.

Repurchase of Notes upon a Change of Control Repurchase Event

If a Change of Control Repurchase Event occurs, each holder of the Notes will have the right to require the Company to repurchase all or any part (equal to an integral multiple of US$1,000; *provided* that the remaining portion of such holder's Note will not be less than US$200,000) of that holder's Notes pursuant to an offer (the "Change of Control Offer") made by the Company on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer to purchase such holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of such Notes to be repurchased plus accrued and unpaid interest on such Notes to be repurchased to the date of purchase subject to the rights of holders of such Notes on the relevant record date to receive interest due on the relevant interest payment date (the "Change of Control Payment"). Within 30 days following a Change of Control Repurchase Event, the Company will deliver, in accordance with DTC procedures, a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase the Notes on a date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

To the extent funded by the Company, the paying agent will promptly pay to each holder of Notes properly tendered the Change of Control Payment for such Notes. Upon receipt of an order delivered by the Company, the Trustee will promptly cause appropriate adjustments to the Global Note to be made, or if the Company has executed a new Note, the Trustee will authenticate such Note and deliver it to each holder in principal amount equal to any unpurchased portion of the Notes surrendered, if any, subject to applicable minimum denominations. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Company will not be required to make a Change of Control Offer upon a Change of Control Repurchase Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

Other existing and future indebtedness of the Company and its Subsidiaries may contain prohibitions on the occurrence of events that would constitute a Change of Control Repurchase Event or require that indebtedness be repurchased upon a Change of Control Repurchase Event. In addition, the exercise by the holders of their right to require the Company to repurchase the Notes upon a Change of Control Repurchase Event may cause a default under such indebtedness even if the Change of Control Repurchase Event itself does not.

If a Change of Control Offer occurs, the Company may not have available funds sufficient to make the Change of Control Payment for all the Notes that might be delivered by holders of Notes seeking to accept the Change of Control Offer. In the event the Company is required to purchase outstanding Notes pursuant to a Change of Control Offer, the Company expects that it would seek third-party financing to the extent it does not have available funds to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain necessary financing. See "Risk Factors—Risks Relating to the Notes— We may be unable to purchase the notes upon a specified change of control event, which would result in defaults under the indenture governing the notes."

Except as described above with respect to the Change of Control Offer, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management. Holders will not be entitled to require the Company to purchase their Notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction which is not a Change of Control. In addition, clause (1) of the definition of "Change of Control" includes the sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries. Although there is a limited body of case law interpreting the phrase "substantially all," there is no established definition of how this phrase is to be interpreted under applicable law. Accordingly, the application of this provision is uncertain.

Suspension of Covenants

From and after the first date following the Issue Date, or following the most recent Reversion Date, that (i) the Notes have Investment Grade Ratings from at least two Rating Agencies and (ii) no Default or Event of Default has occurred and is continuing under the Indenture (the "Suspension Date"), the Company and its Restricted Subsidiaries will not be subject to the following provisions of the Indenture as to the Notes:

(1) "—Certain Covenants—Limitation on Incurrence of Indebtedness";

(2) "—Certain Covenants—Limitation on Asset Sales";

(3) "—Certain Covenants—Limitation on Restricted Payments";

(4) "—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(5) clause (4) of the first paragraph of "—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets";

(6) "—Certain Covenants—Limitation on Transactions with Affiliates";

(7) "—Certain Covenants—Business Activities"; and

(8) the second paragraph of "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries" (collectively, the "Suspended Covenants").

In the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") the Notes have Investment Grade Ratings from fewer than two Rating Agencies, then the Company and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the Reversion Date is referred to in this description as the "Suspension Period." Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred or issued pursuant to the first paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness" below or one of the clauses set forth in the second paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness" below (to the extent such Indebtedness would be permitted to be incurred or issued thereunder as of the date of the incurrence and after giving effect to Indebtedness incurred or issued prior to the Suspension Period and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred or issued pursuant to the first or second paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness," such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (2) of the second paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness." Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under "—Certain Covenants—Limitation on Restricted Payments" will be made as though the covenant described under "—Certain Covenants—Limitation on Restricted Payments" had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of "—Certain Covenants—Limitation on Restricted Payments."

The Notes may never achieve or maintain Investment Grade Ratings.

Certain Covenants

For so long as any Note is outstanding (unless under a Suspension Period in the case of Suspended Covenants), the Company will, and to the extent specified below will cause its Restricted Subsidiaries to, comply with the terms of the following covenants:

Limitation on Incurrence of Indebtedness

The Company will not, and will not cause or permit any of its Restricted Subsidiaries to create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to (collectively, "incur") any Indebtedness (including Acquired Debt); *provided*, *however*, that the Company and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) if the Net Consolidated Debt to EBITDA Ratio for the Company's most recently ended four fiscal quarters for which internal consolidated financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been no greater than 4.25 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred at the beginning of such four fiscal quarters.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence of Indebtedness by the Company and its Restricted Subsidiaries pursuant to Credit Facilities; *provided* that the aggregate principal amount at any time outstanding does not exceed the greater of US$50.0 million (or the equivalent in other currencies) and 7.5% of the Company's Consolidated Net Tangible Assets;

(2) Existing Indebtedness;

(3) the incurrence on the Issue Date by the Company of Indebtedness represented by the Notes and the Indenture and any Note Guarantees thereof by the Subsidiary Guarantors;

(4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, Attributable Indebtedness under Sale and Leaseback Transactions, mortgage 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 (real or personal), plant or equipment used in the business of the Company or any of its Restricted Subsidiaries (whether through the direct purchase of assets or the Equity Interests of any Person owning such assets), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of US$125.0 million and 10.0% of the Company's Consolidated Net Tangible Assets;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, redeem, refinance, replace, defease or discharge, any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (5) or (16) of this paragraph;

(6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided*, *however*, that:

(A) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Subsidiary Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the Notes, in the case of the Company, or the Note Guarantee, in the case of a Subsidiary Guarantor; provided that the Company, its parent companies (if any) and any Subsidiary Guarantor shall agree to vote such Indebtedness, or provide their consents in connection with such Indebtedness, in any Mexican Restructuring, in a manner that is consistent with the vote of, or the consents provided by, the holders of the Notes and other unaffiliated creditors of the same class as the Notes; and

(B) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the issuance by any Restricted Subsidiary to the Company or to any other Restricted Subsidiary of shares of preferred stock; *provided*, *however*, that:

(A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary; or

(B) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary,

in each case, will be deemed to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (7);

(8) the incurrence by the Company or any Restricted Subsidiaries of Hedging Obligations, including, without limitation, in respect of financing transactions permitted under the Indenture;

(9) the guarantee by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be incurred by another provision of this covenant (including any Note Guarantee); *provided* that if the Indebtedness being guaranteed is subordinated to the Notes or the Note Guarantees, then the Guarantee shall be subordinated to the same extent as the Indebtedness guaranteed;

(10) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries in the form of letters of credit, banker's acceptances, performance bonds, completion guarantees, surety or appeal bonds and other similar bonds and reimbursement obligations incurred by the Company or any of its Restricted Subsidiaries in the ordinary course of their business securing the performance of contractual, regulatory or license obligations of the Company or any Restricted Subsidiary (in each case, other than for an obligation for borrowed money);

(11) the incurrence of Indebtedness by the Company or any of its Restricted Subsidiaries owed to any Person in connection with workers' compensation, self-insurance, health, disability or other employee benefits or property, casualty or liability insurance provided by such Person to the Company or such Restricted Subsidiary, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(12) the incurrence by the Company or any of the Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) inadvertently drawn against insufficient funds, so long as such Indebtedness is extinguished within five Business Days of incurrence;

(13) the incurrence of Indebtedness by the Company or any of the Restricted Subsidiaries arising from agreements of the Company or any of the Restricted Subsidiaries providing for indemnification, adjustment of purchase price or other similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or a Restricted Subsidiary, other than Guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided, however*, that, in the case of a disposition, the maximum aggregate liability in respect of such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(14) Indebtedness incurred by the Company or any of its Restricted Subsidiaries in respect of letters of credit (and reimbursement obligations with respect thereto) issued in the ordinary course of business, including, without limitation, letters of credit to procure merchandise or relating to workers' compensation claims or self-insurance, or other Indebtedness relating to reimbursement-type obligations regarding workers' compensation claims;

(15) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased or leased in the ordinary course of business;

(16) the incurrence by the Company or any of its Restricted Subsidiaries of (A) Indebtedness applied to finance the acquisition of a line of business or of a Person that becomes a Restricted Subsidiary or merges with or into the Company or a Restricted Subsidiary, and related fees and expenses, or (B) Acquired Debt; *provided*,

however, in the case of (A) and (B), that immediately after giving effect to such transaction on a pro forma basis and any related financing transactions (including such incurrence) as if the same had occurred at the beginning of the applicable four fiscal quarters, (x) the Company would have been able to incur US$1.00 of additional Indebtedness pursuant to the first paragraph of this covenant after giving effect to the incurrence of such Indebtedness pursuant to this clause (16) or (y) the Net Consolidated Debt to EBITDA Ratio would be no less than such ratio for the Company and its Restricted Subsidiaries immediately prior to such transaction;

(17) Guarantees permitted by clauses (8) or (16) of the definition of Permitted Investments;

(18) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness with a maturity less than 365 days and incurred in the ordinary course of business for working capital purposes, not to exceed the greater of US$25.0 million and 5.0% of the Company's Consolidated Net Tangible Assets;

(19) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness pursuant to any Receivables Transaction (which Indebtedness shall be Non-Recourse Debt other than with respect to Standard Securitization Undertakings and with respect to the receivables and related assets subject to such Receivables Transaction) in an aggregate principal amount not to exceed US$50.0 million at any one time outstanding; and

(20) in addition to the items referred to in clauses (1) through (19) above, Indebtedness of the Company and its Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness incurred pursuant to this clause (20) and then outstanding, will not exceed the greater of US$50.0 million and 7.5% of the Company's Consolidated Net Tangible Assets at any time outstanding.

The Company will not incur, and will not permit any Subsidiary Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the Note Guarantee on substantially identical terms; *provided*, *however*, that no such Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

For purposes of determining compliance with this "Limitation on Incurrence of Indebtedness" covenant, in the event that an item of proposed Indebtedness (or any portion thereof) meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company, in its sole discretion, will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant and will only be required to include the amount and type of such Indebtedness in one of the above clauses. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms and the reclassification of preferred stock as Indebtedness due to a change in accounting principles will not be deemed to be an incurrence of Indebtedness for purposes of this covenant. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S.-dollar amount of Indebtedness denominated in a currency other than the U.S. dollar shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred or, in the case of revolving credit Indebtedness, on the date such Indebtedness was first committed. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate that is in effect on the date of such refinancing.

The amount of any Indebtedness outstanding as of any date will be:

(1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;

(2) the principal amount or liquidation preference of the Indebtedness, in the case of any other Indebtedness; and

(3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:

(A) the Fair Market Value of such assets at the date of determination; and

(B) the amount of the Indebtedness of the other Person.

Limitation on Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests sold, issued or otherwise disposed of; and

(2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than Disqualified Stock or contingent liabilities and liabilities that are subordinate to the Notes or the Note Guarantees) that are assumed by the transferee of any such assets pursuant to a customary arrangement that releases the Company or such Restricted Subsidiary from further liability (in which case, the Company will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (1) of the paragraph below);

(B) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents within 120 days, to the extent of the cash or Cash Equivalents received in that conversion; and

(C) any stock or assets of the kind referred to in clauses (2) or (3) of the next paragraph of this covenant.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company and its Restricted Subsidiaries may apply such Net Proceeds at their option:

(1) to repay, prepay or purchase (A) Obligations of the Company or any Restricted Subsidiary under senior secured Indebtedness permitted to have been incurred under "—Certain Covenants—Limitation on Incurrence of Indebtedness" and "—Certain Covenants—Limitation on Liens," (B) Indebtedness of the Company or any Restricted Subsidiary that ranks *pari passu* with the Notes; *provided* that such Indebtedness has a final maturity date that is earlier than the final maturity date of the Notes, or (C) senior secured Indebtedness of a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor, in each case other than Indebtedness owed to the Company or an Affiliate of the Company;

(2) to purchase:

(A) assets (other than current assets as determined in accordance with IFRS or Capital Stock) to be used by the Company or any Restricted Subsidiary in a Permitted Business; or

(B) Capital Stock of a Person engaged in a Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(3) to acquire other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business or make capital expenditures (including refurbishments) to be used by the Company or any Restricted Subsidiary in a Permitted Business; or

(4) any combination of items (1) through (3) of this paragraph.

In the case of clauses (2) and (3), the Company will have complied with its obligations if it enters into a binding commitment to acquire such assets or Capital Stock within 365 days after receipt of such Net Proceeds; *provided* that such binding commitment shall be subject only to customary conditions and that such acquisition is consummated before the later of (x) the date that is six months from the date of signing such binding commitment and (y) the end of such 365-day period.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second and third paragraphs of this covenant will constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds US$50.0 million, within 30 days thereof, the Company will make an offer (the "Asset Sale Offer") to all holders of Notes and, at the Company's option if required by the terms of such other Indebtedness, to all holders of other Indebtedness that is *pari passu* with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase (or, in respect of such other *pari passu* Indebtedness of the Company or the Subsidiary Guarantors, such lesser price, if any, as may be provided for by the terms of such *pari passu* Indebtedness) and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes will be selected by lot, subject to applicable DTC procedures, and the Company or its agent shall select such other *pari passu* Indebtedness to be purchased on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero. The Company may satisfy its obligations under this covenant by making an Asset Sale Offer prior to the expiration of 365 days from the date of such Asset Sale or Asset Sales.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such compliance.

Any future credit agreements or other agreements relating to Indebtedness to which the Company or a Subsidiary Guarantor becomes a party may contain restrictions and provisions prohibiting the Company or a Subsidiary Guarantor from purchasing any Notes or providing that certain change of control or asset sale events with respect to the Company or a Subsidiary Guarantor will constitute a default. In the event a Change of Control Repurchase Event or Asset Sale occurs at a time when the Company or a Subsidiary Guarantor is prohibited from purchasing the Notes, the Company or a Subsidiary Guarantor could seek the consent of parties to such agreements to purchase Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company or a Subsidiary Guarantor does not obtain such consents or repay such borrowings, the Company or a Subsidiary Guarantor will remain prohibited from purchasing the Notes. In such case, the Company or a Subsidiary Guarantor's failure to purchase tendered Notes would constitute an Event of Default under the Indenture, which would, in turn, likely constitute a default under such Indebtedness. On the other hand, certain corporate events may not constitute an Asset Sale, in which case the Company or a Subsidiary Guarantor, as the case may be, will not be required to repurchase your Notes.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests to the direct or indirect holders of such Equity Interests (other than (A) dividends, payments or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or (B) dividends, payments or distributions payable to the Company or a Restricted Subsidiary (and if such Restricted Subsidiary is not a Wholly-Owned Subsidiary, to its other holders of common Equity Interests on a pro rata basis));

(2) purchase, redeem or otherwise acquire or retire for value any Equity Interests of the Company held by Persons other than the Company or a Restricted Subsidiary;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, as the case may be, any Indebtedness of the Company or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries); or

(4) make any Investment (other than a Permitted Investment);

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "Restricted Payments"), unless at the time of and after giving *pro forma* effect to such Restricted Payment:

(1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(2) the Company would have been permitted to incur at least US$1.00 of additional Indebtedness pursuant to the first paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness"; and

(3) the aggregate amount of the proposed Restricted Payment and all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Issue Date up to the date thereof is less than the sum, without duplication of:

(A) an amount equal to (x) aggregate Consolidated EBITDA on a cumulative basis during the period from October 1, 2017 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment, less (y) the product of (A) 1.75 and (B) aggregate Consolidated Interest Expense during such period; *plus*

(B) 100% of the aggregate net cash proceeds or Fair Market Value of assets received by the Company subsequent to the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests (other than Disqualified Stock) of the Company or from the issue or sale of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Stock or convertible or exchangeable debt securities) sold to a Subsidiary of the Company); *plus*

(C) to the extent that any Investment (other than a Permitted Investment) that was made under this clause (3) after the Issue Date is sold or otherwise liquidated or repaid (other than to the Company or a Restricted Subsidiary), the amount of cash received by the Company or any Restricted Subsidiary in respect of such sale, liquidation or disposition or the Fair Market Value of property to be used in the Permitted Business of the Company or any Restricted Subsidiary received by the Company or any Restricted Subsidiary in respect of such sale, liquidation or disposition (in each case, less the cost of disposition, liquidation or repayment, if any, paid or to be paid by the Company or any Restricted Subsidiary); *plus*

(D) to the extent that any Unrestricted Subsidiary designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged with or consolidated into the Company or a Restricted Subsidiary after the Issue Date, the lesser of (i) the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation or merger or consolidation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date; *plus*

(E) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary or unconsolidated investee of the Company; *plus*

(F) the amount of cash received by the Company or a Restricted Subsidiary as repayment of loans which constitute Investments (other than Permitted Investments) made under this clause (3) after the Issue Date by the Company or a Restricted Subsidiary or the value of Guarantees made under this clause (3) after the Issue Date by the Company or a Restricted Subsidiary which constituted Investments (other than Permitted Investments) that have been released in full; *plus*

(G) US40.0 million (or the equivalent in other currencies).

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;

(2) upon the occurrence of a Change of Control Repurchase Event and within 60 days after the completion of the offer to repurchase the Notes pursuant to the covenant described under "—Repurchase of Notes upon a Change of Control Repurchase Event" above, or within 60 days after the completion of the offer to repurchase the Notes pursuant to the covenant described under "—Certain Covenants—Limitation on Asset Sales", any purchase or redemption of Obligations subordinated to the Notes, required pursuant to the terms thereof as a result of such Change of Control Repurchase Event at a purchase or redemption price not to exceed 101% of the outstanding principal amount thereof or liquidation value thereof (in the case of a Change of Control Repurchase Event) or 100% of the outstanding principal amount thereof or liquidation value thereof (in the case of an offer to repurchase as a result of an Asset Sale), as the case may be, plus any accrued and unpaid interest; *provided*, *however*, that at the time of such purchase or redemption no Event of Default shall have occurred and be continuing (or would result therefrom);

(3) any purchase or redemption of Disqualified Stock of the Company or a Restricted Subsidiary made by exchange for, or out of the proceeds of the substantially concurrent sale of, Disqualified Stock of the Company or a Restricted Subsidiary which is permitted to be incurred pursuant to the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness"; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(B) of the preceding paragraph;

(4) the making of any Restricted Payment in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(B) of the preceding paragraph;

(5) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Restricted Subsidiary that is contractually subordinated to the Notes or to any Guarantee with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness which is incurred in compliance with the covenant "—Certain Covenants—Limitation on Incurrence of Indebtedness"; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(B) of the preceding paragraph;

(6) so long as no Default or Event of Default has occurred and is continuing, payments to fund the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders' agreement or similar agreement to compensate such officer, director or employee; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests (other than upon the death or disability of the relevant officer, director or employee) may not exceed US$5.0 million in any fiscal year (with unused amounts in any fiscal year being carried over to succeeding fiscal years subject to a maximum payment (without giving effect to the following provisions) of US$10.0 million in the aggregate in any fiscal year); *provided*, *further*, that such amount may be increased by an amount not to exceed the cash proceeds from the sale of Equity Interests of the Company to current or former members of management, directors, managers or consultants of the Company or any of its Subsidiaries that occurs after the Issue Date, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the calculation of available Restricted Payments by virtue of clause (3)(B) of the preceding paragraph;

(7) the repurchase of Equity Interests deemed to occur upon the exercise of stock options, warrants or other convertible securities to the extent such Equity Interests represent a portion of the exercise price thereof; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment shall be excluded from clause (3)(B) of the preceding paragraph;

(8) so long as no Default or Event of Default has occurred and is continuing, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness";

(9) any purchase or redemption of Obligations subordinated to the Notes from Net Proceeds upon completion of an Asset Sale Offer; *provided* that the purchase price is not greater than 100% of the principal amount thereof or liquidation value thereof, as the case may be, in accordance with provisions similar to "—Certain Covenants—Limitation on Asset Sales" thereto; *provided, further*, that prior to such purchase or redemption, the Company has made the Asset Sale Offer as provided under "—Certain Covenants—Limitation on Asset Sales" and has completed the repurchase or redemption of all Notes validly tendered for payment in connection with the Asset Sale Offer;

(10) Investment by the Company or a Restricted Subsidiary in a non-controlling interest in a joint venture, provided that the aggregate consideration paid for such minority interests after the Issue Date does not exceed an aggregate amount of US$15 million; and

(11) so long as no Event of Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an amount not to exceed US$30.0 million in the aggregate since the Issue Date.

In determining the aggregate amount of Restricted Payments made subsequent to the Issue Date, amounts expended pursuant to clauses (1) (without duplication for the declaration of the relevant dividend), (2), (6) and (8) above shall be included in such calculation and amounts expended pursuant to clauses (3), (4), (5), (7), (9), (10) and (11) above shall not be included in such calculation.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the exceptions described in clauses (1) through (10) above or is entitled to be made pursuant to the first paragraph of this covenant, the Company shall be permitted, in its sole discretion to classify such Restricted Payment on the date that such Restricted Payment is made, or later reclassify all or a portion of such Restricted Payment, in any manner that complies with this covenant, and such Restricted Payment shall be treated as having been made pursuant to only one of such clauses of this covenant.

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) of any kind on any asset (including Capital Stock of Restricted Subsidiaries) now owned or hereafter acquired to secure Indebtedness, unless contemporaneously with the incurrence of such Liens effective provision is made to secure the Indebtedness due under the Indenture and the Notes or, in respect of Liens on any Restricted Subsidiary's property or assets, any Note Guarantee of such Restricted Subsidiary, equally and ratably with (or prior to in the case of Liens with respect to Obligations subordinate to the Notes and any Note Guarantees, as the case may be) the Indebtedness secured by such Lien for so long as such Indebtedness is so secured.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness, any other agreements as in effect on the Issue Date and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings are, taken as a whole, in the good-faith judgment of the Company, no less favorable in any material respect to the holders of the Notes than the dividend and other payment restrictions contained in those agreements on the Issue Date;

(2) the Indenture, the Notes and, if applicable, the Note Guarantees;

(3) applicable law, rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of (A) a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition or as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company), or (B) with respect to any Unrestricted Subsidiary at the time it is designated or deemed to become a Restricted Subsidiary; *provided* in both cases that such encumbrances or restrictions are not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired or designated; *provided, further,* that in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) in the case of clause (3) in the preceding paragraph, customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(6) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations permitted under the Indenture that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(7) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not, in the good-faith judgment of the Company, materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) restrictions contained in security agreements, pledges or mortgages securing Indebtedness of the Company or a Restricted Subsidiary permitted to be incurred under the Indenture so long as the restrictions solely restrict the transfer of the property governed by the security agreements, pledges or mortgages;

(10) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—Certain Covenants—Limitation on Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(11) (A) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale and leaseback agreements, stock sale agreements and other similar agreements

entered into with the approval of the Board of Directors of the Company, which limitation is applicable only to the assets that are the subject of such agreements, and (B) restrictions contained in any agreement governing Indebtedness incurred in compliance with the covenant "—Certain Covenants—Limitation on Incurrence of Indebtedness" by any Restricted Subsidiary that is a bona fide joint venture engaging in a Permitted Business, of which at least 30% of the common Equity Interests of such Restricted Subsidiary is owned by a non-affiliated third party; *provided* that such Indebtedness is for the purpose of enabling such Restricted Subsidiary to finance projects or for working capital purposes;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(13) restrictions customarily granted in connection with securitization, factoring or discounting involving receivables that are imposed in connection with a Receivables Transaction; and

(14) provisions in instruments governing other Indebtedness, Disqualified Stock or preferred stock of Restricted Subsidiaries permitted to be incurred after the Issue Date pursuant to the provisions of the covenant "—Certain Covenants—Limitation on Incurrence of Indebtedness"; *provided* that (i) such provisions are customary for instruments of such type (as determined in good faith by the Company's Board of Directors) and (ii) the Company's Board of Directors determines in good faith that such restrictions will not materially adversely affect the ability of the Company to make required principal and interest payments on the Notes.

Limitation on Merger, Consolidation or Sale of Assets

The Company will not, directly or indirectly: (A) consolidate or merge with or into another Person (whether or not the Company is the surviving Person); or (B) sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (A) the Company is the surviving Person; or (B) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made (the "Successor Company") is a Person organized or existing under the laws of Mexico, Brazil, the United States, any state of the United States or the District of Columbia or any other country that is a member country of the European Union;

(2) the Successor Company, if applicable, assumes by supplemental indenture all the obligations of the Company under the Notes and the Indenture and, in the case of a consolidation or merger of the Company, the Successor Company agrees to modify the provisions under "—Additional Amounts," if necessary, so that Tax Jurisdiction will be defined to include any jurisdiction in which such Person is resident for tax purposes;

(3) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Company, the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been incurred by the Company, the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(4) immediately after giving effect to such transaction on a pro forma basis and any related financing transactions as if the same had occurred at the beginning of the applicable four fiscal quarters, either:

(A) the Company or the Successor Company would, on the date of such transaction, be permitted to incur at least US$1.00 of additional Indebtedness pursuant to the Net Consolidated Debt to EBITDA Ratio test set forth in the first paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness"; or

(B) the Net Consolidated Debt to EBITDA Ratio for the Successor Company and its Restricted Subsidiaries would be no worse than such ratio for the Company and its Restricted Subsidiaries immediately prior to such transaction;

(5) in the case of a consolidation or merger of the Company, each Subsidiary Guarantor (unless it is the other party to the transactions above, in which case clause (1) of this paragraph shall apply), if any, shall have

by supplemental indenture confirmed that its Note Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes; and

(6) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture.

This "Limitation on Merger, Consolidation or Sale of Assets" covenant will not apply to:

(1) any consolidation or merger of a Restricted Subsidiary into the Company, any Subsidiary Guarantor or any other Restricted Subsidiary; or

(2) any sale, assignment, transfer, conveyance, lease or other disposition of assets from a Restricted Subsidiary to the Company, a Subsidiary Guarantor or any other Restricted Subsidiary.

The provisions of clauses (3) and (4) above will not apply to any merger or consolidation of the Company into an Affiliate of the Company incorporated solely for the purpose of reincorporating the Company in another jurisdiction so long as the Indebtedness of the Company and its Restricted Subsidiaries taken as a whole is not increased thereby.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

Upon any consolidation, combination or merger or any transfer of all or substantially all of the properties and assets of the Company in accordance with this covenant, in which the Company is not the continuing Person, the Successor Company formed by such consolidation or into which the Company is merged or to which such conveyance, lease or transfer is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture and the Notes with the same effect as if such Successor Company had been named as such and the Company shall be relieved of its obligations under the Indenture and the Notes. For the avoidance of doubt, compliance with this covenant will not affect the obligations of the Company (including a Successor Company, if applicable) under "—Repurchase of Notes upon a Change of Control Repurchase Event," if applicable.

Substitution of the Issuer

Notwithstanding any other provision contained in the Indenture, the Company may, without the consent of the holders of the Notes (and by subscribing for any Notes, each holder of the Notes expressly consents to it), be replaced and substituted by a Parent Company of the Company as principal debtor (in such capacity, the "Substituted Debtor") in respect of the Notes *provided* that:

(1) such documents will be executed by the Substituted Debtor, the Company, the Subsidiary Guarantors and the Trustee as may be necessary to give full effect to the substitution, including a supplemental indenture under which the Substituted Debtor assumes all of the Company's obligations under the Indenture and the Notes (collectively, the "Issuer Substitution Documents") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favor of each holder of the Notes to be bound by the terms and conditions of the Notes and the provisions of the Indenture as fully as if the Substituted Debtor had been named in the Notes and the Indenture as the principal debtor in respect of the Notes in place of the Company (or any previous substitute), and pursuant to which the Company shall unconditionally and irrevocably guarantee in favor of each holder of the Notes the payment of all sums payable by the Substituted Debtor as such principal debtor on the same terms *mutatis mutandis* as the Notes (the "Substitution Guarantee");

(2) the Issuer Substitution Documents will contain covenants to ensure that each holder of the Notes has the benefit of a covenant in terms corresponding to the obligations of the Company in respect of the payment of additional amounts under "—Additional Amounts," if any (but modifying the provisions under "—Additional Amounts," as necessary, so that Tax Jurisdiction will be defined to include any jurisdiction in which the

Substituted Debtor is resident for tax purposes). The Issuer Substitution Documents shall also contain a covenant by the Substituted Debtor and the Company to indemnify and hold harmless each holder of the Notes against all taxes or duties which arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective, which may be incurred or levied against such holder as a result of any substitution pursuant to the conditions set forth in this section and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, any and all taxes or duties which are imposed on any such holder of the Notes by any political subdivision or taxing authority of any country in which such holder of the notes resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

(3) the Issuer Substitution Documents shall contain a representation and warranty by the Substituted Debtor and the Company that the Substituted Debtor and the Company have obtained all necessary governmental and regulatory approvals and consents for such substitution and for the giving by the Company of the Substitution Guarantee in respect of the obligations of the Substituted Debtor on the same terms *mutatis mutandis* as the Notes, that each of the Substituted Debtor and the Company has obtained all necessary governmental and regulatory approvals and consents for the performance by each of the Substituted Debtor and the Company of its obligations under the Issuer Substitution Documents and/or Substitution Guarantee, as applicable, and that all such approvals and consents are in full force and effect;

(4) each stock exchange which has the Notes listed thereon shall have confirmed that following the proposed substitution of the Substituted Debtor, the Notes would continue to be listed on such stock exchange;

(5) the Company shall have delivered, or caused the delivery to the Trustee of, an opinion of recognized counsel in the jurisdiction of organization of the Substituted Debtor, an opinion of recognized counsel in Mexico and an opinion of recognized counsel in New York, each to as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents (including the Substitution Guarantee given by the Company in respect of the Substituted Debtor), such opinions to be dated not more than seven days prior to the date of substitution of the Substituted Debtor for the Company;

(6) the Company shall have delivered, or caused the delivery to the Trustee of, an Officers' Certificate and Opinion of Counsel as to compliance with the provisions described under this section;

(7) the Substituted Debtor shall have appointed a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes, the Indenture and the Issuer Substitution Documents;

(8) any credit rating assigned to the Notes will remain the same or be improved when the Substituted Debtor replaces and substitutes the Company in respect of the Notes;

(9) no Event of Default has occurred or is continuing; and

(10) the substitution complies with all applicable requirements under the laws of the jurisdiction of organization of the Substituted Debtor and Mexico.

Upon the execution of the Issuer Substitution Documents and compliance with the other conditions in the Indenture relating to the substitution, the Substituted Debtor will be deemed to be named in the Notes and the Indenture as the principal debtor in place of the Company and the Company will be released from all of its obligations under the Notes and the Indenture, other than its obligations as a Subsidiary Guarantor under the Substitution Guarantee.

Not later than 10 Business Days after the execution of the Issuer Substitution Documents, the Substituted Debtor will give notice thereof to the holders of the Notes in accordance with the provisions of the Indenture.

Notwithstanding any other provision of the Indenture, each Subsidiary Guarantor will do or cause to be done all acts and things and promptly execute and deliver any documents or instruments, including any substitute guarantee and a legal opinion of internationally recognized counsel in the jurisdiction of such Subsidiary Guarantor, that may be required, or that the Trustee may reasonably request, to ensure that such Subsidiary Guarantor's guarantee is in full force and effect for the benefit of the holders and beneficial owners of the Notes following the substitution.

Limitation on Transactions with Affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with a Person who is not an Affiliate;

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the equivalent in other currencies), the terms of such Affiliate Transaction will be set forth in an Officer's Certificate delivered to the Trustee stating that such transaction complies with clause (1) above;

(3) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$20.0 million (or the equivalent in other currencies), the Company delivers to the Trustee a resolution of the Board of Directors of the Company or of the relevant Restricted Subsidiary, as the case may be, set forth in an Officers' Certificate certifying such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of the Company or of the relevant Restricted Subsidiary, as the case may be; and

(4) in the event that such Affiliate Transaction involves aggregate payments, or transfers of property or services with a Fair Market Value in excess of US$30.0 million (or the equivalent in other currencies), the Company shall, prior to the consummation thereof, obtain a favorable opinion as to the fairness of such Affiliate Transaction to the Company or such Restricted Subsidiary from a financial point of view from an accounting, appraisal or investment banking firm of recognized standing.

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) transactions pursuant to any employment agreement, employee benefit plan, stock options, stock ownership plan, officer or director indemnification agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries provided on behalf of directors, officers and employees in the ordinary course of business, and, in each case, payments (including grants of securities, stock options and similar rights) pursuant thereto, as determined in good faith by the Board of Directors of the Company;

(2) transactions between or among the Company and the Restricted Subsidiaries and Guarantees issued by the Company or a Restricted Subsidiary for the benefit of the Company or a Restricted Subsidiary, as the case may be, in accordance with "—Certain Covenants—Limitation on Incurrence of Indebtedness";

(3) payment of reasonable and customary directors' fees of the Company and any Restricted Subsidiary;

(4) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of such Person;

(5) Restricted Payments or Permitted Investments that do not violate the provisions of the Indenture described above under the caption "—Certain Covenants—Limitation on Restricted Payments";

(6) transactions pursuant to any contract, agreement or arrangement with the Company or any of the Restricted Subsidiaries, in each case in effect on the Issue Date, as the same may be amended, modified or replaced from time to time so long as any such amendment, modification or replacement is not less favorable in any material respect to the Company and the Restricted Subsidiaries than the original agreement as in effect on the Issue Date, except for any extension of the time period thereof;

(7) transactions and agreements related to a Permitted Joint Venture (which are Affiliates solely by reason of the Company and/or Restricted Subsidiaries owning Capital Stock of such Permitted Joint Venture);

(8) transactions with customers, clients, distributors, lessors, suppliers or purchasers or sellers of goods or services, in each case, in the ordinary course of business and on market terms;

(9) any Note Guarantees;

(10) Sale and Leaseback Transactions permitted under clause (8) of the definition of Asset Sale;

(11) loans or advances to employees, directors, officers or consultants (i) in the ordinary course of business or (ii) otherwise not to exceed US$2.0 million in the aggregate at any one time outstanding with respect to all loans or advances made since the Issue Date;

(12) loans to the Company or any Restricted Subsidiary by an Affiliate; *provided* the economic terms of any such loan are no less favorable, as determined by the Board of Directors of the Company, than those that could reasonably be expected to be obtained in a comparable loan at such time on an arms'-length basis from a Person that is not an Affiliate of the Company; and

(13) sales or other transfers or dispositions of accounts receivable and other related assets customarily transferred in an asset securitization involving accounts receivable to a Receivables Entity in a Receivables Transaction.

Business Activities

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses.

Maintenance of Priority

The Company shall ensure that its payment obligations with respect to the Notes will constitute its direct, unconditional and general senior unsecured obligations and will rank senior or *pari passu* (except for Indebtedness that is subordinated in right of payment to the Notes) in priority of payment and in all other respects (other than security) with respect to its future Indebtedness, except for obligations that are granted preferential treatment pursuant to the laws of Mexico, such as tax and labor claims.

Each Subsidiary Guarantor shall ensure that its payment obligations with respect to its Note Guarantee will constitute its direct, unconditional and general senior unsecured obligations and will rank senior or *pari passu* (except for Indebtedness that is subordinated in right of payment to its Note Guarantee) in priority of payment and in all other respects (other than security) with respect to its future Indebtedness, except for obligations that are granted preferential treatment pursuant to applicable laws of Mexico, such as tax and labor claims.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments" or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date, and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness," the Company will be in default of such covenant. The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (A) such Indebtedness is permitted under the covenant described under the caption "—Certain Covenants—Limitation on Incurrence of Indebtedness," calculated on a pro forma basis as if such designation had occurred at the beginning of the four fiscal quarters; and (B) no Default or Event of Default would be in existence and be continuing following such designation. Any designation of an Unrestricted Subsidiary as a Restricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions.

Reports

To the extent the same shall not have been made publicly available by filing with the United States Securities and Exchange Commission, and so long as the Notes are outstanding, the Company will furnish to the Trustee, and upon written request therefore to the holders of Notes and prospective holders of Notes (in respect of clause (iii)):

(i) as soon as available after the end of each fiscal year (and in any event, within 120 days after the close of such fiscal year) annual audited consolidated financial statements for the Company and its subsidiaries in English prepared in accordance with IFRS (containing a balance sheet and statements of income, retained earnings and cash flows, and notes thereto, as of the end of and for such fiscal year and the immediately preceding fiscal year with a report thereon by an internationally recognized outside firm of certified public accountants);

(ii) interim unaudited quarterly consolidated financial statements for the Company and its subsidiaries in English prepared in accordance with IFRS (containing a consolidated balance sheet and consolidated statements of income, retained earnings and cash flows, and notes thereto, as of the end of and for the interim period covered thereby and the comparable interim period in the immediately preceding fiscal year) for the first three fiscal quarters of each of the fiscal years of the Company, as soon as available (and in any event within 90 days after the close of the fiscal quarter ended March 31, 2018 and within 60 days after the close of each fiscal quarter thereafter); and

(iii) upon request by holders of Notes or prospective holders of Notes, information meeting the applicable requirements of Rule 144A(d)(4) of the Securities Act (which information need not be delivered to the Trustee so long as such information is provided to the holder of Notes or prospective holders of Notes).

Delivery of reports, information, Officers' Certificates and documents to the Trustee is for informational purposes only and the Trustee's receipt of such reports, information, Officers' Certificates and/or documents shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's, any Subsidiary Guarantor's or any other Person's compliance with any of its covenants under the Indenture or the Notes (as to which the trustee is entitled to rely exclusively on the annual statement of compliance described in "—Events of Default and Remedies" below). The Trustee shall be not obligated to monitor or confirm, on a continuing basis or otherwise, the Company's, any Subsidiary Guarantor's or any other Person's compliance with the covenants described herein or with respect to any reports, information, officers' certificates or other documents filed under the Indenture.

Events of Default and Remedies

Each of the following is an "Event of Default":

(1) default for 30 days or more in the payment when due of interest or Additional Amounts on any Note;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on any Note, including the failure to purchase Notes of pursuant to a Change of Control Offer

or an Asset Sale Offer as required by the provisions described under the captions "—Repurchase of the Notes upon a Change of Control Repurchase Event" and "—Certain Covenants—Limitation on Asset Sales";

(3) failure by the Company or its Restricted Subsidiaries to comply with the provisions described under "—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets";

(4) failure by the Company or any of its Restricted Subsidiaries for 45 days to comply with any agreements or covenants in the Indenture (other than as described under clauses (1), (2) and (3) above, which are covered by such clauses) after notice by the Trustee or the holders of 25% or more in principal amount of the outstanding Notes;

(5) default in respect of any Indebtedness of the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal, premium (if any) or interest on such Indebtedness when due, in each case after the expiration of any applicable grace period (a "Payment Default"); or

(B) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates US$30.0 million or more;

(6) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of US$30.0 million (net of any amounts covered by insurance), which final judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any of the Company, a Subsidiary Guarantor, or any Person acting on behalf of the Company or a Subsidiary Guarantor, denies or disaffirms its obligations under its Note Guarantee; or

(8) certain events of bankruptcy or insolvency described in the Indenture (including *concurso mercantil* or *quiebra*) with respect to the Company or any of its Restricted Subsidiaries that are Significant Subsidiaries or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising and continuing from certain events of bankruptcy or insolvency, with respect to the Company, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, including provision to the Trustee of indemnity or security satisfactory to it, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of such Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, premium (if any) or interest.

In the event of any Event of Default specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Trustee or the holders of the Notes, if within 30 days after such Event of Default arose, the Company delivers an Officers' Certificate to the Trustee stating that the holders of such Indebtedness have annulled, rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default; *provided* that (i) none of the Company or any Restricted Subsidiary made or agreed to make any payment or provide any other consideration in exchange for such annulment, rescission or waiver and (ii) the annulment, rescission or waiver of any acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest when due on or after the respective due dates expressed in the Note, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have made written request to the Trustee to pursue the remedy;

(3) such holders have offered the Trustee security or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security or indemnity; and

(5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal, premium (if any) or interest on the Notes.

The Company is required to deliver to the Trustee annually, within 120 days of the end of each fiscal year, a statement regarding compliance with the Indenture. In the absence of any such notice of Default or Event of Default from the Company, the Trustee shall not be deemed to have notice or be charged with knowledge of any Default or Event of Default. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, stockholder, member or partner of the Company or any Subsidiary Guarantor, as such, will have any liability for any obligations of the Company or any Subsidiary Guarantor under the Notes, the Indenture or the Note Guarantees, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the United States federal securities laws.

Listing

The Company intends to apply to list the Notes on the Singapore Exchange Securities Trading Limited, or the Singapore Stock Exchange, and to trade the Notes on the Singapore Stock Exchange in a minimum board lot size of US$200,000. The Company will use commercially reasonable efforts to obtain and maintain listing of the Notes on the Singapore Stock Exchange; however, the Notes are not yet listed, and the Company cannot assure the holders of the Notes that they will be accepted for listing or that the listing will be maintained.

Legal Defeasance and Covenant Defeasance

The Company may at its option and at any time elect to have all of the obligations of the Company discharged with respect to the outstanding Notes and the Indenture and all obligations of the Company and the Subsidiary Guarantors discharged with respect to their Note Guarantees and the Indenture ("*Legal Defeasance*"). Legal Defeasance means that the Company and the Subsidiary Guarantors will be deemed to have paid and discharged the entire indebtedness represented by the outstanding Notes on the 91st day after the deposit specified in clause (1) of the second following paragraph except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal, premium (if any) or interest on such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, registrar, paying agent, transfer agent and any other agent appointed by the Company in the Indenture and the Company's and the Subsidiary Guarantors' obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance (as defined below) provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Subsidiary Guarantors released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture ("Covenant Defeasance"), and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (other than non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "—Events of Default and Remedies" will no longer constitute an Event of Default with respect to such Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable Government Securities or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient without reinvestment, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal, premium (if any) or interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an Opinion of Counsel from U.S. counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from any failure to comply with "—Certain Covenants—Limitation on Incurrence of Indebtedness" as a result of the borrowing of the funds required to effect such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(7) the Company must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with, such opinion to be subject to customary assumptions and exceptions.

Amendment, Supplement and Waiver

Except as provided in the next two paragraphs, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (excluding any Notes held by the Company or any of its Affiliates), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes).

Without the consent of each holder of Notes affected, an amendment, supplement or waiver may not:

(1) reduce the percentage of the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the captions "—Repurchase of Notes upon a Change of Control Repurchase Event" and "—Certain Covenants—Limitation on Asset Sales" but only before the Change of Control Repurchase Event has occurred or the obligation to make an Asset Sale Offer has arisen, as applicable);

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Notes;

(4) waive a Default or Event of Default in the payment of principal, premium (if any) or interest on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes then outstanding and a waiver of the payment default that resulted from such acceleration);

(5) make any Notes payable in money other than that stated in the Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of the Notes to receive payments of principal, premium (if any) or interest on the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the captions "—Repurchase of Notes upon a Change of Control Repurchase Event" and "—Certain Covenants—Limitation on Asset Sales");

(8) amend, change or modify the obligation of the Company to make and consummate an Asset Sale Offer with respect to any Asset Sale in accordance with the covenant described under the caption "—Certain Covenants—Limitation on Asset Sales" after the obligation to make such Asset Sale Offer has arisen; or the obligation of the Company to make and consummate a Change of Control Offer in the event of a Change of Control Repurchase Event in accordance with the covenant described under the caption "—Repurchase of Notes upon a Change of Control Repurchase Event" after such Change of Control Repurchase Event has occurred, including, in each case, amending, changing or modifying any definition relating thereto;

(9) reduce any premium and Additional Amounts with respect to any Note; or

(10) release any Subsidiary Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture.

Notwithstanding the preceding, without the consent of any holder of the Notes, the Company, the Trustee and, if applicable, the Subsidiary Guarantors may amend or supplement the Indenture, the Notes or any Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency in a manner that is not materially adverse to the interests of the holders of the Notes;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes; *provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the United States Internal Revenue Code of 1986, as amended (the "Code"), or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code as in effect for obligations issued on or before March 18, 2012, the regulations promulgated thereunder or any successor rules in substantially the same form;

(3) to provide for the assumption of the Company or a Subsidiary Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Subsidiary Guarantor's assets, as applicable;

(4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder;

(5) to conform the text of the Indenture, the Note Guarantees or the Notes to any provision of this "Description of Notes" to the extent that such provision in this "Description of Notes" was intended by the Company and the initial purchasers to be a verbatim recitation of a provision of the Indenture, the Note Guarantees, or the Notes as represented by the Company to the Trustee in an Officers' Certificate;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(7) to allow any Subsidiary Guarantor to execute a supplemental Indenture with respect to a Note Guarantee and/or a Note Guarantee with respect to the Notes;

(8) to comply with the covenant described under "—Certain Covenants—Substitution of the Issuer";

(9) to comply with clause (1) of the first paragraph of the covenant described under the caption "—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets" or to change the name of the Company;

(10) to comply with clause (2) of the first paragraph of the covenant described under the caption "—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets" to modify the provisions under "Additional Amounts" in the scenarios described in such clause;

(11) to secure the Notes;

(12) to evidence the replacement of the Trustee as provided for under the Indenture; or

(13) if necessary, in connection with any release of any security permitted under the Indenture.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (other than those provisions that by their terms survive) as to all Notes issued thereunder, when:

(1) either:

(A) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(B) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the delivery of a notice of redemption or otherwise or will become due and payable within one year, and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities or a combination of cash in U.S. dollars and non-callable Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium (if any) and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound;

(3) the Company or any Subsidiary Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officers' Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Paying Agent and Registrar for the Notes

The Trustee will initially act as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the holders of the Notes; provided that (i) while Notes are outstanding, the Company will maintain a paying agent and registrar in the Borough of Manhattan, The City of New York, State of New York and (ii) as long as the Notes are listed on the Singapore Stock Exchange for trading on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, at least one paying agent in Singapore will be appointed and maintained where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for individual definitive Notes.

Governing Law; Consent to Service

The Indenture and the Notes will be governed by the law of the State of New York without giving effect to the conflict of laws provision thereof.

The Company and each holder of Notes irrevocably and unconditionally (a) agrees that any suit, action or legal proceeding arising out of or relating to the Indenture and each Note that is brought by the Company or such holder must be brought by the Company or such holder in any New York State Court or Federal Court of the United States of America sitting in New York County; (b) consents to the jurisdiction of such court in any suit, action or proceeding; (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts; and (d) agrees that service of any court paper may be effected on the Company or such holder by mail, as provided in the Indenture, or in such manner as may be provided under applicable laws or court rules in the State of New York.

Concerning the Trustee

Citibank, N.A. is the Trustee under the Indenture.

The Trustee shall hold funds related to the Notes uninvested without liability for interest, unless otherwise agreed in writing. The Trustee shall be entitled to make any withholding or deduction from payments under the Notes to comply with applicable law, and we will provide upon reasonable request all information required to enable the determination of whether any such payments are subject to withholding tax under applicable law.

In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action. Prior to taking any action, the Trustee is entitled to request and conclusively rely on the advice or opinion of counsel. The Trustee shall not be responsible for any loss or damage resulting from any action or nonaction based on its good faith reliance upon such opinion or advice or for any errors in judgment made in good faith.

The Trustee shall act at the instruction or other directions of any person upon which the Trustee is authorized to rely pursuant to the terms of the Indenture, and shall not be liable for such actions, except to the extent caused by the Trustee as a result of the gross negligence or willful misconduct of the Trustee.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations under the Indenture arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services.

To secure the Company's payment obligations, the Trustee has a lien senior to the Notes on all money or property held or collected by the Trustee other than money or property held in trust to pay principal of and interest on particular Notes.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions including provision of indemnity or security satisfactory to the Trustee. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its duties under the Indenture, to use the degree of care of a prudent person in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Notices

As long as the Company issues notes in global form, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If the Company issues notes in certificated form, notices, including upon the occurrence of a Change of Control Repurchase Event, to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the Trustee's records, and will be deemed given when mailed.

Additional Information

Registered holders of the Notes may obtain a copy of the Indenture without charge at the sole expense of the Company by writing to the Trustee.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged or consolidated with or into or became a Subsidiary of such specified Person; *provided* that the Indebtedness is not incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; *provided*, *further*, that Indebtedness of such Person that is redeemed, defeased, retired or otherwise repaid at the time, or immediately upon consummation, of the transaction by which such other Person is merged with or into or became a Restricted Subsidiary of such Person shall not be Acquired Debt; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person; *provided* that the Indebtedness is not incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; *provided*, *further*, that the amount of such Indebtedness shall be deemed to be the lesser of the value of such asset and the amount of the obligation so secured.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control," as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise. For purposes of this definition, the terms "controlling," "controlled by" and "under common control with" have correlative meanings.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights (other than Capital Stock); *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "—Repurchase of Notes upon a Change of Control Repurchase Event" and/or the provisions described above under the caption "—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets" and not by the provisions of the covenants described under the caption "—Certain Covenants—Limitation on Asset Sales"; and

(2) the issuance or sale of Equity Interests in any of the Company's Restricted Subsidiaries, in each case, other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than US$10.0 million;

(2) a transfer of assets between or among a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary (including to a Person that becomes a Restricted Subsidiary upon such transfer);

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to a Restricted Subsidiary;

(4) the sale, lease, conveyance or other disposition of products, inventory, services or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out, uneconomical, surplus or obsolete assets in the ordinary course of business;

(5) the sale or other disposition of cash or Cash Equivalents in the ordinary course of business;

(6) a Restricted Payment that does not violate the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments" or a Permitted Investment;

(7) the creation of a Permitted Lien and dispositions in connection with such Permitted Lien;

(8) a Sale and Leaseback Transaction within 180 days of the acquisition of the relevant asset in the ordinary course of business; and

(9) a sale or other disposition of accounts receivable in connection with a Receivables Transaction for Fair Market Value thereof.

"*Attributable Indebtedness*" in respect of a Sale and Leaseback Transaction means, as of the time of determination, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale and Leaseback Transaction (including any period for such lease has been extended).

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Business Day*" means a day, other than a Saturday or a Sunday, on which commercial banks are not required or authorized to close in New York City, United States or in Mexico City (*Distrito Federal*), Mexico.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) readily marketable direct obligations of the United States government or any agency thereof or obligations guaranteed by the United States government or any agency thereof;

(2) time deposit accounts, certificates of deposit and money market deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any commercial bank organized under the laws of the United States or any state or territory thereof (or any foreign branch of the foregoing) or any country recognized by the United States, in each case having capital and surplus in excess of US$500.0 million or the foreign currency equivalent thereof (or the local affiliate of a commercial bank meeting such qualifications in any country where the Company has operations), or with a government-owned financial institution that is organized under the laws of any of the countries in which the Restricted Subsidiaries conduct business;

(3) commercial paper in an aggregate amount of no more than US$1.0 million per issuer outstanding at any time, having a rating of at least F-1 from Fitch, at least P-1 from Moody's, or at least A-1 from S&P, or a comparable rating by a comparable rating agency in the relevant jurisdiction if a Moody's, S&P or Fitch rating is unavailable and, in each case, maturing within one year after the date of acquisition;

(4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(5) insured demand deposits made in the ordinary course of business and consistent with the Company's or its Subsidiaries' customary cash management policy in any domestic office of any commercial bank organized under the laws of the United States or any state thereof;

(6) substantially similar investments denominated in the currency of any jurisdiction in which the Company or any of its Restricted Subsidiaries conducts business of issuers whose country's credit rating is at least "BBB-" (or the then equivalent grade) by S&P and the equivalent rating by Moody's and/or Fitch;

(7) *Cetes* or *Bonos de Desarrollo del Gobierno Federal* or *Bonos Ajustables del Gobierno Federal* or other similar securities issued by the Mexican government and maturing not more than 180 days after the acquisition thereof and debt instruments issued by the Mexican government which are denominated and payable in U.S. dollars;

(8) investments in demand deposits, certificates of deposit, bank promissory notes and bankers' acceptances denominated in Mexican pesos, maturing not more than 180 days after the acquisition thereof and issued or Guaranteed by any one of the five largest banks (based on assets as of the immediately preceding December 31) organized under the laws of Mexico and which are not under intervention or controlled by the *Fondo Bancario de Protección al Ahorro* or any successor thereto; and

(9) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (8) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act or any successor provisions to either of the foregoing), unless (A) such sale, lease, transfer, conveyance or other disposition is made to a Permitted Holder or (B) holders of a majority of the aggregate voting power of the Voting Stock of the Company and its Restricted Subsidiaries, immediately prior to such transaction, hold securities of the surviving or transferee "person" or "group" that represent, immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving "person" or "group";

(2) the adoption of a plan relating to the liquidation or dissolution of the Company; or

(3) if any "person" or "group" (as defined above) (other than a Permitted Holder) becomes the Beneficial Owner, directly or indirectly, of 50% or more of the Voting Stock of the Company, measured by voting power rather than number of shares; or

(4) prior to an Initial Public Offering, the Permitted Holders cease to be the Beneficial Owners, directly or indirectly, of at least 25% of the Voting Stock of the Company (including any surviving entity), measured by voting power rather than number of shares.

"*Change of Control Repurchase Event*" means the occurrence of both a Change of Control and a Rating Downgrade Event.

"*Common Stock*" means with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock whether or not outstanding on the Issue Date and includes, without limitation, all series and classes of such common stock.

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of May 2, 2021.

"*Comparable Treasury Price*" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Consolidated Assets*" means with respect to the Company and its Restricted Subsidiaries, as of any date of determination, the total consolidated assets of the Company and its Restricted Subsidiaries as set forth on the consolidated balance sheet of the Company pursuant to IFRS as of the most recent fiscal quarter.

"*Consolidated Debt*" means, with respect to any specified Person, as of any date of determination, an amount equal to the aggregate amount (without duplication) of all Indebtedness of such Person and its Subsidiaries (Restricted Subsidiaries in the case of the Company) outstanding at such time, excluding Indebtedness incurred under clauses (6), (7), (10), (11) or (12) of the second paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness."

"*Consolidated EBITDA*" means, for any period, the amount equal to the sum of Consolidated Net Income for such period plus, to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense for such period;

(2) consolidated income taxes for such period;

(3) consolidated depreciation and amortization for such period;

(4) consolidated minority interests for such period;

(5) any non-operating and/or non-recurring charges, expenses or losses for such period, including, without limitation, any restructuring charges or reserves, including any one time costs incurred in connection with acquisitions after the Issue Date and costs related to the closure and/or consolidation of facilities; and

(6) any non-cash charges of the Company and its consolidated Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period).

Notwithstanding the preceding, any expenses, taxes, depreciation and amortization and charges or reserves of any Person (other than the Company) will be added to Consolidated Net Income to compute Consolidated EBITDA only (i) to the extent (and in the proportion) that the net income (loss) of such Person was included in calculating Consolidated Net Income in such period and (ii) to the extent that such amounts are in excess of those necessary to effect a net loss of such Person (to the extent such Person is a Restricted Subsidiary), only if a corresponding amount would be permitted to be dividended to the Company.

"*Consolidated Interest Expense*" means for any period the consolidated interest expense included in a consolidated income statement (without deduction of interest income) of the Company and its Restricted Subsidiaries for such period calculated on a consolidated basis in accordance with IFRS, excluding the amortization of deferred financing costs and including, without limitation or duplication (or, to the extent not so included, with the addition of), (i) the amortization of Indebtedness discounts; (ii) any payments or fees with respect to letters of credit, bankers' acceptances or similar facilities; (iii) fees with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements; (iv) preferred stock dividends (other than with respect to Disqualified Stock) declared and paid or payable; (v) accrued Disqualified Stock dividends, whether or not declared or paid; and (vi) interest on Indebtedness guaranteed by the Company and any of its Restricted Subsidiaries. Notwithstanding anything contained herein or any treatment thereof under IFRS, any transactions characterized as "operating leases" under IFRS (as in effect on the Issue Date) shall not constitute "Indebtedness" and any portion of the lease payments with respect to such "operating leases" shall not constitute "Consolidated Interest Expense."

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS (without duplication); *provided* that:

(1) the Net Income (loss) of (A) any unconsolidated Affiliate of such Person (including any Person accounted for by the equity method of accounting) and (B) any Unrestricted Subsidiary, shall be included only to the extent of the amount of dividends or similar distributions paid in cash to such Person or a Restricted Subsidiary of such Person, except that, for purposes of calculating Consolidated EBITDA pursuant to clause (3)(A) of "—Certain Covenants—Limitation on Restricted Payments," any such dividend or distribution shall be excluded from this definition to the extent included under clause (3)(E) of "—Certain Covenants—Limitation on Restricted Payments";

(2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, except to the extent that any dividend or similar distribution is actually and lawfully made and not otherwise included in Consolidated Net Income of such Person; *provided* that the Net Income of any Restricted Subsidiary that is subject to governmental statute, rule or regulation-based restrictions described in this clause (2) or to a restriction permitted by clause (11)(B) of the covenant "—Certain Covenants—Dividend and Other Payment Restrictions Affecting Subsidiaries" will not be excluded under this clause (2), in each case solely to the extent that this definition is used to calculate "Consolidated EBITDA" for purposes of (i) incurring Indebtedness or issuing preferred stock pursuant to the first paragraph of "—Certain Covenants—Limitation on Incurrence of Indebtedness" or (ii) calculating the Net Consolidated Debt to EBITDA Ratio for the Company under clause 4(A) or 4(B), as the case may be, of the covenant "—Certain Covenants—Limitation on Merger, Consolidation or Sale of Assets";

(3) any gain (loss) realized upon the sale or other disposition of any asset, including any property, plant or equipment, securities or Capital Stock of any Person, of the Company or its Restricted Subsidiaries, which is not sold or otherwise disposed of in the ordinary course of business will be excluded;

(4) any transaction gains and losses due to fluctuations in currency values and the related tax effect will be excluded;

(5) any after-tax extraordinary gains or losses will be excluded;

(6) any after-tax gains or losses attributable to the early extinguishment of Indebtedness will be excluded;

(7) non-cash compensation charges will be excluded;

(8) any non-cash impairment charges relating to goodwill and other intangibles and long lived assets including property, plant and equipment will be excluded;

(9) any net gain or loss (after any offset) resulting in such period from Hedging Obligations entered into for bona fide hedging purposes and not for speculative purposes; *provided* that the net effect on income or loss (including in any prior periods) will be included upon any termination or early extinguishment of such Hedging Obligations, other than any Hedging Obligations with respect to Indebtedness (that is not itself a Hedging Obligation) and that are extinguished concurrently with the termination or other prepayment of such Indebtedness; and

(10) the cumulative effect of changes in accounting principles.

"*Consolidated Net Tangible Assets*" means the Consolidated Assets of the Company and its Restricted Subsidiaries less goodwill and intangibles, in each case calculated in accordance with IFRS, less all current liabilities of the Company and its Restricted Subsidiaries after eliminating (1) all intercompany items between the Company and any Restricted Subsidiary or between Restricted Subsidiaries and (2) all current maturities of long-term Indebtedness; *provided* that in the event that the Company or any of its Restricted Subsidiaries assumes liabilities or acquires any assets in connection with the acquisition by the Company or any of its Restricted Subsidiaries of another Person subsequent to the commencement of the period for which the Consolidated Net Tangible Assets is being calculated but prior to the event for which the calculation of the Consolidated Net Tangible Assets is made, then the Consolidated Net Tangible Assets shall be calculated giving *pro forma* effect to such assumption of liabilities or acquisition of assets, as if the same had occurred at the beginning of the applicable period.

"*Credit Facilities*" means one or more debt facilities, commercial paper facilities, structured note certificates or other similar instruments, in each case with banks, investment banks, insurance companies, mutual funds and/or other institutional lenders or institutional investors, in each case providing for revolving credit loans, term loans, letters of credit or bankers' acceptances, and in each case, as amended, extended, renewed, restated, refinanced, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the earlier of the date on which the Notes mature or on which the Notes are no longer outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenants described above under the caption "—Repurchase of Notes upon a Change of Control Repurchase Event" and "—Certain Covenants—Limitation on Asset Sales" and such repurchase or redemption complies with "—Certain Covenants—Limitation on Restricted Payments." The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means the issuance and sale for cash of Common Stock (other than Disqualified Stock) of the Company or any of its direct or indirect parents to any Person (other than a Restricted Subsidiary) pursuant to (A) a public offering in accordance with applicable laws, rules and regulations or (B) a private offering in accordance with Rule 144A, Regulation S and/or another exemption under the Securities Act.

"*Existing Indebtedness*" means the Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date until such amounts are permanently repaid.

"*Fair Market Value*" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) which could be negotiated in an arm's-length free market transaction, for cash, between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction; *provided*, that the Fair Market Value of any such asset or assets will be determined conclusively by the Board of Directors of the Company acting in good faith, and will be evidenced by a resolution of the Board of Directors.

"*Fitch*" means Fitch Ratings Ltd. and its Affiliates or any successors thereof.

"*Government Securities*" means securities that are:

(1) direct obligations of the United States for the timely payment of which its full faith and credit is pledged; or

(2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States,

which, in either case, are not callable or redeemable at the option of the issuers thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depositary receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depositary receipt.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, directly or indirectly, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise). "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices,

in each case, entered into in the ordinary course of business or for bona fide hedging purposes and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Company).

"*IFRS*" means International Financial Reporting Standards issued by the International Accounting Standards Board, as in effect from time to time.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of bankers' acceptances, letters of credit or other similar instruments (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of incurrence);

(4) representing Capital Lease Obligations and all Attributable Indebtedness of such Person;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed;

(6) representing the net obligations under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(7) in the form of any Disqualified Stock issued by such Person; or

(8) to the extent not otherwise included in this definition, the Receivables Transaction Amount outstanding relating to any Receivables Transaction;

if and to the extent any of the preceding items would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person and the amount of such obligation being deemed to be the lesser of the value of such asset and the amount of the obligation so secured) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Company.

"*Initial Public Offering*" means the issuance and sale for cash of Capital Stock of the Company to any Person other than an Affiliate of the Company pursuant to (i) a public offering in accordance with U.S. or Mexican laws, rules or regulations, and/or (ii) a private offering in accordance with Rule 144A and Regulation S under the Securities Act.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's, BBB– (or the equivalent) by S&P and BBB– (or the equivalent) by Fitch.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding (A) advances or extensions of credit to customers in the ordinary course of business that are recorded as accounts receivable on the consolidated balance sheet of such Person and (B) commission, travel, moving and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Company or any Restricted Subsidiary sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "—Certain Covenants—Limitation on Restricted Payments." Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

"*Issue Date*" means May 2, 2018.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that the lessee in respect of a Capital Lease Obligation or Sale and Leaseback Transaction will be deemed to have incurred a Lien on the property leased thereunder; *provided further* that in no event shall an operating lease be deemed to constitute a Lien.

"*Mexican Restructuring*" means any case or other proceeding against the Company or any Subsidiary with respect to it or its debts under any bankruptcy, *concurso mercantil*, *quiebra*, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, *conciliador*, liquidator, custodian or other similar official of it or any substantial part of its property.

"*Moody's*" means Moody's Investors Service, Inc. and its Affiliates or any successors thereof.

"*Net Consolidated Debt to EBITDA Ratio*" means at any date ("transaction date"), the ratio of (i) Consolidated Debt (less cash and Cash Equivalents, excluding any amount listed in the Company's consolidated statement of financial position as "restricted" on such statement of financial position) as of the transaction date to (ii) Consolidated EBITDA for the four fiscal quarters immediately prior to the transaction date for which internal financial statements are available (the "reference period"); *provided*, *however*, that:

(1) if the transaction giving rise to the need to calculate the Net Consolidated Debt to EBITDA Ratio is an incurrence of Indebtedness, Consolidated Debt shall be calculated after giving effect on a pro forma basis to the incurrence of such Indebtedness; *provided*, *however*, that the pro forma calculation of Consolidated Debt shall not give effect to any Indebtedness incurred on the transaction date pursuant to the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness";

(2) if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged on the transaction date (other than Indebtedness incurred under any revolving credit agreement), Consolidated Debt shall be calculated after giving effect on a pro forma basis to the discharge of such Indebtedness; *provided*, *however*, that the pro forma calculation of Consolidated Debt shall not give effect to the discharge on the transaction date of any Indebtedness to the extent such discharge results from the proceeds of Indebtedness incurred pursuant to the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence on Indebtedness";

(3) if since the beginning of the reference period the Company or any Restricted Subsidiary shall have made any Asset Sale, then Consolidated EBITDA for the reference period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for the reference period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for the reference period;

(4) if since the beginning of the reference period the Company or any Restricted Subsidiary shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or merges with or into a Restricted Subsidiary) or other acquisition of the assets of any Person which constitute all or substantially all of the assets of such Person or comprises any division or line of business of such Person or any other properties or assets of such Person other than in the ordinary course of business, then Consolidated EBITDA for the reference period shall be calculated after giving pro forma effect thereto as if such Investment or acquisition occurred on the first day of the reference period;

(5) if since the beginning of the reference period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such reference period shall have made any Asset Sale, Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) above if made by the Company or any Restricted Subsidiary during the reference period, then Consolidated EBITDA for the reference period shall be calculated after giving pro forma effect thereto as if such Asset Sale, Investment or acquisition had occurred on the first day of the reference period; and

(6) if since the beginning of the reference period the Company or any Restricted Subsidiary shall have discontinued any operations, Consolidated EBITDA for the reference period shall be calculated after giving pro forma effect thereto as if such discontinued operations had been discontinued on the first day of the reference period.

For purposes of this definition, whenever pro forma effect is to be given to any Asset Sale, any Investment or acquisition of assets, and the amount of income or earnings related thereto, the pro forma calculations shall be made in good faith by the chief financial or accounting officer of the Company (and may include cost savings and synergies resulting from the acquisition of a Person or business that supplies raw materials to the Company or any Restricted Subsidiary, which savings or synergies will not exceed the market value of the raw materials that the Company or any Restricted Subsidiary would have purchased from such Person or business).

"*Net Income*" means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of preferred stock dividends.

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commissions and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale (after taking into account any available tax credits or deductions and any tax sharing arrangements) and any repayment of Indebtedness that was permitted to be secured by the assets sold in such Asset Sale after taking into account any reserve for adjustment in respect of the sale price of such asset or assets or in respect of any retained liabilities associated with such Asset Sale, in each case as established in accordance with IFRS.

"*Non-Recourse Debt*" means Indebtedness:

(1) as to which neither the Company nor any of its Restricted Subsidiaries (A) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (B) is directly or indirectly liable as a guarantor or otherwise, or (C) constitutes the lender; and

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"*Note Guarantee*" means the Guarantee by any Subsidiary Guarantor of the Company's obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

"*Obligations*" means any principal (including reimbursement obligations with respect to letters of credit whether or not drawn), interest, premium (if any), fees, indemnifications, reimbursements, expenses and other liabilities payable under the documentation governing any Indebtedness.

"*Officer*" means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, any Executive Vice President or the Chief Legal Counsel of the Company. Officer of any Subsidiary Guarantor has a correlative meaning.

"*Officers' Certificate*" means a certificate signed by two Officers of the Company.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee.

"*Parent Company*" means, with respect to the Company, a corporation, association or other business entity existing or organized under the laws of Mexico, the United States, any state of the United States or the District of Columbia, any country that is part of the European Union or any country that is a member of the Organization for Economic Cooperation and Development as of the date hereof that owns all of the outstanding Capital Stock (other than any director's qualifying shares) of the Company.

"*Permitted Business*" means the business of the Company and its Restricted Subsidiaries on the Issue Date as described in this offering memorandum and any businesses and activities related, ancillary or incidental thereto.

"*Permitted Holders*" means one or more of the following Persons: (a) María Asunción Aramuruzabala Larregui or Lucrecia Aramuruzabala Larregui, (b) a parent, brother, sister, aunt or uncle of any of the individuals named in clause (a), (c) the lineal descendants of any person named in clauses (a) and (b), (d) the estate or any guardian, custodian or other legal representative of any individual named in clauses (a) through (c), (e) any trust established primarily for the benefit of any one or more of the individuals named in clauses (a) through (d), and (f) any Person in which any one or more of the Persons named in clauses (a) through (e) holds more than 50% of Voting Stock measured by voting power rather than number of shares.

"*Permitted Investments*" means:

(1) any Investment in the Company or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Company or any Restricted Subsidiary in a Person, if as a result of such Investment:

(A) such Person becomes a Restricted Subsidiary; or

(B) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary;

(4) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "—Certain Covenants—Limitation on Asset Sales" or any other disposition of assets not constituting an Asset Sale;

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company or any of its direct or indirect parents;

(6) any Investments received in compromise or resolution of (A) obligations that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;

(7) Investments represented by Hedging Obligations;

(8) loans or advances to, or Guarantees of loans or advances made to, employees, directors, officers or consultants made in the ordinary course of business of the Company or any Restricted Subsidiary in an aggregate principal amount not to exceed US$5.0 million at any one time outstanding;

(9) repurchases of the Notes;

(10) any Investment existing on the Issue Date and any extension, modification or renewal of any such Investments (but not any such extension, modification or renewal to the extent it involves additional advances, contributions or other investments of cash or property, other than reasonable expenses incidental to the structuring, negotiation and consummation of such extension, modification or renewal);

(11) (A) extensions of credit and advances to customers in the ordinary course of business that are either (x) recorded as accounts receivable on the consolidated balance sheet of such Person or (y) made through investments in joint ventures that provide advances to customers, (B) extensions of credit to suppliers in the ordinary course of business that are recorded as accounts payable on the consolidated balance sheet of such Person; and (C) payroll, travel and similar advances to cover matters that are expected at the time of the advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(12) receivables owing to the Company or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, *however*, that such trade terms may include the concessionary trade terms as the Company or the Restricted Subsidiary deems reasonable under the circumstances;

(13) Investments in any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any Restricted Subsidiary;

(14) Investment in any Person where such Investment was acquired by the Company or any of the Restricted Subsidiaries (A) in exchange for any other Investment or accounts receivable held by the Company or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (B) as a result of a foreclosure by the Company or any of the Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(15) Investments in any Permitted Joint Venture of the Company or its Restricted Subsidiaries to the extent such Investment (x) is made in proportion to the direct or indirect ownership percentage of the Company and its Restricted Subsidiaries in such joint venture and each third party owner of such joint venture invests proportionately in such joint venture, or (y) if such joint venture is subject to mandatory dividend requirements, is in the form of an equity Investment; *provided* that, the amount of such Investments, measured by reference to the Fair Market Value of each such Investment on the day it was made, will not exceed US$35.0 million in the aggregate outstanding at any time;

(16) other Investments in any Person engaged in a Permitted Business having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (16) that are at the time outstanding, that do not exceed the greater of US$50.0 million or 7.5% of the Company's Consolidated Net Tangible Assets (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided* that any cash return on capital in any such Permitted Investment (including through any dividend, distribution, repayment, redemption, payment of interest or other transfer) made pursuant to this clause (16) will reduce the amount of any such Permitted Investment for purposes of calculating the amount of Permitted Investments under this clause (16) and will be excluded from clauses 3(A), (D) and (E) of the first paragraph of the covenant described under the caption "—Certain Covenants—Limitation on Restricted Payments;"

(17) Investments in Unrestricted Subsidiaries in an aggregate amount, taken together with all other Investments made in reliance on this clause, not to exceed US$20.0 million outstanding at any time (net of, with

respect to the Investment in any particular Person, the cash return thereon received after the Issue Date as a result of any sale for cash, repayment, redemption, liquidating distribution or other cash realization (not included in Consolidated Net Income), not to exceed the amount of Investments in such Person made after the Issue Date in reliance on this clause (17)); and

(18) Investments in connection with a Receivables Transaction; provided that such Investment in any such Person is in the form of any equity interest or interests in receivables and related assets generated by the Company or any Restricted Subsidiary and transferred to such Person in connection with a Receivables Transaction.

"*Permitted Joint Venture*" means a joint venture in a Permitted Business between the Company or any Restricted Subsidiary and any other Person.

"*Permitted Liens*" means:

(1) Liens in favor of the Company or the Restricted Subsidiaries;

(2) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Subsidiary;

(3) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Restricted Subsidiary; *provided* that such liens were in existence prior to, and not incurred in contemplation of, such acquisition; *provided*, *however*, that any such Lien may not extend to any other property owned by the Company or any Restricted Subsidiary;

(4) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature if issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) Liens to secure Indebtedness incurred in connection with Capital Lease Obligations, Attributable Indebtedness under Sale and Leaseback Transactions, mortgage financings and purchase money obligations permitted by the covenant entitled "—Certain Covenants—Limitation on Incurrence of Indebtedness," in each case covering only the assets acquired with or financed by such Indebtedness; *provided* that, in each case, (A) the aggregate principal amount of Indebtedness does not exceed the cost of the assets or property so acquired or constructed and (B) such Liens are created within 180 days of construction or acquisition of such assets or property and do not encumber any other assets or property of the Company or any Restricted Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(6) Liens existing on the Issue Date and any extensions, renewals or replacements thereof in connection with the refinancing of the obligations secured thereby (other than any Liens referred to in clause (15)), *provided* that any such Lien does not extend to any other property and the amount secured by any such Lien is not increased;

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(8) Liens imposed by law, such as vendors', carriers', warehousemen's, landlords' and mechanics' Liens, in each case, incurred in the ordinary course of business and for sums not yet due or being contested in good faith good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(9) pledges or deposits by a Person under workers' compensation laws, unemployment insurance laws or similar legislation, or good-faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness, are incidental to the conduct of the business of such Person and do not, in the aggregate, materially and adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the Notes (or any Note Guarantees);

(12) attachment or judgment Liens not giving rise to an Event of Default so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(13) customary Liens in favor of trustees and escrow agents and Liens arising solely by virtue of any statutory or common law provision relating to bankers' Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution; *provided*, *however*, that (A) such deposit account is not a dedicated cash collateral account and (B) such deposit account is not intended by the Company or any Restricted Subsidiary to provide collateral to the depositary institution;

(14) Liens securing Hedging Obligations so long as such Hedging Obligations relate to Indebtedness that is permitted to be incurred under the Indenture (and, if such Indebtedness is secured, is secured by a Lien on the same property securing such Hedging Obligation);

(15) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however,* that:

(A) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(B) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(16) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Company or any of the Restricted Subsidiaries in the ordinary course of business;

(17) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business;

(18) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the proceeds thereof;

(19) licenses or leases or subleases as licensor, lessor or sublessor of any of a Person's property, including intellectual property, in the ordinary course of business and that do not materially interfere with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries and any interest or title of a lessor, sublessor or licensor under any lease or license agreement permitted by the Indenture to which the Company or any Restricted Subsidiary is a party;

(20) options, put and call arrangements, rights of first refusal and similar rights relating to Investments in joint ventures, partnerships and the like, to the extent that such Investments are permitted under "—Certain Covenants—Limitation on Restricted Payments";

(21) any pledge of the Capital Stock of an Unrestricted Subsidiary to secure Indebtedness of such Unrestricted Subsidiary, to the extent that such pledge constitutes an Investment permitted under "—Certain Covenants—Limitation on Restricted Payments";

(22) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of the Company or a Restricted Subsidiary, including rights of offset and set-off;

(23) Liens on patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to the extent such Liens arise from the granting of license to use such patents, trademarks, service marks, trade names, copyrights, technology, know-how and processes to any Person in the ordinary course of business of the Company or any Restricted Subsidiary;

(24) Liens to secure Indebtedness incurred pursuant to clause (1) of the second paragraph of "Certain Covenants—Limitation on Incurrence of Indebtedness"; and

(25) Liens of the Company or any Restricted Subsidiary with respect to Obligations (other than Obligations subordinated to the Notes or the Note Guarantees, as the case may be) that do not exceed the greater of US$75.0 million and 7.5% of the Company's Consolidated Net Tangible Assets.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, extend, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, extended, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, extended, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Purchase Money Note*" means a promissory note evidencing a line of credit, or evidencing other Indebtedness owed to the Company or any Restricted Subsidiary in connection with a Receivables Transaction, which note shall be repaid from cash available to the maker of such note, other than amounts required to be established as reserves, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts paid in connection with the purchase of newly generated accounts receivable.

"*Rating Agencies*" mean Moody's, S&P and Fitch, except that in the event that Moody's, S&P or Fitch is no longer in existence or issuing ratings, such organization, as the case may be, may be replaced by a nationally recognized statistical rating organization (as defined in Rule 15c3-1(c)(2)(vi)(F) of the Exchange Act or any successor provision) designated by the Company with written notice to the Trustee.

"*Rating Downgrade Event*" means the rating on the Notes is lowered from their rating then in effect by any of the Rating Agencies on any date during the period (the "*Trigger Period*") commencing on the date of the first public announcement of any Change of Control (or pending Change of Control) and ending 60 days following consummation of such Change of Control (which Trigger Period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced prior to the end of the 60 days following consummation of the Change of Control that it is considering a possible ratings change); *provided* that a Rating Downgrade Event otherwise arising by virtue of a particular lowering in rating will not be deemed to have occurred in respect of a particular Change of Control (and thus will not be deemed a Rating Downgrade Event for purposes of the definition of Change of Control Repurchase Event hereunder) if the Rating Agency making the lowering in rating to which this definition would otherwise apply does not announce or publicly confirm or notify the holders through DTC in writing in response to a request made at the direction of holders of a majority in principal amount of the then outstanding Notes that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Rating Downgrade Event). In no event shall the Trustee be charged with knowledge of the rating of the Notes or the Company, nor shall it be charged with monitoring such rating. Notwithstanding the foregoing, no Rating Downgrade Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

"Receivables Entity" means a Wholly Owned Subsidiary of the Company which engages in no activities other than in connection with the financing of accounts receivables and which is designated by the Company as a Receivables Entity:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Company or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is recourse to or obligates the Company or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (c) subjects any property or asset of the Company or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Company nor any other Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Receivables Transaction) other than on terms that are no less favorable to the Company or such other Restricted Subsidiary than those that might be obtained at the time from persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing accounts receivable; and

(3) to which neither the Company nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

"*Receivables Transaction*" means any securitization, factoring, discounting or similar financing transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any Receivables Entity (in the case of a transfer by the Company or any Restricted Subsidiary), or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto, including all collateral securing such receivables, all contracts and all guarantees or other obligations in respect of such receivables, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with securitization, factoring or discounting involving receivables.

"*Receivables Transaction Amount*" means the amount of obligations outstanding under the legal documents entered into as part of a Receivables Transaction on any date of determination that would be characterized as principal if such Receivables Transaction were structured as a secured lending transaction rather than a purchase.

"*Reference Treasury Dealer*" means each of Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, or their affiliates which are primary Government Securities dealers, and not less than one other leading primary Government Securities dealer in the City of New York reasonably designated by the Company; *provided*, *however*, that if any of the foregoing shall cease to be a primary Government Securities dealer in the City of New York (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third Business Day preceding such redemption date.

"*Restricted Subsidiary*" means any Subsidiary of the Company that at the time of determination is not an Unrestricted Subsidiary.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"*S&P*" means Standard & Poor's Ratings Group and its Affiliates or any successors thereof.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"*Standard Securitization Undertakings*" means representations, warranties, covenants and indemnities entered into by the Company or any Restricted Subsidiary which are reasonably customary in securitization of Receivables Transactions.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (A) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (B) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

"*Subsidiary Guarantor*" means any Subsidiary of the Company that executes a Note Guarantee in accordance with the provisions of the Indenture, and its respective successors and assigns, in each case, until the Note Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but in each case only if such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described above under the caption "—Certain Covenants—Limitation on Transactions with Affiliates," on the date of such designation, is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (A) to subscribe for additional Equity Interests or (B) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (A) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (B) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

"*Wholly-Owned*" means, with respect to any Restricted Subsidiary, a Restricted Subsidiary all of the outstanding Capital Stock of which (other than any director's qualifying shares) is owned by the Company and one or more Wholly-Owned Restricted Subsidiaries (or a combination thereof).

"*Wholly-Owned Mexican Restricted Subsidiary*" means a Wholly-Owned Restricted Subsidiary which is organized under the laws of Mexico.

TRANSFER RESTRICTIONS

The notes and the guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered hereby only (a) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons ("non-U.S. purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 of Regulation S. As used herein, the terms "offshore transactions," "United States" and "U.S. person" have the respective meanings given to them in Regulation S.

The notes have not been registered in Mexico with the RNV maintained by the CNBV. Accordingly, the notes may not be offered or sold publicly in Mexico or otherwise be subject of brokerage activities in Mexico, except as set forth in Article 8 of the Mexican Securities Market Law.

Each purchaser of notes will be deemed to have represented and agreed with us and the initial purchasers as follows:

(1) It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the U.S. Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);

(2) It understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the notes and the guarantees have not been and will not be registered under the U.S. Securities Act, and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to QIBs will be represented by a Global Note and that notes offered outside the United States pursuant to Regulation S will also be represented by a Global Note;

(4) It shall not resell or otherwise transfer any of such notes prior to (a) the date which is one year (or such shorter period of time as permitted by Rule 144(d)(1) under the Securities Act or any successor provision thereunder) after the later of the date of original issuance of the notes and (b) such later date, if any, as may be required by applicable laws except:

- to the Company or any of its subsidiaries;
- pursuant to a registration statement which has been declared effective under the Securities Act;
- within the United States to a QIB in compliance with Rule 144A under the Securities Act;
- outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 904 of Regulation S under the Securities Act; or
- pursuant to another available exemption from the registration requirements of the Securities Act;

(5) It agrees that it will give notice of any restrictions on transfer of such notes to each person to whom it transfers the notes;

(6) It understands that the certificates evidencing the notes (other than the Regulation S Global Notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS, AND NEITHER THIS SECURITY NOR ANY INTEREST OR

PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, (A) IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO SUCH ACCOUNT, (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY INTEREST HEREIN, EXCEPT (A) (I) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION COMPLYING WITH RULE 144A, (IV) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH THE ABOVE PARAGRAPHS, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.[*]

(7) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S Global Note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40-day "distribution compliance period" within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Rule 144A Note, and that each Regulation S Note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), THIS SECURITY MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE SECURITIES. NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED, EXCEPT AS PERMITTED ABOVE.

[*] This legend (other than the first paragraph hereof) shall be deemed removed from the face of this Security without further action of the Company, the Trustee, or the holders of this Security at such time as the Company instructs the Trustee to remove such legend pursuant to the Indenture.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL HEREOF OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH THE ABOVE PARAGRAPH, THE COMPANY AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS, OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

(8) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes;

(9) It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to the Company and the trustee that the restrictions set forth herein have been complied with; and

(10) It acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the Indenture;

(11) It acknowledges that the Company, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes are no longer accurate, it shall promptly notify the Company, the trustee and the initial purchasers.

(12) If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(13) It acknowledges that (a) its purchase and holding of the note is not made on behalf of or with "plan assets" of any plan subject to Title I of ERISA, Section 4975 of the Code or any Similar Law or (b) its purchase and holding of the note will not result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any Similar Law.

TAXATION

Certain Mexican Federal Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are not residents of Mexico, for Mexican federal income tax purposes, and that do not hold such notes through a permanent establishment for tax purposes in Mexico, to which income under the notes is attributable; for purposes of this summary, each such holder is referred to as a non-resident holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*), the Mexican Federal Tax Code and regulations in effect on the date of this offering memorandum, all of which are subject to change, or to new or different interpretations, which could affect the continued validity of this general summary.

This summary does not constitute tax advice, does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the notes. In particular, this summary does not describe any tax consequences arising under the laws of any state, municipality or taxing jurisdiction other than certain federal laws of Mexico.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the laws of Mexico, including federal, state and municipal laws, or the laws of any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is deemed as a non-resident of Mexico for tax purposes and a non-resident holder for purposes of this summary, and generally subject to taxation solely in respect of income under the notes, at a Mexican federal level, as specified in this summary.

Tax residency is a highly technical definition that involves the application of a number of factors that are specified in the Mexican Tax Code. An individual is a resident of Mexico for tax purposes, if such individual has established his/her home in Mexico. When the individual in question has a home in another country, the individual will be deemed a resident in Mexico if his/her center of vital interests is located in Mexican territory. This will be deemed to occur if (i) more than 50% of the aggregate income realized by such individual in the calendar year is from a Mexican source, or (ii) the principal center of his/her professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime, as defined by Mexican law, will be considered Mexican residents for tax purposes during the year of the filing of notice of such residence change and during the following three years. Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes, any and all income attributable to that permanent establishment of such resident will be subject to Mexican income taxes, in accordance with applicable Mexican tax laws.

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount and premiums, which are deemed to be interest) made by us or the guarantors to non-resident holders of the notes will be subject to Mexican withholding tax at the current rate of 4.9%, if, as expected, the following requirements are met:

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the General Provisions Applicable to Securities Issuers and Other Participants in the Securities Market (*Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores*) issued by the CNBV;

- the notes, as expected, are placed outside of Mexico in a public offering through banks or brokerage houses, in a country with which Mexico has in force a treaty for the avoidance of double taxation which is in effect (which currently includes the United States); and

- we timely comply with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria,* or "SAT") of certain information regarding the issuance of the notes and this offering memorandum.

If any of the above mentioned requirements is not met, Mexican withholding taxes, as applicable to interest payments or amounts deemed interest paid to non-resident holders in respect of the notes, will be 10.0% or higher. If the effective beneficiaries, whether acting directly or indirectly, individually or jointly with related parties, that receive more than 5% of the interest paid under the notes (i) are persons who own, directly or indirectly, individually or with related parties, 10% of our voting stock or (ii) are corporations or other entities, of which 20% or more of the voting stock is owned, directly or indirectly, jointly or severally, by persons related to us, then the Mexican withholding tax rate applicable to payments of interest under our notes will increase to the maximum applicable rate according to the Mexican Income Tax Law. For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;

- both persons have common interests; or

- a third party has an interest in the business or assets of both persons.

As of the date of this offering memorandum, the Tax Treaty is not expected to have any effect on the Mexican tax consequences described in this summary, because, as described above, under Mexico's Income Tax Law, we expect to be entitled to withhold taxes in connection with interest payments made to non-resident holders under the notes at the current 4.9% rate.

Payments of interest on the notes made by us or the guarantors to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;

- such fund provides to the Mexican Tax Administration Service, information required from time to time, including a certification of its exempt status issue by an International Tax Firm (as defined by Rule 3.18.1 of the Administrative Tax Rules for 2018 (Resolución Miscelánea Fiscal para 2018)); and

- such income is exempt from taxes in its country of residence.

Holders or beneficial owners of the notes may be requested, subject to specified exceptions and limitations, to provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments under the notes made by us or the guarantors to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a non-resident holder to be entitled to the benefits under the effective treaties for the avoidance of double taxation entered into by Mexico, it is necessary for the non-resident holder to meet the procedural requirements set forth in such Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that non-resident holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under "Description of the Notes—Additional Amounts."

Payments of Principal

Under the Mexican Income Tax Law, payments of principal on the notes made by us or any guarantor to non-resident holders will not be subject to any Mexican withholding tax.

Taxation of Capital Gains

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a non-resident holder to another non-resident holder are not taxable in Mexico. Gains resulting from the sale of the notes by a non-resident holder to a Mexican resident for tax purposes or to a non-resident holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Taxation of Make-Whole Amount

Under the Mexican Income Tax Law, the payment of the Make-Whole Amount as a result of the optional redemption of the notes, as provided in "Description of Notes—Optional Redemption—Optional Redemption with a Make-Whole Premium," will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Other Mexican Taxes

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes applicable to the purchase, ownership or disposition of the notes by a non-resident holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient. There are no Mexican stamp, issue, registration or similar taxes or duties payable by non-resident holders of the notes with respect to the notes or the issuance of the notes.

Certain U.S. Federal Income Tax Consequences

The following is a description of certain U.S. federal income tax consequences to a "U.S. Holder" (as defined below) of owning and disposing of notes purchased in this offering at the "issue price" and held as capital assets for U.S. federal income tax purposes. The "issue price" is the first price at which a substantial amount of the notes is sold to the public.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences and any potential application of the special tax accounting rules under Section 451 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as differing tax consequences that may apply if you are, for instance:

- a financial institution;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of accounting;
- holding notes as part of a "straddle," conversion transaction or other integrated transaction;
- a person whose functional currency is not the U.S. dollar;
- a tax-exempt entity; or
- a partnership for U.S. federal income tax purposes.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

You are a U.S. Holder if, for U.S. federal income tax purposes, you are a beneficial owner of a note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Certain Additional Payments

There are circumstances in which we might be required to make payments on a note that would increase the yield of the note, for instance, as described under "Description of the Notes—Repurchase of Notes upon a Change of Control Repurchase Event." We intend to take the position that the possibility of such payments does not result in the notes being treated as contingent payment debt instruments under the applicable Treasury Regulations. Our position is not binding on the Internal Revenue Service ("IRS"). If the IRS takes a contrary position, you may be required to accrue interest income based upon a "comparable yield" (as defined in the Treasury Regulations) determined at the time of issuance of the notes (which would not be expected to differ significantly from the actual yield on the notes), with adjustments to such accruals when any contingent payments are made that differ from the projected payments based on the comparable yield. In addition, any income on the sale, exchange, retirement or other taxable disposition of the notes would be treated as interest income rather than as capital gain. You should consult your tax adviser regarding the tax consequences if the notes were treated as contingent payment debt instruments. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments.

Payments of Interest

Stated interest on a note will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the notes will be issued without OID for U.S. federal income tax purposes. In general, however, in the event that a note's principal amount exceeds its issue price by an amount that does not satisfy a *de minimis* test, you will be required to include the excess in income as OID, as it accrues, in accordance with a constant-yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

The amount of interest taxable as ordinary income will include amounts withheld in respect of Mexican taxes and, without duplication, any Additional Amounts paid. Interest income earned with respect to a note will constitute foreign-source income for U.S. federal income tax purposes. Subject to applicable limitations, some of which may vary depending upon your particular circumstances, Mexican income taxes withheld from interest income on a note at a rate not in excess of the applicable treaty rate will be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Sale or Other Taxable Disposition of the Notes

Upon the sale or other taxable disposition of a note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your tax basis in the note. Your tax basis in a note will generally equal the cost of your note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as a payment of interest.

Gain or loss realized on the sale or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition you have held the note for more than one year. Long-term capital gains recognized by non-corporate taxpayers generally are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information returns may be required to be filed with the IRS in connection with payments on the notes and proceeds received from a sale or other disposition of the notes unless you are treated as an exempt recipient. You may also be subject to backup withholding on these payments in respect of your notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Specified Foreign Financial Assets

Individual U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the notes, including the application of the rules to their particular circumstances.

ERISA AND CERTAIN OTHER CONSIDERATIONS

The notes may be purchased and held by or with the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), an individual retirement account or other plan subject to Section 4975 of the Code or an employee benefit plan sponsored by a state or local government or otherwise subject to laws that include restrictions substantially similar to ERISA and Section 4975 of the Code ("Similar Laws"). A fiduciary of an employee benefit plan subject to ERISA must determine that the purchase and holding of a note is consistent with its fiduciary duties under ERISA. Such fiduciary, as well as any other prospective investor subject to Section 4975 of the Code or any Similar Law, must also determine, and will be deemed to have represented by its acquisition and holding of a note. that such acquisition and holding does not constitute or give rise to a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or any Similar Law. Such purchaser or transferee should consult legal counsel before purchasing the notes. Nothing herein shall be construed as a representation that an investment in the notes is appropriate for, or would meet any or all of the relevant legal requirements with respect to investments by, an employee benefit plan subject to ERISA or Section 4975 of the Code or a Similar Law.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and Santander Investment Securities Inc. are acting as initial purchasers.

Subject to the terms and conditions stated in the purchase agreement dated April 26, 2018 among us and the initial purchasers, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to the initial purchasers, the principal amount of the notes set forth opposite such initial purchaser's name.

Initial Purchaser	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	US$88,235,000
J.P. Morgan Securities LLC	88,235,000
Morgan Stanley & Co. LLC	88,235,000
Santander Investment Securities Inc.	35,295,000
Total	US$300,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed severally and not jointly to purchase all of the notes sold under the purchase agreement if any notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the several initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the U.S. Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officers' certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum and to certain dealers at that price less a selling concession. After the initial offering, the offering price, concession or any other term of the offering may be changed. The initial purchasers may offer and sell notes through certain of their affiliates.

Notes Are Not Being Registered

The notes have not been registered under the U.S. Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described in the section of this offering memorandum entitled "Transfer Restrictions." In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom it sells such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described in the section of this offering memorandum entitled "Transfer Restrictions."

Further, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

New Issue of Notes

The notes will constitute a new issue of securities with no established trading market. We intend to apply to list the notes on the SGX-ST. However, we cannot assure you that the listing application will be approved. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

We and our guarantors have agreed that for a period of 90 days after the date of this offering memorandum, we and our guarantors will not, without the prior written consent of the representatives of the initial purchasers, offer, sell, contract to sell, pledge, otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by us or any of our affiliates or any person in privity with us or any of our affiliates) directly or indirectly, or announce the offering of any debt securities in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In particular, certain of the initial purchasers or their affiliates are lenders under certain of our credit facilities, including bilateral credit facilities and facilities through lease securitizations and receivables transactions, and may receive a portion of the net proceeds from this offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources." In addition, certain of the initial purchasers or their affiliates are counterparties to several of our derivative transactions.

In addition, in the ordinary course of their various business activities, the initial purchasers and their affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans, commodities, currencies, credit and default swaps) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours (directly, as collateral securing other obligations or otherwise) and/or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, those initial purchasers or their affiliates may hedge their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or financial instruments and may at any time hold, or recommend to customers that they acquire, long and/or short positions in such assets, securities and instruments.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Selling Restrictions

Notice to Prospective Investors in the United Kingdom

This offering memorandum is only being distributed to and is only directed at, persons who are outside the United Kingdom or persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area, an offer of securities described in this offering memorandum may not be made to the public in that member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression "Prospectus Directive" means Directive 2003/71/EC (and any amendments thereto, to the extent implemented in the relevant member state) and includes any relevant implementing measure in that relevant member state.

The European Economic Area selling restriction is in addition to any other selling restriction set out in this offering memorandum.

The sellers of the securities have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the initial purchasers with a view to the final placement of the securities as contemplated in this offering memorandum. Accordingly, no purchaser of the securities, other than the initial purchasers, is authorized to make any further offer of the securities on behalf of the sellers or the initial purchasers.

Prohibition of Sales to EEA retail investors

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in Brazil

The notes have not been, and will not be, registered with the Brazilian Securities Commission *Comissão de Valores Mobiliários*, or CVM. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Notice to Prospective Investors in Canada

The notes may be sold only to purchasers in the provinces of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Quebec purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de* Valores *y Seguros de Chile*, or "SVS"), the notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule No. 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, of the SVS).

Rule No. 336 requires the following information to be provided to prospective investors in Chile;

(1) Date of commencement of the offer: March 20, 2018. The offer of the notes is subject to Rule No. 336, dated June 27, 2012, issued by the SVS;

(2) The notes and the offering memorandum are not registered with the Securities Registry (Registro de Valores) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such as not subject to the oversight of the SVS;

(3) Since the notes are not registered in Chile, there is no obligation by the Issuer to make publicly available information about the notes in Chile; and

(4) The notes shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the SVS.

De conformidad con la ley N° 18.045, de mercado de valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile (la "SVS"), los bonos pueden ser ofrecidos privadamente a ciertos "inversionistas calificados," a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, de la SVS.

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

(1) La oferta de los bonos comienza el 30 de enero, 2018, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la SVS.

(2) La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de esa Superintendencia.

(3) Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos.

(4) Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.

Notice to Prospective Investors in Colombia

The notes will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*), and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Notice to Prospective Investors in Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and, therefore, may not be offered or sold publicly in Mexico. However, the notes may be offered or sold to Mexican institutional and accredited investors solely pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. We will notify the CNBV of the terms and conditions of this offering of the notes outside of Mexico. Such notice will be submitted to the CNBV to comply with Article 7 of the Mexican Securities Market Law and Articles 24 Bis and 24 Bis 1 of the General Regulations Applicable to Issuers and Other Market Participants, and for statistical purposes only. The delivery to, and the receipt by, the CNBV of such notice is not a requirement for the notes' validity and does not constitute or imply any certification as to the investment quality of the notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this offering memorandum. This offering memorandum is solely our responsibility and has not been reviewed or authorized by the CNBV. The acquisition of the notes by an investor who is a resident of Mexico will be made under its own responsibility.

Notice to Prospective Investors in Peru

Neither the notes nor the offering have been or will be registered or approved by the Peruvian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores* or the "*SMV*"), the Lima Stock Exchange (*Bolsa* *de Valores de Lima*) or the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y AFPs* or the "*SBS*").

Notice to Prospective Investors in Switzerland

This offering memorandum, as well as any other material relating to the notes which are the subject of the offering contemplated by this offering memorandum, do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The notes will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the notes, including, but not limited to, this offering memorandum, do not claim to comply with the disclosure standards of the listing rules of the SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange. The notes are being offered in Switzerland by way of a private placement (i.e., to a small number of selected investors only, without any public offer and only to investors who do not purchase the notes with the intention to distribute them to the public). The investors will be individually approached by the initial purchasers from time to time. This offering memorandum, as well as any other material relating to the notes, is personal and confidential and do not constitute an offer to any other person. This offering memorandum may only be used by those investors to whom it has been provided in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority ("DFSA"). This offering memorandum is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The securities to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

In relation to its use in the DIFC, this offering memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the notes may not be offered or sold directly or indirectly to the public in the DIFC.

Notice to Prospective Investors in Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case, whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The notes in this offering memorandum have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"), and the notes have not, directly or indirectly, been offered or sold and will not be directly or indirectly, offered or sold in Japan or to or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

Notice to Prospective Investors in Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") pursuant to Section 274 of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferrable within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (5) (Shares and Debentures) Regulations 2005 of Singapore.

ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

We are a *sociedad anónima de capital variable* (a variable capital stock corporation) organized under the laws of Mexico. Our subsidiary guarantors are corporations or limited liability companies organized under the laws of Mexico. Most of our directors, executive officers and controlling persons named herein are non-residents of the United States and substantially all of the assets of such non-resident persons and a significant portion of all of our assets are located in Mexico or elsewhere outside the United States. A significant portion of our assets and the assets of the guarantors are located, and a majority of our revenues and the revenues of certain of the guarantors are derived from sources, outside of the United States, As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside Mexico, judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. Note, however, that we have appointed C T Corporation System at 111 Eighth Avenue, New York, New York 10011, as our authorized agent upon whom process may be served with respect to any action instituted in any United States federal or state court having subject matter jurisdiction in the Borough of Manhattan in New York arising out of or based upon the indenture governing the notes or the guarantee of the guarantors.

Personal service of process is considered to be a basic procedural requirement under Mexican law. If for purposes of proceedings outside Mexico service of process is made by mail or other method that is not personal, such service of process does not constitute personal service under Mexican law. The courts of Mexico would not enforce a final judgment based on such a service of process.

We have been advised by our Mexican counsel, González Calvillo, S.C., that no treaty is currently in effect between the United States and Mexico for the reciprocal enforcement of judgments issued in the other country. Generally, Mexican courts would enforce final judgments rendered in the United States if certain requirements were met, including the review in Mexico of the U.S. judgment to ascertain compliance with certain basic principles of due process and the non-violation of Mexican law or public policy, provided that U.S. courts would grant reciprocal treatment to Mexican judgments. Additionally, there is doubt as to the enforceability, in original actions in Mexican courts or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of liabilities predicated, in whole or in part, on U.S. federal securities laws or similar laws of any jurisdiction outside Mexico and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated on the civil liability provisions of U.S. federal securities laws.

Although our obligations to pay dollars outside Mexico are valid, under Article 8 of the Mexican Monetary Law, if proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the Notes, we would not be required to discharge such obligations in Mexico in a currency other than Mexican currency and any difference resulting from the conversion of such Mexican currency into dollars may not be enforceable against us. Pursuant to Article 8, an obligation that is payable in Mexico in a currency other than Mexican currency may be satisfied in Mexican currency at the rate of exchange in effect on the date and in the place payment occurs. Such rate currently is determined by *Banco de México* every business banking day in Mexico and published the following business banking day in the Official Gazette of Mexico. The applicable rate of exchange applied by the Mexican court to determine the Mexican judgment currency is the rate prevailing at the time when the judgment is paid. Provisions that purport to limit our ability to discharge our obligations as described above or to give any party an additional course of action seeking indemnity or compensation for possible deficiencies arising or resulting from variations in rates of exchange, may not be enforceable in Mexico.

LISTING AND GENERAL INFORMATION

Clearing Systems

Application will be made to have the notes accepted for clearance through Euroclear System and Clearstream Banking, *société anonyme*. In addition, application has been made to have the notes accepted for trading in book-entry form by DTC. The securities codes are:

	Common Code	ISIN Number	CUSIP Number
Rule 144A Global Note	181628448	US83006LAB99	83006LAB9
Regulation S Global Note	181628529	USP8704LAB47	P8704LAB4

Listing

Application will be made to the SGX-ST for permission to deal in and the listing and quotation of the notes on the SGX-ST. Such permission will be granted when the notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission of the notes to the Official List of the SGX-ST and quotation of any notes on the SGX-ST are not to be taken as an indication of the merits of the offering of the notes, the Issuer, the Guarantors, their respective subsidiaries (if any), or the quality of disclosure in this offering memorandum. If the application to the SGX-ST to list the notes is approved, for so long as such notes are listed on the SGX-ST and the rules of the SGX-ST so require, such notes will be traded on the SGX-ST in a minimum board lot size of at least US$200,000. If such listing of the notes is obtained and it subsequently becomes impracticable or unduly burdensome, in our good faith determination, to maintain, due to changes in listing requirements occurring subsequent to the date of this offering memorandum, we may de-list the notes from the SGX-ST; and, in the event of any such delisting, we will use our best efforts to obtain an alternative admission to listing, trading and/or quotation of the notes by another listing authority, exchange or system. In these circumstances, there can be no assurance that we would be successful in obtaining such alternative admission to listing, trading and/or quotation of the notes. For information regarding the notice requirements associated with any delisting decision, see "Description of the Notes—Notices."

For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, a paying agent in Singapore will be appointed and maintained where the notes may be presented or surrendered for payment or redemption, in the event that the Global Note is exchanged for individual definitive notes. In addition, in the event that the Global Notes are exchanged for definitive certificated notes, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificated notes, including details of the Singapore paying agent.

The notes have not been and will not be listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores, S.A.B. de C.V.*) or registered with the National Securities Registry and therefore the notes may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law.

Authorization

The creation and issuance of the notes and related guarantees were authorized by the resolution of our board of directors and the board of directors or the shareholders of the Guarantors, respectively. We have obtained all other consents and authorizations necessary under Mexican law and the laws of the country of organization of each of the Guarantors for the issuance of the notes and related guarantees.

On February 15, 2018, our board of directors authorized the issuance of the notes.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no material adverse change in our and our subsidiaries' financial position or prospects taken as a whole since December 31, 2017.

LEGAL MATTERS

Certain legal matters with respect to the notes are being passed upon for us by Davis Polk & Wardwell LLP, our United States counsel, and for the initial purchasers by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon for us by González Calvillo, S.C., our Mexican counsel, and for the initial purchasers by Ritch, Mueller, Heather y Nicolau, S.C., Mexican counsel to the initial purchasers.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of the Issuer as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, 2016 and 2015, included in this offering memorandum, have been audited by PricewaterhouseCoopers, S.C., independent accountants, as stated in their report appearing herein.

INDEX TO FINANCIAL STATEMENTS

Sixsigma Networks México, S. A. de C. V.
and subsidiaries
Consolidated financial statements
as of December 31, 2017, 2016 and 2015

Independent Auditor's Report

Mexico City, April 19, 2018

To the Stockholders of
Sixsigma Networks México, S. A. de C. V.

Opinion

We have audited the consolidated financial statements of Sixsigma Networks México, S. A. de C. V. and subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2017, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the years then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2017, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this report. We are independent of the Entity in accordance with the Ethical Standards issued by the Mexican Institute of Public Accountants together with other ethic requirements applicable to our audits in Mexico. We have fulfilled our ethical responsibilities in accordance with those requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Governance of the consolidated financial statements

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

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

Those charged with Corporate Governance are responsible for overseeing the Entity's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Evaluate the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers, S. C.

Roberto Vargas
Audit Partner

Sixsigma Networks México, S.A. de C.V. and subsidiaries
Consolidated statements of financial position
As of December 31, 2017, 2016 and 2015
(In thousands of Mexican pesos)

Assets	Note	2017	2016	2015
Current assets:				
Cash and cash equivalents	6	$ 2,303,417	$ 583,369	$ 529,725
Trade receivables – net	7	1,903,184	2,077,884	1,967,402
Income tax recoverable		280,227	142,696	233,205
Prepaid expenses and deferred costs	8	1,010,583	1,461,027	421,153
Total current assets		5,497,411	4,264,976	3,151,485
Assets held for sale	9	$ -	$ 240,200	$ -
Non-current assets:				
Restricted cash held in trust	6	839,425	289,296	247,421
Property, machinery and equipment – net	10	6,010,980	6,998,866	4,381,019
Intangible assets – net	11	1,751,051	5,538,461	4,848,993
Goodwill	21 and 22	1,084,146	1,513,077	1,567,300
Prepaid expenses and deferred costs	8	780,442	1,209,875	709,776
Deferred income tax	17	70,110	1,210,678	1,433,540
Derivative financial instrument	17	85,726	-	-
Investment in joint ventures		102,984	76,941	113,856
Total non-current assets		10,724,864	16,837,194	13,301,905
Total assets		$ 16,222,275	$ 21,342,370	$ 16,453,390
Liabilities and stockholders' equity				
Current liabilities:				
Suppliers		$ 1,893,836	$ 2,647,386	$ 1,196,808
Current portion of long-term debt	12	1,761,145	1,948,712	1,632,991
Income tax payable		602,894	-	-
Other accounts payable		822,730	362,919	310,929
Deferred income - current		449,370	185,400	41,540
Total current liabilities		5,529,975	5,144,417	3,182,268
Liabilities associated with assets held for sale	9	-	78,726	-
Long-term liabilities:				
Suppliers		122,483	245,407	-
Long-term debt	12	5,858,061	11,988,310	10,350,249
Deferred income tax	17	276,504	2,025,991	2,094,343
Deferred income - long term		299,660	194,398	25,959
Employee benefits	14	8,849	14,020	14,240
Total long-term liabilities		6,565,557	14,468,126	12,484,791
Total liabilities		12,095,532	19,691,269	15,667,059
Stockholders' equity:				
Capital stock	18	3,703,215	2,939,611	2,260,310
Accumulated deficit		(618,991)	(3,245,789)	(1,426,963)
Accumulated other comprehensive income (deficit)		757,864	1,706,359	(188,528)
Total controlling interest		3,842,088	1,400,181	644,819
Non-controlling interest		284,655	250,920	141,512
Total stockholders' equity		4,126,743	1,651,101	786,331
Total liabilities and stockholders' equity		$ 16,222,275	$ 21,342,370	$ 16,453,390

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

Sixsigma Networks México, S.A. de C.V. and subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2017, 2016 and 2015
(In thousands of Mexican pesos)

	Note	2017	2016	2015
Continuing operations				
Revenue for services rendered	7	$ 6,675,010	$ 5,586,799	$ 4,890,572
Costs of services rendered	19	(3,437,992)	(2,455,815)	(2,111,298)
Depreciation and amortization	10 and 11	(2,144,564)	(1,342,150)	(1,364,210)
Gross profit		1,092,454	1,788,834	1,415,064
Operating expenses	19	(1,967,787)	(1,538,208)	(1,161,955)
Other expenses – net		(31,198)	(44,493)	(397)
		(1,998,985)	(1,582,701)	(1,162,352)
Operating (loss) profit		(906,531)	206,133	252,712
Finance income		292	16,324	2,169
Foreign exchange gain		1,347,007	1,756,598	1,308,702
		1,347,299	1,772,922	1,310,871
Finance expense		(1,603,333)	(1,123,926)	(910,307)
Foreign exchange loss		(482,115)	(3,260,611)	(2,940,251)
		(2,085,448)	(4,384,537)	(3,850,558)
Loss before income tax provision		(1,644,680)	(2,405,482)	(2,286,975)
Income tax provision	17	(976,234)	499,457	758,942
Consolidated net loss for the year from continuing operations		($ 2,620,914)	($ 1,906,025)	($ 1,528,033)
Discontinued operations				
Net income from discontinued operations	20	4,564,098	111,694	17,456
Consolidated net profit (loss) for the year		1,943,184	(1,794,331)	(1,510,577)
Controlling interest		$ 1,964,120	($ 1,776,382)	($ 1,471,303)
Non-controlling interest		(20,936)	(17,949)	(39,274)
Consolidated net income (loss) for the year		1,943,184	(1,794,331)	(1,510,577)
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss:				
Gain on revaluation of property, plant and equipment, net of deferred taxes		-	1,290,338	-
Other comprehensive income arising from discontinued operation, net of deferred taxes		-	518,491	-
Items that will be subsequently reclassified to profit or loss:				
Financial instruments, net of deferred taxes		(91,515)	-	-
Currency translation differences and others		(139,631)	127,692	(155,428)
Other comprehensive income arising from discontinued operation, net of deferred taxes		-	(263)	276
Consolidated comprehensive income (loss) for the year		$ 1,712,038	$ 141,927	($ 1,665,729)
Consolidated comprehensive income (loss) for the year attributable to:				
Controlling interest		$ 1,678,303	$ 118,505	($ 1,668,448)
Non-controlling interest		33,735	23,422	2,719
Consolidated comprehensive income (loss) for the year		$ 1,712,038	$ 141,927	($ 1,665,729)

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

Sixsigma Networks México, S.A. de C.V. and subsidiaries
Consolidated statements of changes in stockholders' equity
For the years ended December 31, 2017, 2016 and 2015
(In thousands of Mexican pesos)

			Other comprehensive income					
	Capital stock	Deficit	Revaluation of property, machinery and equipment and licenses	Currency translation adjustment and others	Total	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2014	$ 2,260,310	$ 44,340	$ -	$ 8,617	$ 8,617	$ 2,313,267	$ 166,588	$ 2,479,855
Changes in the ownership interests	-	-	-	-	-	-	(27,795)	(27,795)
Consolidated loss for the year	-	(1,471,303)	-	-	-	(1,471,303)	(39,274)	(1,510,577)
Other comprehensive (loss) income for the year	-	-	-	(197,145)	(197,145)	(197,145)	41,993	(155,152)
Consolidated comprehensive (loss) income for the year	-	(1,471,303)	-	(197,145)	(197,145)	(1,668,448)	2,719	(1,665,729)
Balances as of December 31, 2015	2,260,310	(1,426,963)	-	(188,528)	(188,528)	644,819	141,512	786,331
Changes in the ownership interests	-	(42,444)	-	-	-	(42,444)	(2,809)	(45,253)
Total transactions with owners recognized directly in equity for capital stock increase	679,301	-	-	-	-	679,301	88,795	768,096
Consolidated loss for the year	-	(1,776,382)	-	-	-	(1,776,382)	(17,949)	(1,794,331)
Other comprehensive income for the year	-	-	1,774,417	120,470	1,894,887	1,894,887	41,371	1,936,258
Consolidated comprehensive (loss) income for the year	-	(1,776,382)	1,774,417	120,470	1,894,887	118,505	23,422	141,927
Balances as of December 31, 2016	2,939,611	(3,245,789)	1,774,417	(68,058)	1,706,359	1,400,181	250,920	1,651,101
Total transactions with owners recognized directly in equity for capital stock increase	763,604	-	-	-	-	763,604	-	763,604
Reclassification of revaluation of assets disposals	-	662,678	(662,678)	-	(662,678)	-	-	-
Consolidated income for the year	-	1,964,120	-	-	-	1,964,120	(20,936)	1,943,184
Other comprehensive (loss) income for the year	-	-	-	(285,817)	(285,817)	(285,817)	54,671	(231,146)
Consolidated comprehensive (loss) income for the year	-	1,964,120	-	(285,817)	(285,817)	1,678,303	33,735	1,712,038
Balances as of December 31, 2017	$ 3,703,215	($ 618,991)	$ 1,111,739	($ 353,875)	$ 757,864	$ 3,842,088	$ 284,655	$ 4,126,743

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

Sixsigma Networks México, S.A. de C.V. and subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2017, 2016 and 2015
(In thousands of Mexican pesos)

	Note	2017	2016	2015
Operating activities				
Loss before income tax provision of continuing operations		($ 1,644,680)	($ 2,405,482)	($ 2,286,975)
Income before income tax provision of discontinued operations		5,112,766	157,954	20,241
Income (loss) before income tax provision		3,468,086	(2,247,528)	(2,266,734)
Adjustments for:				
Depreciation and amortization	10 and 11	2,144,564	1,342,150	1,364,210
Depreciation and amortization of discontinued operations	20	213,700	254,746	254,702
Goodwill impairment	22	-	29,819	-
Interest expense		1,603,333	1,127,707	912,165
Valuation on derivatives		(60,008)	-	-
Allowance of doubtful accounts	7	111,000	143,028	66,506
Trade receivables write-off		159,637	-	-
Unrealized foreign exchange loss on operating activities		(152,958)	1,746,207	1,168,280
Gain from sale of subsidiaries	21	(4,848,320)	16,170	-
Equity method		(26,043)	(2,808)	6,194
		2,612,991	2,409,491	1,505,323
Cash flows from operating activities				
(Increase) decrease in trade receivables		(95,937)	(264,456)	187,903
Decrease (increase) in prepaid expenses and other assets		639,981	(1,539,971)	(287,674)
(Decrease) increase in suppliers		(876,474)	1,695,985	(218,911)
(Decrease) increase in other accounts payable		375,273	462,230	(167,577)
(Decrease) increase in employee benefits		(6,065)	(200)	1,219
Income tax paid		(108,665)	-	-
Increase in assets and liabilities held for sale	9	-	(161,474)	-
Net cash flows generated by operating activities		2,541,104	2,601,605	1,020,283
Cash flows from investing activities				
Investment in intangible assets	11	(126,516)	(752,832)	(319,089)
Restricted cash held in trust – net	6	(522,125)	-	-
Purchases of property, machinery and equipment	10	(1,549,105)	(563,069)	(716,568)
Proceeds from sale of subsidiaries – net of cash transferred	21	9,124,990	23,767	-
Net cash flows provided by (used in) investing activities		6,927,244	(1,292,134)	(1,035,657)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		763,604	679,301	-
Proceeds from loans		44,217	1,670,849	1,789,411
Repayment of borrowings	15	(6,847,641)	(2,688,114)	(1,330,684)
Interest paid	15	(1,708,480)	(1,006,658)	(791,720)
Acquisition of non-controlling interest		-	-	(86,859)
Proceeds from non-controlling interest		-	88,795	-
Net cash flows used in financing activities		(7,748,300)	(1,255,827)	(419,852)
Net increase (decrease) in cash and cash equivalents		1,720,048	53,644	(435,226)
Cash and cash equivalents at the beginning of the year		583,369	529,725	964,951
Cash and cash equivalents at the end of the year		$ 2,303,417	$ 583,369	$ 529,725
Non-cash transactions				
Acquisitions of fixed assets under finance lease	5	$ 797,122	$ 967,199	$ 1,424,742

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

Sixsigma Networks México, S.A. de C.V. and subsidiaries
Notes to the consolidated financial statements
As of December 31, 2017, 2016 and 2015
(In thousands of Mexican pesos and in thousands of U.S. dollars)

1. Entity's history and significant transactions

Sixsigma Networks México, S.A. de C.V. and subsidiaries (the Entity) is engaged in a wide range of infrastructure mission-critical information technologies and on demand services, under the strictest international standards, that integrates business units and companies to deliver managed hosting of high complexity, connectivity, on demand application, information security, big data and cloud services, backup as a service, storage on demand and data security, among others. The Entity offers the service and solution for both public and private sectors in Mexico, Panama, Guatemala, Dominic Republic and Spain.

The Entity was incorporated on March 23, 2001 in Mexico City, and has determined that its normal operating cycle comprises from January 1 to December 31 of each year.

The Entity's main place of business is Prolongación Paseo de la Reforma 5287, Col. Cuajimalpa, C.P. 05000, in Mexico City.

<u>Main transactions</u>

1) On May 1, 2017, the Entity sold 100% of the shares of Castle Access, Inc. for an amount of U.S.$12 million (see Note 21).

2) On August 1, 2017, Metro Net, S.A.P.I de C.V. completed a spin-off that resulted in the creation of CFCA Telecom, S.A.P.I. de C.V. (CFCA). This entity received the net assets, at their carrying value, of the connectivity business previously held by Metro Net, S.A.P.I. de C.V. and managed such operations until November 17, 2017. On that date, the Entity sold 100% of its shares in CFCA for an amount of $8,741,122 (U.S.$467.1 million). This transaction qualified as a discontinued operation (see Notes 6, 10, 11, 20 and 21).

3) On November 29, 2017, the Entity redeemed U.S.$270 million of Senior Notes for U.S.$500 million, representing 54% of the aggregate principal outstanding amount of debt (see Note 12).

4) On March 2, 2016, the Entity jointly with IBM Comercialización y Servicios, S.A. de C.V. (IBM) was awarded a contract to provide technology services to the Mexican tax authorities (Servicio de Administración Tributaria or SAT).

   The amount of the total contract value ranges from $4.7 billion to $8.5 billion and has a four-year term. The contract was subscribed with SAT for a mission critical project named Proyecto de Integración Tecnologica Aduanera (PITA). The scope of the services includes automating processes and modernizing over 60 customs points across Mexico, as well as implementing technology to oversee 52 border crossing points. In addition, PITA will expand SAT´s video surveillance program to over 14,440 cameras.

5) On March 18, 2016, the Entity increased its ownership in the subsidiary MasNegocio.com, S.A.P.I. de C.V. by 4% for $32,354.

6) On September 28, 2016, the Entity acquired the non-controlling interest shares of Soporte Remoto de México, S.A.P.I. de C.V. and on November 7, 2017, the Entity sold 100% of the shares of that subsidiary for an amount of $25,166.

7) On December 31, 2016 the Entity changed its policy for property, machinery and equipment and licenses from the cost model to the revaluation model. As a result, useful lives over certain assets were changed. Fair values of the revalued classes of assets were obtained from independent appraisers and were prospectively recorded as required by IFRS. The change in policy was carried out considering that the revaluation model more accurately reflects the actual value of property, machinery and equipment and licenses according to the industry to which the Entity belongs.

   The impact of the change described in the paragraph above was an increase to property, machinery and equipment and licenses of $1,774,417, net of deferred taxes.

8) On December 14, 2015, the Entity acquired 8% of the shares of Servicios de Tecnología de Información de Misión Crítica, S. A. (MISION), of Servicios de TI, S. A. (TI) and of Servicios de TI Dominicana, SC SAS (TI DO) for $86,859 (U.S.$7.02 million).

2. Basis of preparation

The consolidated financial statements as of December 31, 2017, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and their interpretations as issued by the IFRS Interpretations Committee (IFRS IC), including those previously issued by the Standing Interpretation Committee (SIC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below:

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity considers the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into levels 1, 2 or 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date;

Level 2 - Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs are unobservable inputs for the asset or liability.

a. ***Application of new and revised International Financing Reporting Standards (IFRS) and interpretations that are mandatorily effective for the current year***

In the current year the Entity has applied several amendments to IFRS and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

Amendments to IAS 7 Disclosure Initiative

The Entity has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Entity’s liabilities arising from financing activities consist of borrowings and certain other financial liabilities. A reconciliation between the opening and closing balances has been provided in Note 15. Consistent with the transition provisions of the amendments, the Entity has not disclosed comparative information for the prior period. The application of these amendments has had no impact on the Entity's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The Entity has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Entity's consolidated financial statements as the Entity already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRS 2014-2016 Cycle

The Entity has applied the amendments to IFRS 12 included in the Annual Improvements to IFRS 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Entity.

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Entity's consolidated financial statements as none of the Entity’s interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. ***Critical judgment***

IFRS require performing certain critical accounting estimates to prepare the consolidated financial statements. Also, require Management to exercise its judgment to determine the accounting policies to be applied. The captions involving more judgment or complexity and those where assumptions and estimates are significant to the consolidated financial statements are described in Note 4.

3. Summary of significant accounting policies

A summary of the significant accounting policies applied in preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

a. ***Consolidation***

The consolidated financial statements incorporate the financial statements of the Entity and entities controlled by the Entity and its subsidiaries. Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Can use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Entity, and they are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains or losses on transactions between Entity subsidiaries are eliminated.

Income and each component of other comprehensive income are attributed to controlling and non-controlling interests.

The main subsidiaries that comprised the consolidated and the percentage of its ownership are as follows:

Company	2017	2016	2015	Activity
Metro Net, S.A.P.I de C.V. (redIT) (1)	100	100	100	Design, construct and operate fiber optic network and operation of data centers.
Servicios de Tecnología de Información de Misión Crítica, S.A. (Misión)	68	68	68	Information technology services and mission-critical internet protocols.
Wingu Networks, S.A. de C.V. (Wingu) (2)	100	100	100	Computer services, networks, applications, data storage and computing (Cloud) online or on site. Storage of internet pages (hosting) and domains as well as on line services. Web hosting services, cloud hosting and others.
Servicios de TI Dominicana, SC SAS (TI DO)	68	68	68	Information technology services and mission-critical internet protocols.
Servicios de Infraestructura de TI Guatemala, S.A. (Infraestructura TI)	68	68	68	Video monitoring services, positioning, monitoring, operating and infrastructure services and other related services.
Soporte Remoto de México, S.A.P.I. de C.V. (SRM)	-	51	51	Specialized computer services in help desks (Help Desk) and support to computer users.
MasNegocio.com, S.A.P.I. de C.V. (MasNegocio)	67.37	67.37	63.37	IT services on demand.
Hiku Document Services, S.A.P.I. de C.V. (Hiku)	50	50	50	Managed services and comprehensive processes for digital content.
Sm4rt Security Services, S.A. de C.V. (Sm4rt)	100	100	100	Highly specialized services for information security.
Servicios de TI, S.A. (TI)	68	68	68	Hosting services, placement, infrastructure, maintenance and others.

Company	2017	2016	2015	Activity
Kio Networks España, S.A. (KIO Esp)	50	50	50	Information technology services and mission-critical internet protocols.
UTE Sixsigma Networks México, S.A. de C.V. (UTE)	50	50	50	Infrastructure systems services, hosting services, placement with third parties and information technology outsourcing services.
Fundación KIO, A.C. (Fundación)	100	100	100	Promote and boost technological education and information technology matters.

(1) redIT was acquired by the Entity on October 15, 2014 and it has three main subsidiaries named Metronet Hosting, S. de R. L. de C. V. (Hosting), Operadora Metronet, S. de R. L. de C. V. (Operadora) and Castle Access, Inc. (Castle).

(2) Wingu has two main subsidiaries named Interplanet, S. A. de C. V. and Internet Networks, S. A. de C. V. until December 2017 when they were merged, subsisting Wingu,

Changes in the Entity's investment in subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is recorded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

b. ***Business combinations***

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19, respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Entity entered to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date, and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirers previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirers previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

c. ***Goodwill***

Goodwill is initially measured as the excess of the sum of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired.

Goodwill represents the excess of the acquisition cost of a subsidiary over the company's equity in the fair value of the identifiable net assets acquired determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is presented less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units (or Entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any loss for impairment of goodwill is recognized directly in profit or loss in the consolidated statement of income. An impairment loss recognized for goodwill cannot be reversed in subsequent periods.

On disposal of a relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

d. ***Foreign currency translation***

Functional and presentation currency

Items included in the financial statements of each of the Entity's subsidiaries are measured using the currency of the primary economic environment in which each entity operates (the functional currency). The consolidated financial statements are presented in Mexican pesos, which is the functional and presentation currency of the Entity. The subsidiaries' functional currency is the Mexican peso, except for: Misión, Infraestructura TI, TI, UTE, KIO Esp and Castle, whose functional currency is Balboa, Quetzal, Dominican peso, Euro and U.S. dollar, respectively.

Transactions and balances

In preparing the financial statements of each subsidiary, the foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates or valuation where items are remeasured. At the end of each period, monetary items denominated in foreign currencies are converted at year end exchange rates. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rate are recognized as foreign exchange gain or loss in the consolidated statement of comprehensive income.

Entity's subsidiaries

The results and financial position of all the Entity's subsidiaries (none of which has a currency in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each financial position presented are translated at the closing exchange rate at the date of the financial position.

- Income and expenses for each comprehensive income statement are translated at the average exchange rate (unless this average is not a reasonable approximation of the cumulative effect arising of the rates prevailing at the transaction dates, in which case income and expenses are translated at the dates of the transaction).

- The stockholders' equity of each financial position presented is translated at historical rates.

- All resulting exchange differences are recognized in other comprehensive income directly to the Entity's cumulative currency translation differences.

Listed below are the exchange rates used in the translation processes:

		Local currency to Mexican pesos					
		Closing exchange rate at December 31,			Average exchange rate at December 31,		
Country	Functional currency	2017	2016	2015	2017	2016	2015
USA / Panama	U.S. dollar / Balboa	$ 19.7354	$ 20.664	$ 17.21	$ 18.91	$ 18.68	$ 15.85
Guatemala	Quetzal	2.6866	2.75	4.34	2.57	2.46	4.80
Dominican Republic	Dominican peso	0.41	0.44	0.02	0.40	0.40	0.02
Spain	Euro	23.57	21.77	20.83	21.33	20.67	19.68

Adjustments to goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate prevailing at the closing date. The resulting exchange differences are recognized in other comprehensive income.

When partial disposal of a subsidiary (i.e. when exist loss of control) includes a foreign operation, the Entity will attribute the proportionate share of the cumulative amount of currency translation differences recognized in other comprehensive income to the non-controlling interests.

e. ***Financial instruments***

Financial assets and financial liabilities are recognized when an entity from the group becomes part to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

f. ***Financial assets***

Classification

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quote in an active market. Assets under this category are classified as current assets, except for maturities; greater than 12 months after the end of the reporting period, in which case these are classified as non-current assets. Loans and receivables are presented in the "Trade receivables" caption in the consolidated statement of financial position (See Note 15). Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

Recognition and measurement

Loans and receivables are measured initially at fair value plus transaction costs, and are subsequently carried at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Impairment of financial assets

At the date of the consolidated statement of financial position, the Entity evaluates if there is objective evidence of impairment of a financial asset or an Entity of financial assets. A financial asset or an Entity of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the asset.

If it is determined that a financial asset or Entity of financial assets have sustained a decline other than temporary in value, a charge to income is recognized in the period. Calculation of the impairment of trade receivables is described in Note 7.

Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it substantially transfers the contractual risks and rewards of ownership of the financial asset to another party.

Factoring arrangement of financial assets

The Entity assess the financial assets held on factoring contracts in accordance with IAS 39. The Entity evaluate if it transfers the financial asset and the transfer qualifies for derecognition.

The Entity evaluates the transfer of financial assets if, and only if transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more parties.

If the transaction results in a transfer of financial assets, the Entity evaluates the extent to which it retains the risks and rewards of ownership of the financial asset.

If the Entity transfers substantially all the risks and rewards of the ownership of the financial asset, the Entity derecognize the financial asset.

If the Entity retains substantially all the risks and rewards of the ownership of the financial asset, the Entity determine whether it has retained control of the financial asset. In this case:

- If the Entity has not retained control, it shall derecognize the financial asset and recognize separately as assets or liabilities any rights and obligations created or retained in the transfer.
- If the Entity has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

The difference between the carrying value of the financial assets and the cash flow received is recognized immediately as a financing cost in profit or loss.

g. ***Cash and cash equivalents***

Cash and cash equivalents consist mainly of cash in hand, deposits held at call with banks and short-term highly liquid investments, with original maturities of three months or less and subject to insignificant risk for changes in value.

Cash and cash equivalents whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the consolidated statement of financial position.

h. ***Property, machinery and equipment***

As of December 31, 2016, the Entity changed its policy with respect to the valuation of property, machinery and equipment from the cost model to the revaluation model in accordance with IFRS 16 "Property, plant and equipment".

Property, machinery and equipment held for use are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The accumulated depreciation at the date of the policy change was revalued on the same basis of the revalued amounts of the property, machinery and equipment. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The current policy requires the Entity to perform revaluations at least once every two years.

Any revaluation increase arising on the revaluation of property, machinery and equipment is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties during construction period are carried at cost, less any recognized impairment loss, if any. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Such properties are classified to the appropriate categories of property, machinery and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued property, machinery and equipment is recognized in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Land is not depreciated.

Until the date of the policy change, property, machinery and equipment were stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized to write off the cost or valuation of assets (other than land and properties under construction), using the straight-line method. Buildings constructed on leased land are depreciated based on the lower of estimated useful life of the asset and the lease period, including lease agreement renovations.

Assets classified as property, machinery and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the income statement, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and its value in use.

Useful lives used by the Entity are as follows:

	Useful lives in years 2017	**Useful lives in years 2016**	**Useful lives in years 2015**
Building on leased land	40	40	15-20
Machinery and equipment	20	20	20
Leasehold improvements	5-40	40	20
Computer equipment	5	5	3.3
Leased computer equipment	3.3	3.3	3.3
Transportation equipment	5	5	4
Leased transportation equipment	4	4	4
Furniture and equipment	10	10	10
Leased furniture and equipment	10	10	10
Telecommunications equipment	5-10	5-10	10
Leased telecommunications equipment	10	10	10
Infrastructure equipment	20	20	10
Networks and interconnection equipment	25-40	25-40	10

i. ***Intangible assets***

Licenses

Licenses comprises mainly licenses for use of software acquired from third parties.

As of December 31, 2016, the Entity changed its policy regarding the valuation of licenses from the cost model to the revaluation model.

Licenses are stated at their revalued amounts, being the fair value at the date of revaluation, less any accumulated amortization revalued on the same basis of the license. The current policy requires the Entity to perform revaluations at least once every two years.

Until the date of the policy change, licenses acquired were recognized at historical cost, less accumulated amortization and impairment losses.

For licenses used in projects, the estimated useful life is the period established in the project contract. Estimated useful lives and the amortization method are reviewed at the end of each reporting period and the effect of any change in the recorded estimation is recognized on a prospective basis.

Trademarks

Trademarks acquired in a business combination are recognized at their fair value at the acquisition date. Trademarks that have an indefinite useful life are recorded at cost less accumulated impairment losses. Trademarks with indefinite useful life are: suempresa.com, internet networks, xpress, hosting and redIT.

In arriving at the conclusion that a trademark has an indefinite life, the Entity's Management expects to hold and support trademarks for an indefinite period. The Entity expects to increase its revenue by providing new IT services in business combinations, to target a broader client base and represents the primary trademark under which the Entity offers the new services. The Entity also considers factors such as its ability to continue to protect the legal rights that arise from these trademark names indefinitely.

Other intangible assets acquired in a business combination, other than goodwill

Other intangible assets acquired in a business combination, other than goodwill, are represented by concession, brands and customer base are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is recorded at cost).

The Entity has a governmental concession to install and operate a public telecommunications network in the cities of Guadalajara, Monterrey, Tijuana, Querétaro, Toluca, Mexico City and metropolitan area, granted by the Ministry of Communications and Transport in May 1997, for a period of 30 years, subject to renewal for a similar period in accordance with the requirements established by the current Federal Telecommunications Law. (See Note 23). The renewals are not automatic. The concession expires in 2027. After the sale of CFCA, the total amount of the concession pending to be amortized was written off as part of the discontinued operations. (See Note 21).

After initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis that intangible assets acquired separately.

The useful lives used by the Entity are listed below:

	Useful lives in years		
	2017	**2016**	**2015**
Concession	-	42	42
Licenses	3	3	3
Trademarks	Indefinite	Indefinite	Indefinite
Customer base - Data center and telecommunications(*)	35	35	35
Customer base - Domain as online servers	3	3	3

(*) Starting November 17, 2017 (CFCA sale date), the customer base of Data center and telecommunications changed the useful lives to 10 years. This change will increase amortization expense by approximately $74,074 annually in the following years.

Derecognition of intangible assets

An intangible asset is derecognized when sold or when it is expected to have no future economic benefits from its use or disposal. Gains or losses arising from derecognition of an intangible asset are determined as the difference between the proceeds and the carrying amount of the asset, are recognized in profit or loss.

Commissions paid to acquire contracts

The commissions are paid to acquire an asset (the ability to obtain revenues over the useful life of the projects). The asset is an evidence by the enforcement of cancellation penalties, and it has arisen because of past events (the signing of the contract) from which future economic benefits are expected to flow.

j. ***Prepaid expenses and deferred cost***

Prepaid expenses comprise payments made by the Entity in cash to ensure the supply of goods or services that the Entity will receive in the regular course of future operations.

They are initially recognized at the amount of cash paid, from the date on which payment is made, whenever it is probable that future economic benefits associated with such payments will flow to the Entity.

When the related goods and/or services are received, prepaid expenses are recognized as an asset or as an expense in the consolidated statement of comprehensive income in the period in which it occurs, respectively. If receive goods and/or services is expected in one year or less, prepaid expenses are classified as current asset. If not, they are presented as non-current assets.

Certain eligible, costs incurred in the initial phases of service contracts, such as transition and setup costs related to the installation of systems and processes in progress are recognized as an asset provided it is probable that they will be recovered over the term of the contract. Recurring operating costs for services contracts are recognized as incurred.

k. ***Non-current assets held for sale and Discontinued Operations***

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Entity is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Entity will retain a non-controlling interest in its former subsidiary after the sale.

When the Entity is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Entity discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Entity discontinues the use of the equity method at the time of disposal when the disposal results in the Entity losing significant influence over the associate or joint venture.

After the disposal takes place, the Entity accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Entity uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of an entity that either has been disposed of, or is held for sale, and

a. Represents a separate major line of business or geographical area of operations,
b. Is part of a single co-coordinated plan to dispose of a separate major line of business or geographical area of operations or
c. Is a subsidiary acquired exclusively with a view to resale.

l. ***Investments in associates and joint ventures***

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity’s share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity’s share of losses of an associate or a joint venture exceeds the Entity’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity’s net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture, but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

m. ***Employee benefits***

Retirement benefits costs from termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. remeasurements, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of comprehensive income with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows.

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements),
- Net interest expense or income, and
- Remeasurements.

The Entity presents the first two components of defined benefit costs in profit or loss in the line item (employee benefits expense/others). Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the Entity can no longer withdraw the offer of the termination benefit and when the Entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee's profit sharing (PTU by its acronym in Spanish)

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses line item in the consolidated statement of comprehensive income.

In accordance with the Income Tax Law, as of December 31, 2017, 2016 and 2015, PTU is determined based on taxable income.

n. ***Leases***

The classification of leases as finance or operating depends on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards relating to the leased property are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) are recognized in the income statement based on the straight-line method over the lease period.

Leases where the Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the beginning of the lease, at the lower of the fair value of the leased property and the present value of the minimum lease payments. If its determination is practical, to discount the minimum lease payments to present value, the interest rate implicit in the lease is used; otherwise, the incremental borrowing rate of the lessee should be used. Any initial direct costs of the leases are added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding balance. The corresponding rental obligations are included in non-current debt, net of finance charges. The interest element of the finance cost is charged to the income for the year during the period of the lease, to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, machinery and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

If lease incentives are received to enter operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

o. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) because of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle, a provision is expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

p. ***Impairment of tangible and intangible assets, excluding goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

q. ***Financial liabilities***

Financial liabilities are recognized initially at fair value, net of transaction cost incurred. The main financial liabilities are shown in Note 15.

Financial liabilities (including debts and accounts payable) are subsequently carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discount the estimated cash flows through the expected life of the financial liability (or, when appropriate, a shorter period) to the net carrying amount of the financial liability.

Derecognized financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are cancelled or expire.

r. ***Capital stock***

Ordinary shares are classified as Stockholders' equity.

Incremental costs directly attributable to the issuance once of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Comprehensive income is composed of net income plus other items of comprehensive income, net of taxes, which comprise the effects of the translation of foreign subsidiaries, premeasurements of obligations for employee benefits, the equity in other items of comprehensive income of associates, and other items specifically required to be reflected in stockholders' equity and which do not constitute capital contributions, reductions or distributions.

s. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current income tax is recognized in the results of the year in which is incurred.

Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.
Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity can control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred income tax for the year are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

t. ***Revenue recognition***

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period.

- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold.

- Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

The main types of revenue provided by the Entity are:

i. Hosting, this refers to the design, integration and operation of high availability and mission- critical vertical solutions.

ii. Data Center, this refers to cutting-edge, highly available data centers.

iii. Business Continuity Planning contingency offices, infrastructure for processing backup and recovery. Design and implementation of DRP solutions.

iv. Business Security, this refers to technology infrastructure services for national and corporate strategic security intelligence.

v. Cloud, which refers to virtual servers, SAP on demand, storage as service, Internet and ERP and DRP on demand.

vi. Colocation services offers service contracts related to infrastructure, such as services, network equipment and virtualization software.

vii. Applications Outsourcing, this refers with the highest service levels and security under an outsourcing model as Software as a Service (SaaS).

viii. SMB Public Cloud Services, this refers to the Infrastructure as a Service (IaaS) and Software as a Service (SaaS) that targets small to medium business in Mexico and Latin America.

ix. Telecommunications services that refers to interconnection services.

x. Big Data, this refers to a predictive analysis of high volume of structured and unstructured digital information for fast decision making.

The Entity recognizes revenue from hosting, colocation and business security when persuasive evidence of an arrangement exists, delivery has occurred or about the percentage of completion of the contract, the fee is fixed or determinable, and collectability is reasonably assured. In instances where final acceptance of the solution or system is specified by the customer, revenue is deferred until all acceptance criteria have been met.

Cloud, data center and service desk revenue is recognized as the services are performed. Where a fixed fee is agreed for the right to continuously access and use these services offering for a certain term, the fee is recognized ratably over the term covered by the fixed fee.

Technical support services revenue is deferred and recognized ratably over the period during which the services are to be provided.

Telecommunication services are recognized as they are provided to customers.

u. ***Accounts payable***

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of operations of the Entity. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

v. ***Deferred income***

Deferred income is recognized in accordance with contracts and/or agreements signed with clients for twelve month periods or more, which are billed when the contract start and are recognized as within revenues when they accrue or when services are rendered.

w. ***Derivative financial instruments***

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 15e.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

x. ***Hedge accounting***

The Entity designates certain hedging instruments, which include derivatives in respect of foreign currency risk, cash flow hedges.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

- Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other income (expenses) - Net' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

4. Critical accounting judgments and key uncertainty factors for estimation purposes

The Entity's Management makes judgments, estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances.

Key estimates are continually evaluated. Changes to accounting estimates are recognized in the period in which the estimate changes and in future periods if the revision affects both current and subsequent periods.

a. ***Critical judgments in applying accounting policies***

Below critical judgments made by the Entity's Management are presented. They were prepared in the process of applying the Entity's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

Classification of lease agreements

The Entity's Management has determined that certain leases should be classified as capital leases (finance leases). The classification of leases depends on the extent of transfer of the risks and rewards to ownership of the leased asset to the lessee, considering the substance of the transaction rather than the form of lease contracts. For those leases classified as finance leases, the Entity has determined, based on the terms and conditions of the respective lease contract, that it substantially holds all the risks and benefits for certain leased assets.

Functional currency

The Entity has determined that its functional currency is the Mexican peso, as it believes that it is the primary currency of the economic environment in which it operates. The factors considered in determining its functional currency are the percentage of operations of the currency in which the Entity essentially receives payments for services rendered and the percentage of operations of the currency in which it essentially pays costs and expenses.

Impairment of goodwill

The Entity performs annual tests to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3.b. The recoverable amount of the cash generating-units has been determined based on value in use or fair value calculations. The determination of value in use requires the use of estimates.

During 2016 the Entity recognized an impairment for the amount of $29,819, as of December 31, 2017 and 2015, no impairment of goodwill was identified.

b. ***Key sources of estimation uncertainty***

Below are presented the key sources of uncertainty concerning estimations prepared at the date of the consolidated statement of financial position, that involve a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Revaluation of property, machinery and equipment and licenses

The Entity accounts for property, machinery and equipment and licenses in accordance with the revaluation model. Fair values are obtained from independent appraisers.

Fair value measurements and valuation processes

Some of the Entity's assets are measured at fair value for financial reporting purposes. The Board of Directors of the Entity has set up a valuation committee, which is led by the Chief Financial Officer of the Entity, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Entity uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Entity engages third party qualified appraisers to perform the valuation. The valuation committee works closely with the qualified external appraisers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of Management of the Entity every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Estimated useful lives, residual values and depreciation methods

The Entity periodically reviews its estimates of useful lives and depreciation and amortization methods related to its property, plant and equipment and licenses. The effect of any change in the estimate is recognized prospectively. Changes in these estimates could have a significant impact on the Entity's consolidated statements of financial position and comprehensive income.

Impairment of assets

The Entity performs impairment tests whenever there are events or changes in circumstances in property, plant and equipment and intangible components which indicate that an impairment may exist (other than goodwill). Those tests involve the estimation of future cash flows and the appropriate discount rate. At December 31, 2017, 2016 and 2015, the Entity has not identified any impairment for the aforementioned assets.

Allowance of doubtful accounts

The Entity records an allowance of doubtful accounts which is determined by considering the balances under litigation or with recovery problems.

Deferred income tax

The Entity records its deferred tax assets based on the likelihood that these assets are realized in the future. This likelihood is assessed by taking into consideration the future taxable income. In the event the Entity were to determine that it would be able to realize its deferred income tax asset in the future in excess of the net recorded amount, an adjustment to the deferred income tax asset would increase income in the period such determination was made. Should the Entity determine that it would not be able to realize all or part of its net deferred income tax asset in the future, an adjustment to the deferred income tax asset would be charged to income in the period such determination was made.

5. Non-cash transactions

In 2017, 2016 and 2015, the Entity acquired fixed assets under finance lease for $797,122, $967,199 and $1,424,742, respectively, which represent non-cash transactions that are not reflected in the consolidated statements of cash flows.

6. Cash and cash equivalents

Cash and cash equivalents are as follows:

	December 31,		
	2017	**2016**	**2015**
Banks deposits	$ 2,301,058	$ 581,821	$ 170,725
Cash equivalents	2,359	1,548	359,000
Unrestricted cash and cash equivalents	2,303,417	583,369	529,725
Restricted cash held in trust (CFCA)	839,425	-	-
Restricted cash held in trust (redIT)	-	289,296	247,421
Total	$ 3,142,842	$ 872,665	$ 777,146

At December 31, 2017, the Entity had restricted cash of $839,425, which is required to be held in escrow as deposits related to the sale of CFCA. This is classified as non current assets based on the maturity date of the restrictions. (Note 20).

At December 31, 2016 and 2015, the Entity had restricted cash of $289,296 and $247,421, respectively, which are required to be held in escrow as deposits related to the acquisition of redIT. On August 17, 2017 the restricted cash held in trust (redIT) was recognized as unrestricted cash since the restriction was terminated before the legal conclusion of the claim.

The restricted cash balances are classified as non-current assets in the consolidated statement of financial position based on the maturity date of the restriction.

7. Trade receivables

a. Trade receivables are analyzed as follows:

	2017	2016	2015
VIVA project	$ -	$ -	$ 363,054
PITA project	398,603	544,862	-
Other clients	1,638,997	1,794,103	1,722,401
Subtotal	2,037,600	2,338,965	2,085,455
Allowance of doubtful accounts	(134,416)	(261,081)	(118,053)
Total	$ 1,903,184	$ 2,077,884	$ 1,967,402

Trade receivables and other accounts receivable include past-due balances not impaired of $1,581,069, $1,356,774 and $1,128,078 at December 31, 2017, 2016 and 2015, respectively.

Accounts receivable are recognized at amortized cost. The average credit term over services rendered is 120 days. The Entity usually does not charge interest on accounts receivable, because the Entity constantly monitors the collection and recovery of receivable balances per their aging, identifying any delays in collection on a timely basis.

When accepting new clients, the Entity adopted a policy of only becoming involved with solvent parties and getting sufficient guarantees. Therefore, the Entity focuses on preliminary research and subsequently selection of clients based on their moral and financial solvency.

b. Revenue is analyzed as follows:

	2017	2016	2015
PITA project	$ 1,503,890	$ 838,729	$ -
Online services	593,511	359,152	413,788
Datacenter and others	4,577,609	4,388,918	4,476,784
Total	$ 6,675,010	$ 5,586,799	$ 4,890,572

c. The aging analysis of the balances due from customers and other receivables not impaired is as follows:

	2017	2016	2015
31-60 days	$ 493,204	$ 135,076	$ 210,631
61-90 days	117,708	73,233	125,950
More than 90 days	970,157	1,148,465	791,497
Total	$ 1,581,069	$ 1,356,774	$ 1,128,078

The Entity considers that the risk of impairment is low, because the services rendered to its clients are essential for their operation and for the continuity of their business, even though an allowance for doubtful accounts is recorded by considering the balances in overdue portfolio older than 120 days, under litigation or with recovery problems.

The movements in the provision for impairment of customer are analyzed below:

	2017	2016	2015
At the beginning of the year	$ 261,081	$ 118,053	$ 51,547
Applications	(237,665)	-	-
Impairment of the period	111,000	143,028	66,506
At the end of the year	$ 134,416	$ 261,081	$ 118,053

The maximum risk in accounts receivable is the carrying amount at December 31, 2017, 2016 and 2015. Increases in the provision for impairment of trade and other receivables are recognized in the consolidated income statement. There is objective evidence of impairment because of one or more events that occurred after the initial recognition of the receivable.

During 2017, the Entity wrote off trade receivables for the amount of $159,637, that were recorded in the operating expenses of the year.

During 2017, the Entity signed a non-resource factoring contract with Banco Interacciones, S.A. Institución de Banca Múltiple, Grupo Financiero Interacciones that acquired the right to receive the amount of $434,886 of trade receivables. These receivables are not reflected in the accompanying consolidated statement of financial position, because the Entity analyzed and concluded the transaction as a derecognition of financial assets.

8. Prepaid expenses and other assets

The current portion and non-current portion of prepaid expenses is summarized as follows:

	2017	2016	2015
Current portion (1)	$ 1,010,583	$ 1,461,027	$ 421,153
Non-current portion (2)	780,442	1,209,875	709,776
Total prepaid expenses and other assets	$ 1,791,025	$ 2,670,902	$1,130,929

(1) This item mainly consists of recoverable VAT and costs associated to projects.
(2) This item mainly represents costs associated to projects.

The amortization of the year amounted to $978,653, $399,012 and $355,938 in 2017, 2016 and 2015, respectively, is recognized in the cost of services rendered in the consolidated statement of income.

9. Assets classified as held for sale

The Entity classified its data center and managed services business in the U.S. as asset held for sale in 2016. The sale was completed on May 1, 2017. The proceeds of the business' sale were higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognized on reclassification of the assets and liabilities as held for sale nor as of December 31, 2016. Details of the calculation of the profit on disposal, are disclosed in note 21.

The major classes of assets and liabilities of the data center and managed services business at December 31, 2016 are shown in the next page.

Property, machinery and equipment	$ 168,100
Other assets	56,942
Trade receivables	13,383
Cash and cash equivalents	1,775
Assets of data center and managed services classified as held for sale	240,200
Trade payables	(30,401)
Other payables	(14,071)
Deferred tax liabilities	(34,254)
Liabilities of data center and managed services business associated with assets classified as held for sale	(78,726)
Net assets of data center and managed services business classified as held for sale	$ 161,474

10. Property, machinery and equipment

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

	2017	2016	2015
Buildings on leased land	$ 1,587,711	$ 1,587,878	$ 1,055,159
Leasehold improvements	660,169	258,853	37,571
Machinery and equipment	1,505,951	1,213,672	805,225
Telecommunications equipment	-	-	7,517
Leased Telecommunications equipment	-	-	928
Network and interconnetion equipment	-	1,957,434	1,169,397
Computer equipment	1,495,852	977,496	440,962
Leased computer equipment	5,798,724	5,402,765	4,454,086
Transportation equipment	2,530	1,820	1,710
Leased transportation equipment	10,224	3,160	11,973
Furniture and equipment	77,327	89,441	58,841
Leased furniture and equipment	-	-	6,851
Infrastructure equipment	1,001	21,697	21,697
	11,139,489	11,514,216	8,071,917
Accumulated depreciation	(5,229,314)	(5,022,544)	(3,929,034)
	5,910,175	6,491,672	4,142,883
Land	61,211	39,594	25,600
Construction in progress	39,594	467,600	212,536
	$ 6,010,980	$ 6,998,866	$ 4,381,019

b. For the period ended on December 31, 2017, movements in property, machinery and equipment line items were as shown in the next page.

Revalued Cost	Balance at 31/12/2016	Additions	Disposals(*)	Transfers	Balance at 31/12/2017
Buildings on leased land	$ 1,587,878	$ 1,516	($ 1,683)	$ -	$ 1,587,711
Leasehold improvements	258,853	493,011	(99,716)	8,021	660,169
Machinery and equipment	1,213,672	225,994	(83,806)	150,091	1,505,951
Network and interconnetion equipment	1,957,434	103,527	(2,060,961)	-	-
Computer equipment	977,496	680,062	(161,706)	-	1,495,852
Leased computer equipment	5,402,765	785,984	(390,025)	-	5,798,724
Transportation equipment	1,820	710	-	-	2,530
Leased transportation equipment	3,160	11,138	(4,074)	-	10,224
Furniture and equipment	89,441	26,613	(40,188)	1,461	77,327
Leased furniture and equipment	-	-	-	-	-
Infrastructure equipment	21,697	-	(20,696)	-	1,001
Construction in progress	467,600	17,672	(264,488)	(159,573)	61,211
Land	39,594	-	-	-	39,594
	$12,021,410	$ 2,346,227	($ 3,127,343)	$ -	$ 11,240,294

Revalued Depreciation	Balance at 31/12/2016	Additions	Disposals(*)	Balance at 31/12/2017
Buildings on leased land	$ 331,035	$ 25,590	($ 211)	$ 356,414
Leasehold improvements	36,456	17,765	(54,221)	-
Machinery and equipment	246,534	137,034	(67,987)	315,581
Telecommunications equipment	1,598	-	-	1,598
Leased Telecommunications equipment	82	-	(82)	-
Network and interconnetion equipment	324,696	216,574	(541,270)	-
Computer equipment	402,368	544,413	(275,388)	671,393
Leased computer equipment	3,631,862	469,698	(256,101)	3,845,459
Transportation equipment	1,357	281	-	1,638
Leased transportation equipment	5,161	2,866	(3,234)	4,793
Furniture and equipment	39,079	26,561	(33,202)	32,438
Leased furniture and equipment	2,084	-	(2,084)	-
Infrastructure equipment	232	-	(232)	-
Total depreciation	$ 5,022,544	$ 1,440,782	($ 1,234,012)	$ 5,229,314
Total	$ 6,998,866			$ 6,010,980

(*) Disposals of property, machinery and equipment amounting to $2,635,577 of cost and $947,465 of depreciation, are attributable to the sale of CFCA. (See note 21)

c. For the period ended December 31, 2016, movements in property, machinery and equipment line items were as follows:

Revalued Cost	Balance at 31/12/2015	Additions	Disposals	Revaluation	Balance at 31/12/2016
Buildings on leased land	$1,055,159	$ 75,839	$ -	$ 456,880	$ 1,587,878
Leasehold improvements	37,571	6,510	-	214,772	258,853
Machinery and equipment	805,225	43,704	(1,458)	366,201	1,213,672
Telecommunications equipment	7,517	-	(7,517)	-	-
Leased Telecommunications equipment	928	-	(928)	-	-
Network and interconnetion equipment	1,169,397	70,893	(624)	717,768	1,957,434
Computer equipment	440,962	132,458	(11,539)	415,615	977,496
Leased computer equipment	4,454,086	965,817	(17,138)	-	5,402,765
Transportation equipment	1,710	81	(100)	129	1,820
Leased transportation equipment	11,973	1,382	(10,195)	-	3,160
Furniture and equipment	58,841	6,114	(3,098)	27,584	89,441
Leased furniture and equipment	6,851	-	(6,851)	-	-
Infrastructure equipment	21,697	-	-	-	21,697
Construction in progress	212,536	226,073	-	28,991	467,600
Land	25,600	1,396	-	12,598	39,594
	$8,310,053	$ 1,530,267	($ 59,448)	$ 2,240,538	$ 12,021,410

	Balance at				Balance at

Revalued Depreciation	31/12/2015	Additions	Disposals	Revaluation	31/12/2016
Buildings on leased land	$ 254,309	$ 76,726	$ -	$ -	$ 331,035
Leasehold improvements	17,742	18,714	-	-	36,456
Machinery and equipment	182,899	64,964	(1,329)	-	246,534
Telecommunications equipment	8,448	-	(6,850)	-	1,598
Leased Telecommunications equipment	928	-	(846)	-	82
Network and Interconnetion equipment	198,045	127,220	(569)	-	324,696
Computer equipment	351,269	61,613	(10,514)	-	402,368
Leased computer equipment	2,859,341	788,137	(15,616)	-	3,631,862
Transportation equipment	1,225	223	(91)	-	1,357
Leased transportation equipment	12,905	1,546	(9,290)	-	5,161
Furniture and equipment	33,365	8,537	(2,823)	-	39,079
Leased furniture and equipment	8,326	-	(6,242)	-	2,084
Infrastructure equipment	232	-	-	-	232
Total depreciation	$3,929,034	$ 1,147,680	($ 54,170)	$ -	$ 5,022,544
Total	$4,381,019				$ 6,998,866

d. For the period ended December 31, 2015, movements in property, machinery and equipment line items were as follows:

Revalued Cost	Balance at 31/12/2014	Additions	Disposals	Revaluation	Balance at 31/12/2015
Buildings on leased land	$ 918,845	$ 136,314	$ -	$ -	$ 1,055,159
Leasehold improvements	165,930	40,868	(169,227)	-	37,571
Machinery and equipment	641,997	163,228	-	-	805,225
Telecommunications equipment	7,661	-	(144)	-	7,517
Leased Telecommunications equipment	928	-	-	-	928
Network and interconnetion equipment	1,210,257	80,121	(120,981)	-	1,169,397
Computer equipment	577,860	113,795	(250,693)	-	440,962
Leased computer equipment	3,046,193	1,422,964	(15,071)	-	4,454,086
Transportation equipment	2,020	-	(310)	-	1,710
Leased transportation equipment	11,080	1,778	(885)	-	11,973
Furniture and equipment	84,411	1,157	(26,727)	-	58,841
Leased furniture and equipment	7,773	-	(922)	-	6,851
Infrastructure equipment	325,781	20,696	(324,780)	-	21,697
Construction in progress	53,560	158,976	-	-	212,536
Land	24,187	1,413	-	-	25,600
	$ 7,078,483	$2,141,310	($ 909,740)	$ -	$ 8,310,053

Revalued Depreciation	Balance at 31/12/2014	Additions	Disposals	Revaluation	Balance at 31/12/2015
Buildings on leased land	$ 186,010	$ 68,299	$ -	$ -	$ 254,309
Leasehold improvements	17,778	16,517	(16,553)	-	17,742
Machinery and equipment	128,690	54,345	(136)	-	182,899
Telecommunications equipment	6,998	1,594	(144)	-	8,448
Leased Telecommunications equipment	928	-	-	-	928
Network and interconnetion equipment	33,107	198,085	(33,147)	-	198,045
Computer equipment	150,114	210,423	(9,268)	-	351,269
Leased computer equipment	2,192,857	669,478	(2,994)	-	2,859,341
Transportation equipment	1,309	345	(429)	-	1,225
Leased transportation equipment	11,347	2,710	(1,152)	-	12,905
Furniture and equipment	16,881	16,703	(219)	-	33,365
Leased furniture and equipment	7,834	1,415	(923)	-	8,326
Infrastructure equipment	134,138	96	(134,002)	-	232
Total depreciation	$ 2,887,991	$1,240,010	($198,967)	$ -	$ 3,929,034
Total	$ 4,190,492				$ 4,381,019

e. Bank loans are secured on machinery and equipment with an approximate carrying value of $23,972, $29,870 and $37,768 at December 31, 2017, 2016 and 2015, respectively. The Entity is not authorized to secure other loans on those assets or to sell them to another entity.

f. The Entity has no capitalized costs of loans since there are no qualifying assets.

g. The features and accounting of the leased assets are described in Note 13.

11. Intangible assets

	Licences	Trademarks	Customer base	Non compete	Software	Concession	Others	Total
Net book value 31 December 31, 2014	322,712	1,790,836	1,707,474	376,552	67,649	511,411	-	4,776,634
Additions	319,089	-	-	-	-	-	29,996	349,085
Adjustment for business combination [1]	-	(395,928)	(463,700)	(366,419)	(439)	1,328,663	-	102,177
Amortization of the year	(241,668)	-	(44,062)	(5,285)	(7,841)	(57,333)	(22,714)	(378,903)
Net book value at December 31, 2015	$ 400,133	$ 1,394,908	$ 1,199,712	$ 4,848	$ 59,369	$ 1,782,741	$ 7,282	$ 4,848,993
Cost	$ 752,033	$ 1,790,836	$ 1,726,073	$ 376,552	$ 67,649	$ 511,411	$ 29,996	$ 5,254,550
Adjustment for business combination [1]	-	(395,928)	(463,700)	(366,419)	(439)	1,328,663	-	102,177
Accumulated amortization	(351,900)	-	(62,661)	(5,285)	(7,841)	(57,333)	(22,714)	(507,734)
Net book value at December 31, 2015	400,133	1,394,908	1,199,712	4,848	59,369	1,782,741	7,282	4,848,993
Additions	752,832	-	-	-	-	-	42,348	795,180
Adjustment for revaluation	343,504	-	-	-	-	-	-	343,504
Amortization of the year	(76,085)	-	(298,687)	(4,848)	(13,442)	(42,516)	(13,638)	(449,216)
Net book value at December 31, 2016	$ 1,420,384	$ 1,394,908	$ 901,025	$ -	$ 45,927	$ 1,740,225	$ 35,992	$ 5,538,461
Cost	$ 1,504,865	$ 1,790,836	$ 1,726,073	$ 376,552	$ 67,649	$ 511,411	$ 72,344	$ 6,049,730
Adjustment for business combination	-	(395,928)	(463,700)	(366,419)	(439)	1,328,663	-	102,177
Adjustment for revaluation	343,504	-	-	-	-	-	-	343,504
Accumulated amortization	(427,985)	-	(361,348)	(10,133)	(21,283)	(99,849)	(36,352)	(956,950)
Net book value at December 31, 2016	$ 1,420,384	$ 1,394,908	$ 901,025	$ -	$ 45,927	$ 1,740,225	$ 35,992	$ 5,538,461
Additions	119,471	-	-	-	-	-	7,045	126,516
Disposals of discontinued operations [2]	(133,422	(1,247,940)	(124,217)		-	(1,704,565)	-	(3,210,144)
Amortization of the year	(574,179)	-	(65,333)	-	(11,202)	(35,660)	(17,408)	(703,782)
Net book value at December 31, 2017	$ 832,254	$ 146,968	$ 711,475	$ -	$ 34,725	$ -	$ 25,629	$ 1,751,051
Cost	1,834,418	146,968	1,138,156	10,133	67,210	135,509	79,389	3,411,783
Accumulated amortization	(1,002,164)	-	(426,681)	(10,133)	(32,485)	(135,509)	(53,760)	(1,660,732)
Net book value 31 at December 31, 2017	$ 832,254	$ 146,968	$ 711,475	$ -	$ 34,725	$ -	$ 25,629	$ 1,751,051

1. Measurement period adjustments for the business combination in 2015 is attributable to the final valuations of the identifiable intangible assets after the acquisition of redIT in 2014.

2. Disposals of intangible assets amounting to $3,210,144 are attributable to the sale of CFCA. (See Note 21)

12. Financial debt

As of December 31, 2017, 2016 and 2015, the Entity had the following financial debt:

	2017	2016	2015
As of December 31.2017, Senior Notes for U.S.$230 million. At December 31, 2016 and 2015, Senior Notes for U.S.$500 million, bearing interest at 8.25% annual rate. The notes will mature on November 7, 2021.	$ 4,466,619	$ 10,160,675	$ 8,426,030
Several agreements under finance leases as disclosed in Note 13.	1,924,013	1,970,819	1,964,548
Current account credit line to the reference rate of TIIE plus 3.25 points, maturing on January 29, 2019.	440,036	473,275	446,666
Unsecured loan subject to 6.48% interest rate, maturing in August 2018.	191,312	356,656	442,609
Unsecured contracted with Hewlett Packard México, maturing between 2018 and 2021, subject to TIIE plus 3.75 points.	258,014	343,064	142,481
Current account credit line to the reference rate of Libor plus 3.25 points, maturing on March, 2018	-	206,640	-
Unsecured contracted with IBM México, maturing in 2018 and 2020, subject to TIIE plus 3.75 points.	100,944	176,295	235,527
Unsecured loan subject to 6.48% interest rate, maturing in August 2019.	137,076	93,612	154,019
Current account credit line contracted in March 2014 subject to the 8% interest rate.	69,074	80,590	73,988
Unsecured loan subject to 8.75% interest rate, maturing in December 2019.	32,118	45,396	34,166
Current account credit line contracted on December 28, 2009 subject to the reference rate of 29 days TIIE plus 3.25 points, maturing on January 29, 2016.	-	-	32,411
Current account credit line to the reference rate of TIIE plus 3. points, maturing on June, 2017	-	30,000	-
Unsecured loan subject to 6.75% interest rate, maturing in October 2018.	-	-	18,330
Unsecured loan subject to 6.75% interest rate, maturing in October 2018.	-	-	12,465
	7,619,206	13,937,022	11,983,240
Less - Current portion of long-term debt	1,761,145	1,948,712	1,632,991
Long-term of financial debt	$ 5,858,061	$ 11,988,310	$ 10,350,249

The effective interest rate for the aforementioned loans above mentioned approximates the contractual rate because the interest accrued are calculated by applying the contractual rate to outstanding balances of debt.

Two of the existing debt agreements contain covenants and restrictions for the Entity, primarily for the compliance with certain financial ratios. At December 31, 2017, 2016 and 2015, the Entity complied with such covenants and restrictions, or, if applicable, the Entity obtained the corresponding waivers.

At December 31, 2017, 2016 and 2015 the Entity has no unused credit lines.

13. Finance lease obligations

Leased goods relate mainly to servers used for data storage, transportation equipment and furniture and equipment, and it has been determined that the respective contracts should be classified as finance leases. Rents are fixed and agreed when contracts are signed for a mandatory term, which substantially covers the useful life of the leased equipment. Once the term elapses, termination options are established, such as lease novation, purchase or return of goods. The Entity is responsible (as lessee) for covering the total amount of rental payments and the total value of the assets in the event of damages to the leased assets.

The analysis of the present value of minimum future payments is as follows:

	2017	2016	2015
Total minimum future payments	$ 2,203,768	$ 2,200,680	$ 2,159,255
Non-accrued interest	(279,755)	(229,861)	(194,707)
Present value of minimum future payments	$ 1,924,013	$ 1,970,819	$ 1,964,548

The net book value of assets under finance leases amounts to $1,958,696, $1,598,711 and $1,592,068 at December 31, 2017, 2016 and 2015, respectively.

The lease liability amounts to $1,924,913, $1,970,819 and $1,964,548 at December 31, 2017, 2016 and 2015, respectively, and is recorded in short-term and long-term debt.

Maturity dates of the lease contracts at December 31, 2017 are as follows:

2018	$ 1,020,783
2019	739,661
2020	324,184
2021 and beyond	119,140
	$ 2,203,768

14. Employee benefits

a. Movement in the defined benefit obligation are as follows:

	Seniority premium			Severance indemnity at retirement age		
	2017	2016	2015	2017	2016	2015
Defined benefit obligation at January 1,	$ 1,913	$ 1,741	$ 1,587	$ 12,107	$ 12,499	$ 11,434
Benefit payments	(153)	(86)	(81)	(1,307)	(144)	-
Current service cost	298	276	267	2,051	2,256	2,062
Interest expense	140	115	97	897	835	700
Remeasurements recognized in other comprehensive income	295	(133)	(129)	2,615	(57)	(1,697)
Curtailment	(1,275)	-	-	(8,732)	(3,282)	-
Defined benefit obligations at December 31,	$ 1,218	$ 1,913	$ 1,741	$ 7,631	$ 12,107	$ 12,499

b. Remeasurements recognized in other comprehensive income (OCI) are as follows:

	Seniority premium			Severance indemnity at retirement age		
	2017	2016	2015	2017	2016	2015
Accumulated amount at January 1,	($ 481)	($ 348)	($ 219)	($ 5,455)	($ 5,398)	($ 3,701)
Remeasurements recognized during the year	294	(133)	(129)	2,615	(57)	(1,697)
Total recognized in other comprehensive income	($ 187)	($ 481)	($ 348)	($ 2,840)	($ 5,455)	($ 5,398)

c. The expense, liabilities and other elements of the seniority premium and severance indemnity at retirement plans, were determined based on calculations prepared by independent actuaries at December 31, 2017, 2016 and 2015. The components of the net expense for the years ending December 31, 2017, 2016 and 2015 are as follows:

	Seniority premium			Severance indemnity at retirement age		
	2017	2016	2015	2017	2016	2015
Current service cost	$ 298	$ 276	$ 267	$ 2,051	$ 2,256	$ 2,062
Net interest cost	140	115	97	897	835	700
Curtailment	(1,275)	-	-	(8,732)	(3,282)	-
Total cost recognized in income	($ 837)	$ 391	$ 364	($ 5,784)	($ 191)	$ 2,762

d. Reconciliation of net liability is as follows:

	Seniority premium			Severance indemnity at retirement age		
	2017	2016	2015	2017	2016	2015
Net liability (asset) at January 1,	$ 1,913	$ 1,741	$ 1,587	$ 12,107	$ 12,499	$ 11,434
Benefit payments	(153)	(86)	(81)	(1,307)	(144)	-
Total cost recognized in income	(837)	391	364	(5,784)	(191)	2,762
Remeasurements recognized in OCI during year	295	(133)	(129)	2,615	(57)	(1,697)
Net liability at December 31,	$ 1,218	$ 1,913	$ 1,741	$ 7,631	$ 12,107	$ 12,499

e. The following are the main actuarial assumptions at the reporting date (expressed in nominal terms):

	2017	2016	2015
Discount rate at December 31,	7.60%	7.50%	6.75%
Future salary increases	5.00%	5.00%	5.00%

f. Sensitivity analysis on significant actuarial assumptions as of December 31, 2017 is as follows:

	Actual	Actual - 0.50%	Actual + 0.50%
Discount rate	7.60%	7.10%	8.10%
Seniority premium	$ 1,218	$ 1,293	$ 1,148
Severance indemnity at retirement age	7,631	8,307	7,025

A decrease in 50 bps in the discount rate increases the defined benefit obligation in approximately 6.23% for seniority premium and 8.85% for severance indemnity at retirement age. On the other hand, an increase in 50 bps in the discount rate decreases the defined benefit obligation in approximately 5.69% for seniority premium and 7.94% for severance indemnity at retirement age.

15. Financial instruments

a. *Capital management*

The Entity manages its capital to ensure that it will continue operating as a going concern. Currently the Entity is not subject to any type of restriction imposed externally about capital management. The Entity's Management periodically reviews the capital structure when financial projections are presented as part of the business plan to the Board of Directors and the stockholders.

b. *Significant accounting policies*

Details of the significant accounting policies, recognition criteria, measurement bases and the bases for recognition of revenue and expenses for each type of financial asset, financial liability and equity instruments are disclosed in Note 3.

c. *Financial instruments by category*

	2017	**2016**	**2015**
Financial assets:			
Loans and accounts receivable:			
Cash and cash equivalents	$ 2,303,417	$ 583,369	$ 529,725
Restricted cash held in trust	839,425	289,296	247,421
Trade receivables	1,903,184	2,077,884	1,967,402
Hedge accounting:			
Derivative instruments	$ 85,726	-	-
Financial liabilities:			
Amortized cost:			
Suppliers	2,016,319	2,892,793	1,196,808
Other accounts payable	822,730	362,919	310,929
Financial debt, finance leases and unsecured loans	7,619,206	13,937,022	11,983,240

d. *Financial risk management objectives*

The function of the Entity's treasury department is to manage financial resources and control financial risk for operations through internal risk reports, which analyze exposure by degree and magnitude of risks. Those risks include market risk (exchange and interest rate risk), credit risk and liquidity risk.

The Entity minimizes the potential negative effects of the above-mentioned risks on its financial performance through its internal risk management policy. Internal auditors regularly review compliance with policies and exposure limits.

e. ***Exchange risk management***

The Entity is exposed to exchange risk primarily due to Senior Notes as well as lease agreements in which the Entity is involved for the purchase of computer equipment, transportation equipment and furniture and equipment, which have been determined as finance leases. Those agreements give rise mainly to accounts payable in US dollars. In addition, the Entity entered contracts for the sale of services to its customers in US dollars, which offsets partially the foreign currency exchange rate risk.

In addition, the Entity has policies in place to determine the amounts of cash and cash equivalents to be held in foreign currency.

The monetary position and the transactions in US dollars are shown below:

	2017	2016	2015	2017	2016	2015
	(In thousands of US Dollars)			(In thousands of Mexican pesos)		
Monetary assets	177,794	133,355	78,964	$ 3,508,830	$ 2,755,647	$ 1,358,694
Monetary liabilities	(348,310)	(704,568)	(653,186)	(6,874,041)	(14,559,193)	(11,239,045)
Net long position	(170,516)	(571,213)	(574,222)	($ 3,365,211)	($ 11,803,546)	($ 9,880,351)

In the periods ended on December 31, 2017, 2016 and 2015 the Entity carried out the following foreign currency transactions that were converted and recorded in Mexican pesos at the exchange rate prevailing on the date of each transaction.

	2017	2016	2015	2017	2016	2015
	(In thousands of US Dollars)			(In thousands of Mexican pesos)		
Revenue for services rendered	101,007	100,349	179,864	$ 1,910,082	$ 1,866,501	$ 2,854,460
Cost of services rendered	51,934	18,243	33,858	982,097	340,687	537,330
Interest expense	68,563	48,697	46,233	1,296,548	904,411	733,722

The exchange rates prevailing at December 31, 2017, 2016 and 2015 were $19.7354, $20.6640 and $17.2065 per US dollar, respectively.

The exchange rate at April 19, 2018, date of issuance of the consolidated financial statements, is $17.9787 per US dollar.

The Entity is primarily exposed to Peso-Dollar exchange rate fluctuations. The following sensitivity analysis discloses the Entity's exposure to 10% increase or decrease in the peso against the dollar exchange rate. The 10% represent the sensitivity rate used when reporting foreign exchange risk internally to key management and represents management's assessment of the possible reasonable change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts translation to the period end for a 10% change in exchange rates.

If the Mexican peso exchange rate weakened with respect to the dollar by 10% and all other variables held constant, the net comprehensive loss for the year would increase by $336,520, $1,180,355 and $988,035, in the year ended on December 31, 2017, 2016 and 2015, respectively. Strengthening of the Mexican peso to the dollar rate would generate the opposite effects to those noted previously in net comprehensive income by the same amounts.

Option foreign exchange contracts

During 2017, the Entity decided to hedge a portion of the principal of its bonds denominated in US dollars through a MXN / USD exchange rate collar from $18.925 to $24.060 for U.S.$125 million of such debt that matures in 2021. This instrument was designated as a cash flow hedge for the intrinsic value of the options and the premiums are liquidated under the modality of "pay as you go". As of December 31, 2017, the outstanding amount of premiums payable amounts to U.S.$11.4 million.

As of December 31, 2017, the value of the net collar is an asset of $85,726. The Administration recognized in the results of the period an amount of $216,462 as a gain associated within the time value of the options.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the reporting period:

Outstanding contracts	**Average exchange rate**	**Foreign currency**	**Notional value**	**Fair value assets (liabilities)**
	2017	**2017**	**2017**	**2017**
Cash flow hedges	$ 18.9291	$ 19.7354	$ 125,000	$ 85,726

As of December 31, 2017, the aggregate amount of gains under foreign exchange option contracts recognized in other comprehensive income $130,736 in 2017.

f. ***Interest rate risk***

Interest rate risk arises from financial debt. The loans contracted at variable interest rates expose the Entity to interest rate risk which is partially offset by cash held at variable rates. Loans issued at fixed rates expose the Entity to fair value risk of interest rate. As of December 31, 2017, 2016 and 2015, the Entity had contracted a portion of the loans at variable rates. Finance leases were contracted at fixed rates. As of December 31, 2017, 2016 and 2015, the Entity did not contract financial instruments as protection against interest rate risk.

g. ***Liquidity risk***

Management of the Entity is responsible for liquidity risk management, which has established an appropriate liquidity risk management framework for financing of the Entity at short, medium and long-term.

The Entity manages liquidity risk by maintaining adequate cash and cash equivalents reserves for its operations, by contracting credit lines and by continuously monitoring projected and real cash flows, for which it reconciles the maturity profiles of financial assets and liabilities.

The table bellows analyses the Entity's non-derivate financial liabilities into relevant maturity Entity is based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 3 months	From 3 to 6 months	From 6 months to 1 year	From 1 to 4 years	More than 4 years	Total
December 31, 2017						
Financial liabilities:						
Suppliers	$ 481,329	$ 537,483	$ 875,024	$ 122,483	$ -	$ 2,016,319
Other accounts payable	493,638	329,092	-	-	-	822,730
Financial debt	15,000	256,055	799,358	6,149,930	-	7,220,343
Finance leases	246,900	245,083	363,210	1,068,820	-	1,924,013
Unsecured loans	128,012	128,489	178,482	265,955	-	700,938
	$ 1,364,879	$ 1,496,202	$ 2,216,074	$ 7,607,188	$ -	$ 12,684,343
December 31, 2016						
Financial liabilities:						
Suppliers	$ 534,685	$ 662,133	$ 1,450,568	$ 245,407	$ -	$ 2,892,793
Other accounts payable	254,043	108,876	-	-	-	362,919
Financial debt	-	-	634,496	865,007	11,750,000	13,249,503
Finance leases	246,884	238,522	426,358	1,059,234	-	1,970,998
Unsecured loans	102,138	106,178	194,136	612,573	-	1,015,025
	$ 1,137,750	$ 1,115,709	$ 2,705,558	$ 2,782,221	$ 11,750,000	$19,491,238
December 31, 2015						
Financial liabilities:						
Suppliers	$ 280,237	$ 303,590	$ 612,981	$ -	$ -	$ 1,196,808
Other accounts payable	192,776	118,153	-	-	-	310,929
Financial debt	14,839	17,572	403,988	825,899	10,730,250	11,992,548
Finance leases	233,825	223,638	420,935	1,086,150	-	1,964,548
Unsecured loans	74,739	80,058	163,397	721,180	-	1,039,374
	$ 796,416	$ 743,011	$ 1,601,301	$ 2,633,229	$ 10,730,250	$ 16,504,207

h. ***Credit risk***

Credit risk refers to the risk that counterparty will default its contractual obligations resulting in financial loss for the Entity.

The Entity has adopted a policy of only engaging with creditworthy parties to mitigating the risk of financial loss caused by breach.

As indicated in Note 7, to manage credit risk, the Entity's policy focuses on research and subsequent selection of customers based on their moral and financial solvency. Additionally, the Entity monitors collection and recovery of debt due based on aging, to identify impairment on a timely basis. Based on historic default rates, the Entity believes that no impairment allowance is necessary in respect of trade receivables.

i. ***Debt reconciliation***

The table in the following page details changes in the Entity's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Entity's consolidated statement of cash flows as cash flows from financing activities.

	Financial Debt	Finance Leases	Unsecured loans	Total
Debt as at December 31, 2016	($10,951,180)	($ 1,970,819)	($ 1,015,023)	($ 13,937,022)
Proceeds from loans	-	-	(44,217)	(44,217)
Payment of borrowings	5,689,618	842,164	315,859	6,847,641
Interest paid	1,517,640	150,544	40,296	1,708,480
Interest expense	(1,393,986)	(161,161)	(48,186)	(1,603,333)
Other non cash movements	162,179	(784,741)	31,807	(590,755)
Debt as at December 31,2017	($ 4,975,729)	($ 1,924,013)	($ 719,464)	($ 7,619,206)

16. Fair value

a. Fair value of financial instruments recorded at amortized cost

Except as described in the table below, Management believes that the carrying number of current assets and current liabilities recognized at amortized cost in the consolidated financial statements approximate their fair value:

	2017		2016		2015	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities						
Financial liabilities held a amortized cost:						
Finance debt	$ 5,695,198	$ 6,182,132	$ 10,951,178	$ 11,876,554	$ 8,979,318	$ 10,715,443
Finance leases	1,924,013	2,081,782	1,970,819	2,126,514	1,964,548	2,113,853

b. *Fair value of the Entity's financial assets that are measured at fair value on a recurring basis*

Some of the Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value 31/12/17	Fair value hierarchy	Valuation technique(s) and key input(s)
Foreign currency option contracts	Assets - $85,726	Level 2	Black & Scholes Model, with estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and implied volatility of MXN/USD forward transactions.

There were no transfers between Level 1 and 2 in the period.

c. Fair value of non-financial assets

The Entity's property, machinery and equipment and licenses are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements as of December 31, 2016 were performed by independent appraiser not related to the Entity that have appropriate qualifications and recent experience in the fair value measurement.

The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The fair value of the buildings and other assets was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

As part of the valuation process, useful lives were assigned to the revalued assets that were obtained mainly from technical publications from the American Society of Appraisers (ASA). Additionally, it was considered the comments provided by the Entity's technical department based on the previous experience with the assets.

The fair value hierarchy of property, machinery and equipment and licenses at December 31, 2016 is level 2.

If the Entity's property, machinery and equipment been measured on a historical cost basis, their carrying amount would have been $4,402,889 and $4,758,328 as of December 31, 2017, and 2016, respectively.

d. Valuation techniques and assumptions applied for determining the fair value

Fair values at finance debt and finance leases are categorized into level 2 based on discounted cash flows using borrowing rates of 8.55% in 2017 (8.45% in 2016 and 8.25% in 2015) for loans and 8.20% in 2017 (7.90% and 7.65% in 2016 and 2015) for finance leases. These fair values do not consider the current portion of financial liabilities held at amortized cost, since the current portion approximates their fair value. There are not transfers between categories during 2017, 2016 and 2015.

17. Income taxes

a. Income tax

i. The taxable income differs from the accounting income, mainly in such items cumulative by the time and deducted differently for accounting and tax purposes by the recognition of the inflation effects for tax purposes, as well as such items only affecting either the accounting or taxable income.

ii. The Income Tax Law establishes that the income tax rate applicable is 30% on the taxable fiscal profit.

iii. The income tax provision is analyzed as follows:

	2017	2016	2015
Continued operations:			
Current income tax	$ 482,009	$ 135,225	$ 11,798
Deferred income tax	494,225	(634,682)	(770,740)
Income tax provision for the year from continued operations	976,234	(499,457)	(758,942)
Discontinued operations:			
Current income tax	94,365	84,153	-
Deferred income tax	454,303	(37,893)	2,785
Income tax provision for the year from discontinued operations (Note20)	548,668	46,260	2,785
Income tax provision for the year	$ 1,524,902	($ 453,197)	($ 756,157)

b. The main items comprising the balance of deferred income tax asset or liability are:

	2017	2016	2015
Deferred income tax asset:			
Deferred income	$ 223,894	$ 91,847	$ 18,004
Allowance for doubtful accounts	30,170	82,467	43,423
Other accounts payable	3,528	255,099	159,461
Tax losses	320,540	1,342,257	630,745
Finance lease	5,423	106,948	138,019
Total deferred income tax asset	583,555	1,878,618	989,652
Deferred income tax liability:			
Prepaid expenses	227,527	459,472	127,922
Property, machinery and equipment	508,448	211,622	183,417
Effect of deferred income tax for revaluation of property, machinery and equipment and licenses	-	775,213	-
Intangible assets and others	53,974	1,247,624	1,339,116
Total deferred income tax liability	789,949	2,693,931	1,650,455
Deferred income tax liability	$ 206,394	$ 815,313	$ 660,803

c. A reconciliation of changes in the deferred income tax liability at December 31, 2017, 2016 and 2015 is as follows:

	2017	2016	2015
Deferred income tax liability at the beginning of year	$ 815,313	$ 660,803	$ 1,266,046
Effect included in the consolidated statement of income continued and discontinued	948,528	(588,422)	(767,955)
Effect on OCI of deferred income tax for revaluation of property, machinery and equipment and licenses	(284,005)	775,213	-
Deferred income tax of which control was lost	(1,360,071)	-	-
Effect on OCI of financial instruments	(39,220)	-	-
Others	125,849	(32,281)	162,712
Deferred income tax liability at the end of year	$ 206,394	$ 815,313	$ 660,803

d. The movements in deferred tax assets and liabilities during the year, without considering compensation of tax balances under the same tax jurisdiction, are as follows:

Deferred income tax asset	**Financial lease**	**Other accounts payable**	**Tax Losses**	**Deferred income**	**Allowance for doubtful accounts**	**Total**
As of January 1, 2015	$ 59,193	$ 101,062	$ 404,308	$ 20,831	$ 15,464	$ 600,858
Debit / (credit) to the consolidated statement of income	78,826	58,399	226,437	(2,827)	27,959	388,794
As of December 31, 2015	138,019	159,461	630,745	18,004	43,423	989,652
Debit / (credit) to the consolidated statement of income	(31,071)	95,638	711,512	73,843	39,044	888,966
As of December 31, 2016	$ 106,948	$ 255,099	$ 1,342,257	$ 91,847	$ 82,467	$1,878,618
Debit / (credit) to the consolidated statement of income	(101,525)	(251,571)	(1,021,717)	132,047	(52,297)	(1,295,063)
As of December 31, 2017	$ 5,423	$ 3,528	$ 320,540	$223,894	$ 30,170	$ 583,555

Deferred income tax liability	**Constructions in progress**	**Prepaid expenses**	**Property, machinery and equipment**	**Intagible assets and others**	**Revaluationof property, machinery and equipment**	**Total**
As of January 1, 2015	$ 59,397	$ 85,540	$ 51,934	$ 1,670,033	$ -	$ 1,866,904
Debit / (credit) to the consolidated statement of income	(59,397)	42,382	131,483	(330,917)	-	(216,449)
As of December 31, 2015	-	127,922	183,417	1,339,116	-	1,650,455
Deferrred income tax on OCI	-	-	-	-	775,213	775,213
Debit / (credit) to the consolidated statement of income	-	331,550	28,205	(91,492)	-	268,263
As of December 31, 2016	$ -	$ 459,472	$ 211,622	$ 1,247,624	$ 775,213	$ 2,693,931
Deferred income tax of which control was lost	-	-	-	(1,360,071)	-	(1,360,071)
Deferrred income tax on OCI	-	-	-	-	(284,005)	(284,005)
Debit / (credit) to the consolidated statement of income	-	(231,945)	(182,482)	154,521	-	(259,906)
As of December 31, 2017	$ -	$ 227,527	$ 29,140	$ 42,074	$ 491,208	$ 789,949

A deferred income tax asset has been recognized for tax loss carry forwards to the extent that realization of the related tax benefits through future taxable profits is feasible. During 2017 the Entity amortized $3,538,718 of tax loss carry forwards.

e. Income taxes and the reconciliation of the statutory rate and the effective rate expressed in amounts and as a percentage of loss before income taxes is as shown on the next page.

	2017		2016		2015	
	Amount	**Rate %**	**Amount**	**Rate %**	**Amount**	**Rate %**
Loss before income taxes continued and discontinued	$ 3,468,086		($ 2,247,528)		($ 2,266,734)	
Current income tax	576,374	16	135,225	6	11,798	1
Deferred income tax	948,528	27	(588,422)	(26)	767,955	(34)
Effective tax rate		43		(20)		(33)
Non-deductible expenses		(4)		21		40
Inflationary effects		(12)		27		23
Other		3		2		-
Statutory tax rate		30		30		30

f. At December 31, 2017 the Entity had cumulative tax loss carry forwards for a total of $991,807, whose right to be amortized against future taxable income expires as shown below:

Year of loss	Restated amount	Year of expiration
2013	$ 24,158	2023
2014	44,442	2024
2015	52,312	2025
2016	870,895	2026
Total	$ 991,807	

18. Stockholders' equity

At the April 28, 2017, General Ordinary Stockholders Meeting it was agreed to increase in the variable portion of capital of $ 286,005 with the issuance of 6,940,464 Series "A" Subseries "A-2" and 5,486,499 Series "C" Subseries "C" common, nominative shares.

At the October 20, 2017, General Ordinary Stockholders Meeting it was agreed to increase in the variable portion of capital of $ 477,599 with the issuance of 12,615,213 Series "A" Subseries "A-2" and 9,028,859 Series "C" Subseries "C" common, nominative shares.

At the September 30, 2016, General Ordinary Stockholders Meeting it was agreed to increase in the variable portion of capital of $ 679,301 with the issuance of 16,886,525 Series "A" Subseries "A-2" and 12,109,721 Series "C" Subseries "C" common, nominative shares.

The non-controlling interest participated in the above-mentioned capital stock increases in the same proportion of their shareholders amounted to $88,795 in 2016.

Capital stock at December 31, 2017 is as follows:

	Shares	**Amount**
Fixed - Minimum capital without withdrawal rights (Series A-1)	50,000	$ 50
Variable part of capital, whose maximum is unlimited (Series A-2, B-2 and C-2)	383,785,292	3,631,391
	383,835,292	3,631,441
Share premium on subscription		71,774
Total capital stock at December 31, 2017		$ 3,703,215

Retained earnings include the statutory legal reserve. The Corporations Law requires that at least 5% of net income of the year to be transferred to the legal reserve until the reserve equals to 20% of capital stock at par value. The legal reserve may be capitalized but should not be distributed unless the entity is dissolved. The legal reserve must be reconstituted if it is reduced for any reason. As of December 31, 2017, 2016 and 2015, the legal reserve was $68,330.

Dividends paid are not subject to income tax if paid from CUFIN and are subject to a rate between 4.62% and 7.69% if paid from the reinvested CUFIN (CUFINRE). Dividends exceeding CUFIN and CUFINRE are subject to tax equivalent to 42.86%. The tax is payable by the Entity and may be credited against income tax for the year or the following two years. Dividends paid from previously taxed profits are not subject to income tax withholding or additional tax payment, except for the profits generated as of 2014 and paid dividends to foreign residents and Mexican individuals which are subject to an additional tax of 10%.

Tax stockholders' account balances are as follows:

	2017	2016	2015
Capital account of contributions	$4,734,317	$2,257,169	$2,921,887
Net after-tax income account	268,150	251,148	242,983

19. Costs and expenses by nature

Following is an analysis of the nature of the relevant operating costs and expenses classified in the consolidated statement of comprehensive income by function:

	2017	2016	2015
Costs of services rendered:			
Consulting	$1,672,905	$1,080,485	$1,043,235
Leases	837,458	738,497	692,713
Colocation and maintenance	774,674	563,641	360,467
Storage	65,344	60,060	10,744
Others	87,611	13,132	4,139
	$3,437,992	$2,455,815	$2,111,298
Operating expenses:			
Administrative services	$ 953,115	$ 919,676	$ 783,832
Trade receivables write-off	159,637	-	-
Maintenance	129,404	101,111	101,368
Allowance for doubtful accounts	111,000	143,028	66,506
Expenses incurred in sale of subsidiary	199,669	-	-
Professional services	47,480	41,263	40,343
Loss from sale of subsidiary	43,450	16,170	-
Telephone	6,377	12,923	45,207
Advertising	80,710	68,540	74,134
Others services	203,237	52,322	36,402
Others	33,708	183,175	14,163
	$1,967,787	$1,538,208	$1,161,955

20. Discontinued operations

On November 17, 2017, the Entity closed a sale agreement to dispose 100% of the shares of CFCA Telecomm, S.A.P.I. de C.V. that held the Entity's connectivity business. Control of the company passed on that date to the acquirer. The amount of the consideration received was $8,741,122 (U.S.$467.1 million) after adjustments to the selling price (see Note 6). The proceeds of sale substantially exceed the carrying amount of the related net assets and, accordingly, no impairment losses were recognized. The disposal of the connectivity business is consistent with the Entity's plans to focus on the hosting, data centers, critical mission services and related business.

Analysis of the profit for the year from discontinued operations

The results of the discontinued operations included in profit for the year are detailed below. Profit and cash flows for comparative years have been retroactively adjusted to reflect the business as discontinued.

	2017	2016	2015
Profit for the year for discontinued operations			
Revenue for services rendered	$ 868,875	$ 811,726	$ 607,031
Costs of services rendered	(352,691)	(246,810)	(204,987)
Depreciation and amortization	(213,700)	(254,746)	(254,702)
Operating expenses	(88,173)	(138,180)	(112,596)
Foreign exchange gain (loss)- net	12,470	(10,255)	(12,647)
Finance expense	(6,245)	(3,781)	(1,858)
Net income before tax	220,536	157,954	20,241
Income tax expense	(548,668)	(46,260)	(2,785)
Gain on dispossal	4,891,770	-	-
Net income from discontinued operations	4,563,638	111,694	17,456
Other comprehensive income	460	518,491	276
Net income from discontinued operations (attributable to owners of the Entity)	$ 4,564,098	$ 630,185	$ 17,732
Cash flows from discontinued operations			
Net cash flows from operating activities	$ 241,733	$ 380,714	$ 223,570
Net cash flows from investing activities	(1,722,129)	(86,059)	(110,264)
Net cash flows from financing activities	1,515,103	(294,655)	(113,306)
Net cash flows	$ 57,207	$ 22,500	$ 22,500

21. Sale of subsidiary

a. The Entity disposed the shares of the following companies on the dates indicated.

Company	CFCA	Castle	Soporte Remoto
Date of disposal	November 17, 2017	May 1, 2017	November 8, 2016
Consideration received			
Consideration received	$ 8,741,122	$ 228,804	$ 25,166
Analysis of asset and liabilities over which control was lost			
Cash and cash equivalents	57,207	$ 169,269	$ 1,399
Trade receivables	259,377	42,370	11,217
Deferred income tax	-	-	10,438
Goodwill	428,931	-	24,404
Prepaid expenses and others	239,896	65,501	-
Intangible assets	3,210,144	-	-
Property, machinery and equipment - net	1,688,112	42,128	2,471
Total assets	5,883,667	319,268	49,929
Payables	(355,966)	(35,922)	(7,353)
Other account payable	(193,743)	(11,092)	-
Deferred income tax	(1,360,071)	-	-
Financial lease	(124,535)	-	(1,240)
Net assets disposed	$ 3,849,352	$ 272,254	$ 41,336

Company	CFCA	Castle	Soporte Remoto
Gain (loss) on disposal of a subsidiary			
Consideration received	$ 8,741,122	$ 228,804	$25,166
Net assets disposed	(3,849,352)	(272,254)	(41,336)
Gain (loss) on disposal	$ 4,891,770	($ 43,450)	($16,170)

The loss on disposal is included in the net loss from continued operations, except for gain on the sale of CFCA Telecomm, S.A.P.I. de C.V., which is included in discontinued operations.

b. Net cash flows on sale of subsidiaries.

	CFCA	Castle	Soporte Remoto
Consideration received – Net	$ 8,741,122	$ 228,804	$ 25,166
Adjustment in selling price[1)]	381,540	-	-
Consideration paid in cash	9,122,662	228,804	25,166
Cash balances over which control was lost	(57,207)	(169,269)	(1,399)
Consideration paid in cash	$ 9,065,455	$ 59,535	$ 23,767

[1)] The Entity recognized in other accounts payable the amount of $381,540 as an adjustment in selling price.

22. Goodwill

Goodwill is allocated to operating segments that benefit from the synergies of the business combination. In 2014 the Entity acquired the 100% of the shares of redIT, to achieve synergies between technology services by the Entity and redIT.

At December 31, 2017, 2016 and 2015, goodwill is integrated as follows:

	2017	2016	2015
redIT	$ 1,000,838	$ 1,429,769	$ 1,429,769
Others	83,308	83,308	137,531
Goodwill	$ 1,084,146	$ 1,513,077	$ 1,567,300

The recovery value of the operating segments has been determined based on the calculation of the usage values. These calculations use pre-tax cash flow projections based on financial budgets approved by management that cover a 5-year period.

The key assumptions used in the calculation of the value in use are the following:

Growth rate	10.5%
Discount rate	12.5%

a. A reconciliation of changes in the balance of the goodwill is as follows:

Goodwill as of December 31, 2014	$ 2,042,697
redIT (adjustment to fair value) [1)]	(475,397)
Goodwill as of December 31, 2015	$ 1,567,300
Sale of SRM	(24,404)
Impairment of Internet Networks	(29,819)
Goodwill as of December 31, 2016	$ 1,513,077
Sale of CFCA	(428,931)
Goodwill as of December 31, 2017	$ 1,084,146

1) Measurement period adjustments for the business combination in 2015 is attributable to the final valuations of the identifiable intangible assets after the acquisition of redIT in 2014.

23. Related party transactions

Parties are related if one party, among other, can exercise significant influence over the other party in making financial or operational decisions.

There are administrative services are provided by related parties through contracted personnel. The contracted key management personnel perform certain day to day business and operational processes on behalf of the Entity to achieve the business goals. These processes including: finance, business development, human resources and monitoring the business performance.

Pursuant to the services agreement, the Entity pays monthly fees to the related parties corresponding to management services provided by key management employees and others, as disclosed in Note 19 (Administrative services). These transactions are conducted under the normal market terms and conditions.

The following table details the management services fee expense during the year and the amount payable at the year end:

	2017	2016	2015
Management fees	$ 680,236	$ 648,279	652,235
Accrued at the end of the year	74,757	71,487	75,680

24. Commitments and contingencies

a. In 2013, Tax Authorities notified to Entity´s subsidiary that certain tax deduction from the year 2006 did not comply with tax requirements and determined tax credit related to the income tax for $61,414. The Entity has appealed the decision to the appropriate authorities. During 2017, the entity has recognized a provision for the same amount.

b. In 2017, Tax Authorities determined tax credit related to the income tax for $116,267. Per the confirmation of their attorneys, the Entity has appealed the decision to the appropriate authorities to get a favorable resolution.

c. There are labor disputes against KIO for unjustified termination. Per the confirmation of their attorneys, there are elements to get a favorable resolution to the Entity.

d. The concession granted by the Ministry of Communications and Transport establishes the following obligations, among others, on the part of the Entity: a) submit annual reports to the Ministry of Communications and Transport on the main shareholders of the Entity, b) inform on the increases of common stock, c) provide the services continuously and with certain technical characteristics, d) present incident reports on a monthly basis, e) register the service rates and f) provide a performance bond.

e. As of December 31, 2017, 2016 and 2015 the Entity has entered different operating leases. The total future minimum payments under non-cancellable operating leases are as follows:

	2017	2016	2015
Up to 1 year	$ 171,948	$ 107,312	$ 94,110
Over 1 year up to 5 years	477,958	249,012	183,002
Onwards	191,635	159,404	239,328
Total	$ 841,541	$ 515,728	$ 516,440

25. New accounting principles

The Entity has not applied the following new and revised IFRS that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and measurement of share-based payments [1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS	Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3].Effective for annual periods beginning on or after a date to be determined.

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.
Key requirements:

- All recognized financial assets that are within the scope of IFRS 9 *Financial Instruments* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Entity's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Entity have assessed the impact of IFRS 9 to the Entity's consolidated financial statements as follows:

Classification and measurement of accounts receivable	Regarding clients' accounts receivables, and other accounts receivables with fixed or variable payments that are non-derivative financial assets, not negotiated in an active market. Accounts receivables are usually measured at amortized cost with the effective interest method less any impairment. Recognition of income interest is recognized applying the effective interest rate, except for the short term account receivables when the recognized interest rate is immaterial. In this case, classification and measurement changes are not anticipated. A change in the internal process for the management of accounts receivable is anticipated; due to the new model of expected credit losses that requires the creation of a provision at the time the account receivable is initially recognized. Nevertheless, the Entity anticipates that this does not represent a negative effect in their business operating activities or in the way how they settle operations with suppliers and clients. The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.
Impairment of accounts receivable	The Entity's Management anticipates that the application of the IFRS 9 could have an important impact in the financial assets amounts reported by the Entity. The new impairment model is a model of expected credit losses, which will result in an early recognition of credit losses. The computation of the impairment of the accounts receivable, is in the process of determining the new methodology; however, since there are only accounts receivable in the short term, the simplified practical method will be used to evaluate the asset during the life of the instrument. The impacts of the application of the same are still quantified. The Entity has confirmed that their actual hedging relations will qualify as hedging instruments under the scope of IFRS 9; hence, an elimination of any hedging relation is not anticipated. The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.
Hedge Accounting	IFRS 9 allows effectiveness to have a qualitative or quantitative tracking of the hedging relations; thereafter, the Entity has applied the guidelines to establish the definitions of the types of hedging relations it manages. Despite this fact, there are qualitative changes to be made in the documentation required for the hedging relations. Therefore, changes in the currently applied hedge accounting are not anticipated by the Management.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Entity will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which establishes a 5-step model to determine the timing and amount to be applied accounted for the revenue recognition. The new standard replaces existing revenue recognition guidelines, including the IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The standard is effective for annual periods beginning on January 1, 2018. The Entity adopted the IFRS 15 in its consolidated financial statements on January 1, 2018 using modified retrospective approach.

The transition considerations that the Entity take into account by applying the modified retrospective approach in the adoption of IFRS 15 involve the recognition of the cumulative effect of the adoption of IFRS 15 as of January 1, 2018; consequently, there is no obligation under this method to restate the comparative financial information for the years ended December 31, 2016 and 2017, nor to adjust the amounts that arise as a result of the accounting differences between the current accounting standard IAS 18 and the new standard, IFRS 15.

The Entity has conducted a qualitative and quantitative evaluation of the impacts that the adoption of IFRS 15. The evaluation included, among others, the following activities:

- Analysis of contracts with customers and their main characteristics;
- Identification of the performance obligations included in such contracts;
- Determination of the transaction price and the effects derived from by the variable consideration;
- Allocation of the transaction price to each performance obligation;
- Analysis of the timing when the revenue should be recognized, either at a point in time or over time, as appropriate;
- Analysis of the disclosures required by the IFRS 15 and their impacts on internal processes and controls; and
- Analysis of the potential costs of obtaining and fulfilling contracts with customers that should be capitalized.

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the consolidated financial statements. In 2017 the Entity developed and started testing of appropriate internal controls, policies and procedures necessary to collect and disclose the required information.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.

IFRS 16, *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 was issued in January 2017 and will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. "Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of –use asset and a corresponding liability have to recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payment as well as the impact of lease modifications, among the others. Furthermore, the classification of cash flows will also affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    (i) The original liability is derecognised;

    (ii) The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

    (iii) Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.

The Directors of the Entity do not anticipate that the application of the amendments in the future will have a significant impact on the Entity's consolidated financial statements as the Entity does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Directors of the Entity anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

The Directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The Directors of the Entity anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should there be a change in use of any of its properties.

The Directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

Annual Improvements to IFRS 2014 - 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Entity. The package also includes amendments to IFRS 12 which is mandatorily effective for the Entity in the current year - see note 2.1 for details of application.

The amendments to IAS 28 clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The Directors of the Entity do not anticipate that the application of the amendments in the future will have any impact on the Entity consolidated financial statements as the Entity is neither a first-time adopter of IFRS nor a venture capital organization. Furthermore, the Entity does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The Directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements. This is because the Entity already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

26. Financial statement issuance authorization

On April 19, 2018, the issuance of the accompanying consolidated financial statements was authorized by Mr. Jorge Sapien A., Chief Financial Officer, consequently, they do not reflect events occurred after that date. These consolidated financial statements are subject to the approval of the Ordinary Shareholders' Meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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ISSUER

Sixsigma Networks México, S.A. de C.V. (KIO Networks)
Prolongación Paseo de la Reforma No. 5287,
Col. Cuajimalpa, 05000,
Ciudad de México
México

LEGAL ADVISORS

To the Issuer

As to U.S. law
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
United States of America

As to Mexican law
González Calvillo, S.C.
Montes Urales 632, Piso 3
Lomas de Chapultepec
C.P. 11000, Ciudad de México
México

To the Initial Purchasers

As to U.S. law
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
United States of America

As to Mexican law
Ritch, Mueller, Heather y Nicolau, S.C.
Avenida Pedregal 24
Piso 10
Colonia Molino del Rey
11040 Ciudad de México
Mexico

INDEPENDENT ACCOUNTANT

PricewaterhouseCoopers, S.C.
Mariano Escobedo 573
Col. Rincón del Bosque
11580 Ciudad de México
México

TRUSTEE, REGISTRAR, PAYING AGENT AND TRANSFER AGENT

Citibank, N.A.

(for transfers, exchanges or surrender of the Notes)
480 Washington Boulevard, 30th Floor
Jersey City, New Jersey 07319
Attention: Securities Window-KIO

(for all other purposes)
388 Greenwich Street
New York, New York 10013
Attention: Citibank Agency & Trust-KIO

SINGAPORE LISTING AGENT

Allen & Gledhill LLP
One Marina Boulevard #28-00
Singapore 018989

KIO Networks®