IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering memorandum attached to this electronic submission (this "*Offering Memorandum*"), and you are advised to read this disclaimer page carefully before reading, accessing or making any other use of this Offering Memorandum. In accessing this Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to it from time to time, each time you receive any information as a result of such access. You acknowledge that you will not forward this electronic submission or this Offering Memorandum to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "*QIB*") THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, OR (4) PURSUANT TO ANY EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART IS PROHIBITED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: You have been sent this Offering Memorandum on the basis that you have confirmed to the initial purchasers, being the sender of the attached that: (i) you have understood and agree to the terms set out herein, (ii) you consent to the delivery of this Offering Memorandum by electronic transmission, (iii) you are either (a) not a U.S. person (within the meaning of Regulation S of the Securities Act), and are not acting for the account or benefit of any U.S. person or (b) a person that is a QIB, (iv) you will not transmit this Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the initial purchasers, and (v) you acknowledge that you will make your own assessment regarding any legal, tax or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to deliver this Offering Memorandum, electronically or otherwise, to any person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable securities laws of other jurisdictions.

This Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently, none of the issuer, the guarantor or the initial purchasers or any person who controls them or any of their directors, officers, employees or agents, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the issuer or the initial purchasers.

OFFERING MEMORANDUM STRICTLY CONFIDENTIAL

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V.
U.S.$600,000,000

6.375% Senior Notes due 2028

We are offering U.S.$600,000,000 aggregate principal amount of our 6.375% Senior Notes due 2028 (the "*Notes*"). We will pay interest on the Notes semi-annually in arrears on March 20 and September 20 of each year, commencing on March 20, 2022. The Notes will mature on September 20, 2028.

We may redeem the Notes, in whole or in part, at any time on or after September 20, 2025 at the applicable redemption prices set forth in this offering memorandum (this "*Offering Memorandum*"), plus accrued and unpaid interest and Additional Amounts (as defined herein) thereon. Prior to September 20, 2025, we may also redeem the Notes, in whole or in part, at a redemption price based on a "make-whole" premium plus accrued and unpaid interest and Additional Amounts thereon. In addition, at any time prior to September 20, 2025, we may redeem up to 40% of the Notes at a redemption price equal to 106.375% of their principal amount, plus accrued and unpaid interest and Additional Amounts thereon, using the proceeds of certain equity offerings. In the event of certain changes in Mexican withholding tax, we may redeem the Notes, in whole but not in part, at 100.000% of their principal amount, plus accrued and unpaid interest and Additional Amounts thereon. There is no sinking fund for the Notes. If a Change in Control Triggering Event (as defined herein) 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 101.000% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts thereon.

The Notes will be unconditionally guaranteed by our subsidiary, Total Box, S.A. de C.V. (the "*Guarantor*"). The Notes and the guarantee will be our and the Guarantor's senior unsecured obligations (subject to certain statutory preferences under Mexican law, such as tax, social security, and labor obligations), and will rank equally in right of payment to all of our and the Guarantor's respective existing and future senior unsecured indebtedness. The Notes and the guarantee will rank effectively junior in right of payment to any of our and the Guarantor's respective existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness.

See "Risk Factors" beginning on page 22 for a description of certain risks you should consider before investing in the Notes.

Price: 100.000% plus accrued interest, if any, from September 20, 2021.

The Notes have not been registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), or any state securities law. Accordingly, the Notes are being offered and sold only to qualified institutional buyers (each a "*QIB*") in accordance with Rule 144A ("*Rule 144A*") under the Securities Act and outside the United States in accordance with Regulation S ("*Regulation S*") under the Securities Act. Prospective investors that are QIBs 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 certain restrictions on transfers of the Notes, see "Plan of Distribution" and "Transfer Restrictions."

We have applied to list the Notes for quotation on the Singapore Exchange Securities Trading Limited (the "*SGX-ST*"). The SGX-ST assumes no responsibility for the correctness of any information contained in this Offering Memorandum. The admission of the Notes to the official list of the SGX-ST is not an indication of the merits of us or the Notes. The Notes will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) as long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

The information in this Offering Memorandum is our exclusive responsibility and it has not been reviewed or authorized by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, or the "*CNBV*"). The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*, or the "*RNV*") maintained by the CNBV, and, therefore, may not be publicly offered or sold or otherwise be the subject of brokerage activities in Mexico, except that the Notes may be offered and sold in Mexico, on a private placement basis, to persons that are Institutional Investors (*Inversionistas Institucionales*) or Accredited Investors (*Inversionistas Calificados*), pursuant to the private placement exemption of Article 8, Section 1 of the Mexican Securities Market Law (*Ley del Mercado de Valores*, or the "*Securities Market Law*") and the regulations thereunder. As required under the Securities Market Law, we will notify the CNBV of the offering and issuance of the Notes outside of Mexico, and the main terms of the Notes. Such notice will be submitted to the CNBV to comply with article 7 of the Securities Market Law, for informational purposes only and does not 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 herein. This Offering Memorandum may not be publicly distributed in Mexico. The acquisition of the Notes by any investors, including any investor who is a resident of Mexico, will be made based on such investor's responsibility.

The Notes will be represented by global notes in registered form. We expect that the notes will be delivered to purchasers in book-entry form through The Depository Trust Company ("*DTC*") and its direct and indirect participants, including Clearstream Banking S.A. ("*Clearstream*") and Euroclear Bank SA/NV, as operator of the Euroclear System ("*Euroclear*"), on or about September 20, 2021.

Global Coordinators and Lead Bookrunners

Barclays **Credit Suisse** **Jefferies**

Bookrunner

BCP Securities

Co-Manager

Alterna

The date of this Offering Memorandum is September 13, 2021.

TABLE OF CONTENTS

	Page
Summary	1
Risk Factors	22
Use of Proceeds	41
Exchange Rates and Currency	42
Capitalization	43
Selected Historical Financial and Operating Data	44
Management's Discussion and Analysis of Financial Condition and Results of Operations	49
The Total Play Group	70
Regulation	102
Management	109
Principal Shareholders	113
Related Party Transactions	114
Description of Principal Existing Indebtedness	117
Description of the Notes	122
Clearing and Settlement	177
Taxation	180
Plan of Distribution	186
Transfer Restrictions	194
Legal Matters	196
Independent Auditors	197
Principal Office of the Issuer	198
Financial Statements	F-1

Unless otherwise indicated, references in this Offering Memorandum to "*Total Play*" or the "*Issuer*" are to Total Play Telecomunicaciones, S.A. de C.V., the issuer of the Notes, on an unconsolidated basis; references in this Offering Memorandum to the "*Guarantor*" are to our subsidiary, Total Box, S.A. de C.V., the guarantor of the Notes; and references in this Offering Memorandum to the "*Total Play Group*," "*we*," "*our*," "*ours*," "*us*" or similar terms are to Total Play and all of its subsidiaries on a consolidated basis.

In addition, the term "*Mexico*" refers to the United Mexican States (*Estados Unidos Mexicanos*) and the phrase the "*Mexican government*" refers to the federal government of Mexico.

Prospective investors should rely only on the information contained in this Offering Memorandum. None of the Issuer, the Guarantor or Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Jefferies LLC, BCP Securities LLC or Alterna Securities, Inc. (collectively, the "*Initial Purchasers*") nor any other person has authorized anyone to provide prospective investors with information that is different. This document may only be used where it is legal to sell the Notes (or beneficial interests therein). The information in this Offering Memorandum is only accurate on the date of this Offering Memorandum.

The Initial Purchasers make no representation or warranty to any investor, prospective investor or other person as to the accuracy or completeness of the information contained in this Offering Memorandum, and nothing herein will be deemed to constitute such a representation or warranty by the Initial Purchasers or a promise or representation as to our future performance or the future performance of the Notes. None of the Initial Purchasers nor any of their respective officers, employees, affiliates, counsel, agents or other representatives is responsible for this Offering Memorandum or any portion hereof (including the accuracy of any information herein or any omission herefrom) and (except to the extent required by applicable law) no such person will have any liability to any investor or any other person for any reason with respect hereto.

Prospective investors should assume that the information appearing in this Offering Memorandum is accurate as of the date on the front cover of this Offering Memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this Offering Memorandum.

This Offering Memorandum has been prepared for use solely in connection with the proposed offering of the Notes. This Offering Memorandum does not constitute an offer to any person (other than the offeree to whom it has been delivered), or to the public in general, to subscribe for or otherwise acquire the Notes. No one is authorized to give information with respect to the offer and sale of the Notes other than that contained in this Offering Memorandum. This Offering Memorandum may be used only for the purpose for which it has been published.

This Offering Memorandum is intended solely for the purpose of soliciting indications of interest in the Notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions relating to the terms of the Notes contained in the indenture pursuant to which the Notes will be issued.

This Offering Memorandum has been prepared by us based upon our own information and information obtained from Mexican authorities or published sources. We have taken all reasonable care to ensure: (a) that the information contained in this Offering Memorandum in relation to us and the Notes is true and complete in all material respects and in accordance with the facts and does not omit anything that is likely to affect its import and (b) that there are no material facts, the omission of which would make any statement herein misleading. Furthermore, the market information in this Offering Memorandum has been obtained by us from publicly available sources deemed by us to be reliable. We do not accept responsibility for correctly extracting and reproducing such information. Notwithstanding any investigation that the any Initial Purchaser may have conducted with respect to the information contained in this Offering Memorandum, the Initial Purchasers accept no liability in relation to the information contained in this Offering Memorandum or its distribution or with regard to any other information supplied by us or on our behalf.

The Notes offered through this Offering Memorandum are subject to restrictions on transferability and resale and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration (or exemption from registration) under such laws. By purchasing the Notes, prospective investors will be deemed to have made certain acknowledgments, representations, warranties and agreements as set forth under "Transfer Restrictions."

Each prospective investor should be aware that it may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, prospective investors must rely on their examination of us and the terms of this offering, including the merits and risks involved.

Notwithstanding anything herein to the contrary, except as reasonably necessary to comply with applicable securities laws, prospective investors (and each employee, representative or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analysis) that are provided to prospective investors relating to such tax treatment and tax structure. For this purpose, "*tax structure*" is limited to facts relevant to the U.S. federal income tax treatment of the offering of the Notes but does not include any other information.

The Notes represent obligations of the Issuer, the repayment of which is guaranteed by the Guarantor, and do not represent interests in, or obligations of, any other person.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "*SEC*"), any state securities commission or any other U.S., Mexican or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary may be a criminal offense.

The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons that come into possession of this Offering Memorandum are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction in which such offer or solicitation is unlawful. Prospective investors must comply with all applicable laws and regulations in force in any jurisdiction in which such prospective investor purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum and must obtain any consent, approval or permission required for the purchase, offer or sale of the Notes by such prospective investor under the laws and regulations in force in any jurisdiction to which such prospective investor is subject or in which such prospective investor make such purchases, offers or sales, and neither we nor the Initial Purchasers will have any responsibility therefor.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum and, if given or made, such information or representations must not be relied upon by any investor or prospective investor as having been authorized by us, the Initial Purchasers or any director, employee, affiliate, counsel, agent or other representative of any such person. The delivery of this Offering Memorandum at any time does not imply that information herein is correct as of any time after the date hereof. No Notes (or beneficial interests therein) may be sold without delivery of this Offering Memorandum.

Prospective investors are not to construe the contents of this Offering Memorandum or any previous or subsequent communications from us, the Initial Purchasers or any of their respective officers, employees, affiliates, counsel, agents or other representatives as investment, legal, accounting, regulatory, tax or other advice. Before investing in any Note, a prospective investor should consult with its own business, legal, accounting, regulatory, tax and other advisors to determine the appropriateness and consequences of an investment in the Notes in such prospective investor's specific circumstances and arrive at an independent evaluation of the investment based upon, among other things, its own views as to the risks associated with the us and the Notes. Investors whose investment authority is subject to legal restrictions should consult their legal advisors to determine whether and to what extent the Notes constitute legal investments for them.

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 in connection with resales of Notes, we will be required under the indenture pursuant to which the Notes will be issued, upon the request of a holder of 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 either furnish information to the SEC in accordance with 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 Av. San Jerónimo 252, Colonia La Otra Banda 04519, 14000, Mexico City, Mexico, Attention: Alejandro Enrique Rodríguez Sánchez.

NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE)

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "*OMP Regulations 2018*"), we have determined the classification of the Notes as prescribed capital markets products (as defined in the OMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA 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 (the "*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*"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "*Insurance Distribution 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 Regulation (EU) 2017/1129 (as amended, the "*Prospectus Regulation*"). 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. This Offering Memorandum has been prepared on the basis that any offer of Notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS AND NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

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 United Kingdom (the "*UK*"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "*EUWA*"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "*FSMA*") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "*UK*

Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “*UK PRIIPs Regulation*”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. This Offering Memorandum has been prepared on the basis that any offer of Notes in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of notes. This Offering Memorandum is not a prospectus for the purposes of the UK Prospectus Regulation.

In the UK, this Offering Memorandum and any other material in relation to the Notes described herein are being distributed only to, and are directed only at, persons who are “*qualified investors*” (as defined in the UK Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “*Order*”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute them, all such persons together being referred to as “*Relevant Persons*.” In the UK, the Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes will be engaged in only with, Relevant Persons. This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the UK. Any person in the UK that is not a Relevant Person should not act or rely on this Offering Memorandum or its contents. The Notes are not being offered to the public in the UK.

Persons into whose possession this Offering Memorandum may come are required by the Issuer and the Initial Purchasers to inform themselves about and to observe such restrictions.

NOTICE TO RESIDENTS OF MEXICO

The Notes have not been and will not be registered with the RNV maintained by the CNBV and therefore the Notes may not be publicly offered or sold or otherwise be the subject of brokerage activities in Mexico, except that the Notes may be offered and sold in Mexico, on a private placement basis, to investors that qualify as Institutional Investors (*Inversionistas Institucionales*) or Accredited Investors (*Inversionistas Calificados*), pursuant to the private placement exemption set forth in Article 8, Section 1 of the Securities Market Law and the regulations thereunder. As required under the Securities Market Law, the Issuer and the Guarantor will notify the CNBV of the offering and issuance of the Notes outside of Mexico, through the Issuer and the Guarantor, and the main terms of the Notes. Such notice will be submitted to the CNBV to comply with article 7, second paragraph, of the Securities Market Law and articles 24 Bis and 24 Bis 1 of the General Regulation Applicable to Securities Issuers and Other Securities Market Participants (*Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*), for statistical and informational purposes only and does not imply any certification as to the investment quality of the Notes, the solvency, liquidity or credit quality of the Issuer and the Guarantor or the accuracy or completeness of the information set forth herein. This Offering Memorandum may not be publicly distributed in Mexico. The information contained in this Offering Memorandum is exclusively the responsibility of the Issuer and the Guarantor and has not been reviewed or authorized by the CNBV. The acquisition of the Notes by any investor who is a resident of Mexico will be made under such investor’s responsibility.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains statements that constitute forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding our future financial position and results of operations strategy, plans, objectives, goals and targets and future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate in; and (ii) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "should," "estimates," "seeks," "forecasts," "expects," "may," "intends," "plans," "might," "could," "can," "would," "will," "target," "project," "continue," "aim," "likely" and similar expressions are intended to identify forward-looking statements but are not exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance. These statements are based in large part on current expectations and projections about future events and financial trends that affect or may affect our business, industry, financial condition, results of operations or prospects and/or cash flow. Although we believe that these estimates and forward-looking statements are based on reasonable assumptions, these estimates and statements are subject to several risks and uncertainties and are made in light of the information currently available to us. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution prospective investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements, including the following factors:

- the economic, financial, political and public health effects of the coronavirus SARS-CoV2 ("*COVID-19*") pandemic (or any other pandemics, epidemics or similar health crises), in Mexico and around the world, and any restrictive measures imposed by governmental authorities to mitigate the outbreak, and to the extent that they continue to have materially adverse macroeconomic effects, they may intensify the impact of the other risks to which we are subject;
- our ability to implement, in a timely and efficient manner, any measure required to respond to or mitigate the impacts of the COVID-19 pandemic on our business, operations, cash flows, prospects, liquidity and financial condition;
- our ability to anticipate and efficiently respond to temporary or long-term changes in the behavior of our consumers due to the COVID-19 pandemic or to other pandemics, epidemics or similar health crises, even after the outbreak has been sufficiently controlled;
- risks related to our plans and objectives for future operations and expansion or consolidation;
- risks related to our ability to integrate successfully operations that we may acquire or develop in the future, including the risk that any such integration could be more difficult, time-consuming or costly than expected;
- risks related to our business, strategy, expectations about growth in demand for our services and business operations, financial condition and results of operations;
- our access to funding sources, and the cost of funding;
- changes in regulatory administrative or economic conditions affecting the telecommunications markets;
- telecommunications usage levels, including traffic and customer growth;
- competitive forces and competition, including pricing pressures, the ability to connect to other operators' networks and our ability to retain market share in the face of competition from existing and new market entrants as well as industry consolidation;
- legal or regulatory developments and changes, or changes in governmental policy, including with respect to availability of licenses, the level of tariffs, tax matters, the terms of interconnection, customer access and international settlement arrangements;
- delays in implementing new technologies or service access networks;
- our ability to anticipate increased use of bandwidth-intensive services;

- our ability to address service interruptions and delays or to properly deal with interruptions or cyber-attacks that affect our IT systems;
- our ability to maintain and expand our telecommunications network;
- risks associated with market demand for and liquidity of the Notes;
- foreign currency exchange fluctuations relative to the U.S. dollar against the Mexican peso;
- risks related to Mexico's social, political or economic environment;
- the level and timing of the growth and profitability of new initiatives, start-up costs associated with entering new markets, the successful deployment of new systems and applications to support new initiatives;
- our ability to maintain existing relationships with our content providers on reasonable economic terms;
- our ability to comply with the terms of our operating concession and licenses;
- relationships with key suppliers and costs of technologies, set-top boxes and other equipment;
- technological advances, developments and evolving industry standards, including challenges in meeting customer demand for new technology and the cost of upgrading existing infrastructure;
- changes in our financial condition;
- our dependence on intellectual property rights and on not infringing on the intellectual property rights of others;
- labor relations with our employees or increases in labor costs, including but not limited to those arising from the amendments to the Mexican Federal Labor Law and the Mexican Social Security Law;
- other factors or trends affecting our financial condition or results of operations;
- the effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives and monetary or fiscal policy in Mexico; and
- various other factors, including without limitation those described under "Risk Factors."

Prospective investors are cautioned that the foregoing list of significant factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Offering Memorandum may not in fact occur. Many of these risks are beyond our ability to control or predict. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this Offering Memorandum.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended.

Prospective investors should read the sections in this Offering Memorandum entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "The Total Play Group" for a more complete discussion of the factors that could affect our future results and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. Moreover, no assurances can be given that any of the historical information, data, trends or practices mentioned and described in this Offering Memorandum are indicative of future results or events.

None of the Issuer, the Guarantor or the Initial Purchasers undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

DEFINITIONS OF CERTAIN INDUSTRY TERMS

Unless otherwise required by the context or explicitly stated, the following definitions shall apply throughout this Offering Memorandum.

"*ARPU*" refers to average revenue per user.

"*BRM*" refers to billing and revenue management.

"*Consolidated L2QA EBITDA*" refers to EBITDA for the most recently ended two consecutive fiscal quarters for which internal financial statements are available immediately preceding any calculation date, multiplied by two.

"*DDoS*" refers to distributed denial of service.

"*DNS*" refers to domain name server.

"*DTH*" refers to direct-to-home.

"*EBITDA*" refers to gross profit less network-related and selling and administrative general expenses.

"*EBITDA Margin*" refers to EBITDA divided by revenues from services.

"*FTTH*" refers to fiber-to-the-home.

"*FTTx*" refers to fiber-to-the-x.

"*Gbps*" refers to Gigabit per second.

"*GPON*" refers to gigabit passive optical network.

"*IPTV*" refers to internet protocol television.

"*ISP*" means an internet service provider.

"*LAN*" refers to Local Area Network.

"*MPLS*" refers to multiprotocol label switching.

"*MVNO*" refers to Mobile Virtual Network Operator.

"*OLTs*" refers to optical line terminals.

"*OTT*" means over-the-top.

"*PMP*" refers to point-to-multipoint.

"*PMS*" refers to property management system.

"*POPs*" refers to points of presence.

"*PoS*" refers to point-of-sale.

"*PTN*" refers to the public telecommunications network (*Red Pública de Telecommunicaciones*)

"*RGU*" refers to revenue generating unit.

"*SDWAN*" refers to Software-Defined Wide Area Network.

"*SMB*" refers to small- and medium-sized businesses.

"*Tbps*" refers to Terabits per second.

PRESENTATION OF FINANCIAL INFORMATION AND OTHER INFORMATION

Financial Statements

Our audited consolidated financial statements as of and for the years ended December 31, 2020 and 2019 and as of December 31, 2019 and 2018 and, in each case, the related notes thereto included herein (the "*Annual Consolidated Financial Statements*") and our unaudited condensed interim consolidated financial statements as of and for the six months in the period ended June 30, 2021 and 2020 and the related notes thereto included herein (the "*Interim Consolidated Financial Statements*" and, together with the Annual Consolidated Financial Statements, the "*Consolidated Financial Statements*") have been prepared and are presented in accordance with International Financial Reporting Standards (collectively, "*IFRS*") issued by the International Accounting Standards Board ("*IASB*"). In addition, our Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting," as issued by IASB.

The Annual Consolidated Financial Statements included in this Offering Memorandum have been audited by Mazars Auditores, S. de R.L. de C.V., independent auditors, as stated in their reports appearing herein.

With respect to the Interim Consolidated Financial Statements, Mazars Auditores, S. de R.L. de C.V., independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on the Interim Consolidated Financial Statements. Accordingly, the degree of reliance placed on their report on such information should be measured in light of the limited nature of the review procedures applied.

The Annual Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years then ended included herein present depreciation and amortization associated with customer acquisition costs as a separate line-item called "subscriber acquisition costs." The Annual Consolidated Financial Statements as of December 31, 2020 and 2019 and for the years then ended and the Interim Consolidated Financial Statements included herein present depreciation and amortization associated with customer acquisition costs with other depreciation and amortization costs and expenses under the line item "depreciation and amortization." Unless otherwise stated, in order to present our results of operations and financial condition consistently over the periods presented in this Offering Memorandum, we have eliminated references to the line item "subscriber acquisition costs" and have included depreciation and amortization associated with customer acquisition costs with other depreciation and amortization costs and expenses under the line item "depreciation and amortization." As a result, certain line items as of December 31, 2019 and 2018 and for the years then ended included in this Offering Memorandum differ from such line items as presented in the Annual Audited Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years then ended.

The Annual Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years then ended included herein present the banking commissions expense as part of our "Financial cost" line. The Annual Consolidated Financial Statements as of December 31, 2020 and 2019 and for the years then ended and the Interim Consolidated Financial Statements included herein present the banking commissions expense as part of our "Other expenses" line. As a result, our unaudited condensed interim consolidated financial statements as of and for the six months ended June 30, 2020 and 2019 were accordingly modified to be comparable. For the Annual Consolidated Financial Statements as of December 31, 2019 and 2018 and for the years then ended, no modification was made since the amounts of the banking commissions were immaterial.

Market Information

The market information presented or referred to throughout this Offering Memorandum concerning the industry in which we operate was obtained from or generally based on market research, publicly available information and industry publications believed to be reliable. We have included or generally based such information from reports prepared by established sources, such as the Mexican Federal Institute of Telecommunications (*Instituto Federal de Telecomunicaciones*, the "*IFT*"), among others. We have derived certain market information from a 2020 KPMG market study and a 2021 KPMG report, comissioned by us, that summarizes the strategy and future objectives of our business.

Although the information contained in such publications is derived from sources considered trustworthy and reliable, neither we nor the Initial Purchasers have independently verified and cannot guarantee the accuracy of such information. We have no reason to believe any of this information is inaccurate in any material respect.

During the second quarter of 2021, the National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía,* or "*INEGI*") released the updated number of homes across Mexico, based on the 2020 Population and Housing Census. Using the recently published figures by INEGI, Total Play increased the number of homes passed by 1,326,055, to reach a total of 12,504,178 as of June 30, 2021. Additionally, we released certain technical restrictions where we carried out pipelines and connections to be able to enter and provide services in properties and restricted housing subdivisions since 2010. This release totals 719,099 homes passed. As a result of these adjustments, our total homes passed as of June 30, 2021 was equal to 13.2 million.

Disclosure herein (including penetration percentages and homes passed) may not be consistent with comparable disclosure included in the offering memorandum relating to the offering of our 7.500% Senior Notes due 2025 (our "*Senior Notes due 2025*") due to additional disclosures and information that have become available to us since the date of that offering memorandum.

In the first half of 2021, to improve our operations and better target small businesses with our existing work force, we retroactively recategorized fewer than 18,000 existing small business customer accounts that were formerly part of our *Totalplay Empresarial* segment into our Totalplay Residential segment.

Rounding

Certain amounts and percentages that appear in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the arithmetic sum of the figures that precede them.

Translation of Mexican Peso Amounts into U.S. Dollars

The financial and other information appearing in this Offering Memorandum is presented in Mexican pesos. In this Offering Memorandum references to "*pesos*" or "*Ps.*" are to Mexican pesos and references to "*U.S. dollars*" or "*U.S.$*" are to United States dollars. This Offering Memorandum contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These 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 rate indicated or at all. The exchange rate we use for those convenience translations is not necessarily the same rate we used in preparing our Consolidated Financial Statements. This may mean, for example, that U.S. dollar items in our Consolidated Financial Statements (including expenses and liabilities) may have been translated into pesos using one exchange rate and reconverted to U.S. dollars using the convenience translation exchange rate. Unless otherwise indicated, U.S. dollar amounts that have been translated from pesos have been so translated at an exchange rate of Ps.19.9062 per U.S.$1.00, the rate calculated by the Mexican Central Bank (*Banco de México*, or the "*Central Bank*") on June 30, 2021, and published on July 1, 2021 in the Mexican Official Gazette of the Federation (*Diario Oficial de la Federación,* or the "*Official Gazette*"), based on the average of wholesale foreign exchange market quotes for transactions settling within two banking business days (the "*Mexican Central Bank Exchange Rate*"). As of September 6, 2021, the Mexican Central Bank Exchange Rate for wire transfers in pesos per U.S. dollar was Ps.19.8878 per U.S.$1.00.

Non-IFRS Financial Measures

This Offering Memorandum contains certain non-IFRS financial measures, including "EBITDA," "Consolidated L2QA EBITDA," "Consolidated LTM 2Q21 EBITDA," "EBITDA Margin," "Pro forma Total Debt," "Pro forma Net Debt," "Net Debt," "Pro forma Consolidated L2QA EBITDA," "Pro forma Consolidated LTM 2Q21 EBITDA," "Total Debt/EBITDA," "Net Debt/EBITDA," "Total Debt/Consolidated LTM 2Q21 EBITDA," "Total Debt/Consolidated L2QA EBITDA," "Net Debt/Consolidated LTM 2Q21 EBITDA," "Pro forma Net Debt/Consolidated LTM 2Q21 EBITDA," "Net Debt/Consolidated L2QA EBITDA," "Pro forma Net Debt/Consolidated L2QA EBITDA," "Consolidated Net Leverage Ratio," "Secured Debt," "Consolidated Secured Net Leverage Ratio," "Net Secured Debt/Consolidated L2QA EBITDA" and "Pro forma Net Secured Debt/Consolidated L2QA EBITDA" with respect to us that our management uses to evaluate our performance and that are not presented in accordance with IFRS and that we refer to as "non-IFRS financial measures." This additional financial information has been presented because we believe these measures may assist in the understanding of our results of operations by providing additional information on what we consider to be the principal drivers of our results of operations.

These non-IFRS financial measures have important limitations as analytical tools, and prospective investors should not consider them in isolation or as a basis or substitute for analysis of our results of operations or as an

indicator of our operating performance or liquidity. “EBITDA,” “Consolidated L2QA EBITDA,” “Consolidated LTM 2Q21 EBITDA,” “EBITDA Margin,” “Pro forma Total Debt,” “Pro forma Net Debt,” “Net Debt,” “Pro forma Consolidated L2QA EBITDA,” “Pro forma Consolidated LTM 2Q21 EBITDA,” “Total Debt/EBITDA,” “Net Debt/EBITDA,” “Total Debt/Consolidated LTM 2Q21 EBITDA,” “Total Debt/Consolidated L2QA EBITDA,” “Net Debt/Consolidated LTM 2Q21 EBITDA,” “Pro forma Net Debt/Consolidated LTM 2Q21 EBITDA,” “Net Debt/Consolidated L2QA EBITDA,” “Pro forma Net Debt/Consolidated L2QA EBITDA,” “Consolidated Net Leverage Ratio” “Secured Debt,” “Consolidated Secured Net Leverage Ratio,” “Net Secured Debt/Consolidated L2QA EBITDA” and “Pro forma Net Secured Debt/Consolidated L2QA EBITDA” and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Prospective investors should exercise caution in comparing these measures or data as reported by us to measures reported by other companies. “EBITDA,” “Consolidated L2QA EBITDA,” “Consolidated LTM 2Q21 EBITDA,” “EBITDA Margin,” “Pro forma Total Debt,” “Pro forma Net Debt,” “Net Debt,” “Pro forma Consolidated L2QA EBITDA,” “Pro forma Consolidated LTM 2Q21 EBITDA,” “Total Debt/EBITDA,” “Net Debt/EBITDA,” “Total Debt/Consolidated LTM 2Q21 EBITDA,” “Total Debt/Consolidated L2QA EBITDA,” “Net Debt/Consolidated LTM 2Q21 EBITDA,” “Pro forma Net Debt/Consolidated LTM 2Q21 EBITDA,” “Net Debt/Consolidated L2QA EBITDA,” “Pro forma Net Debt/Consolidated L2QA EBITDA,” “Consolidated Net Leverage Ratio” “Secured Debt,” “Consolidated Secured Net Leverage Ratio,” “Net Secured Debt/Consolidated L2QA EBITDA” and “Pro forma Net Secured Debt/Consolidated L2QA EBITDA” are not measures of financial performance or liquidity under IFRS, and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS, such as operating results and cash flows from operating, financing and investing activities. These non-IFRS financial measures should be viewed as supplemental to, and not substitutive for, the Consolidated Financial Statements included elsewhere in this Offering Memorandum. Because this financial information is not prepared in accordance with IFRS, investors are cautioned not to place undue reliance on this information. For a reconciliation of these Non-IFRS financial measures to the most directly comparable IFRS measures, see “Selected Historical Financial and Operating Data.”

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

Each of the Issuer and Total Box, S.A. de C.V. is a corporation incorporated and organized in accordance with the laws of Mexico. All the directors, officers and controlling persons of the Issuer and the Guarantor are non-residents of the United States. In addition, all or a substantial portion of their respective assets and those of their respective directors, officers and controlling persons are located outside 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 to enforce judgments against them, including in any action based on civil liabilities under the civil liability provisions of United States federal securities laws.

Total Play and the Guarantor have been advised by their Mexican counsel, Nader, Hayaux y Goebel, S.C., that there is doubt as to the enforceability against the Issuer and the Guarantor and the respective directors, officers and controlling persons in Mexico, whether in original actions in Mexico or in actions seeking enforcement of judgments rendered by U.S. courts, of liabilities based solely upon the U.S. federal securities laws.

Total Play and the Guarantor have been advised by such Mexican counsel that no bilateral treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of civil foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment, in order to ascertain among other matters, whether Mexican legal principles of due process and the non-violation of Mexican law and/or Mexican public policy (*orden público*), among other requirements set forth under Mexican law, have been duly complied with, without reviewing the merits of the subject matter of the case, provided that U.S. courts recognize the principles of reciprocity and would enforce Mexican judgments as a matter of reciprocity.

SUMMARY

This summary highlights information described in greater detail elsewhere in this Offering Memorandum. It does not contain all of the information that may be important to you. Before investing in the Notes, you should carefully read the entire Offering Memorandum and pay special attention to the financial statements and accompanying notes thereto included elsewhere in this Offering Memorandum and the information presented in "Forward Looking Statements," "Risk Factors," "Selected Historical Financial and Operating Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "The Total Play Group." You should also carefully read the "Description of the Notes" that sets forth the covenants, terms and conditions that will apply to the Notes.

Overview

We are a leading, high-growth, Mexican telecommunications company dedicated to providing broadband, entertainment and productivity services over one of the largest fiber-only networks in Mexico. We offer world-class (i) Double-Play (fixed telephony and broadband internet services or pay-TV and broadband internet services) and Triple-Play (fixed telephony, pay-TV and broadband internet services) packages for residential customers and (ii) industry leading telecommunications and managed services for business customers, as well as federal and state government agencies and entities. We offer these services direct-to-home through a proprietary fiber optic (FTTH) network that, as of June 30, 2021, spanned more than 95,000 kilometers and included 693 GPON (*Gigabit Passive Optical Network*) OLTs and 1,068 access nodes. The network features broadband speed up to 1 Gb and was ranked #1 in internet speed in Mexico according to Netflix's monthly ISP (Internet Service Provider) index from October 2016 until February 2020 (when publication temporarily ceased) and again from January to July 2021 (upon resumption of publication).

Our internet services are world-class, optimizing the user experience for popular video streaming services, such as Netflix, YouTube, Amazon Prime Video, Instagram TV and Facebook Live. Our unique in-house developed IPTV system allows us to deliver 4K linear TV programming along with AnytimeTV, creating a non-linear customer experience. Embedded applications, such as HBOGo, Amazon Prime Video, and Netflix, are accessible directly from our set-top boxes and available on our system, providing a fully integrated entertainment center interface. Customer experience is further enhanced by our proprietary mobile app, which gives subscribers the ability to enjoy their favorite content with optimal streaming quality anywhere in the country. We were also the world's first adopter of addressable advertising, partnering with Google Ads to enable Mexican advertisers to target customers using our state-of-the-art ad insertion technology and behavioral analytics. As of June 30, 2021, in our residential business unit, Totalplay Residential, our network reached 57 cities in 24 Mexican states with 13.2 million homes passed and 2.9 million subscribers, representing 22.2% of our homes passed. As of June 30, 2021, approximately 64% of our 2.9 million Totalplay Residential customers had Triple-Play packages and approximately 36% had Double-Play packages.

Through our *Totalplay Empresarial* business unit, we offer private and publicly-listed companies and federal and state government agencies and entities industry-leading telecommunications and managed services including broadband internet access, encrypted private networks (SDWAN & MPLS), video surveillance, broadband interfaces, videoconferencing, cloud-based productivity suites, computing services, next-generation WiFi, and IT solutions. As of June 30, 2021, *Totalplay Empresarial* served customers located in 173 cities in all 32 states of Mexico and provided services at more than 111,000 locations (including multiple locations for the same customer) comprised of 104,394 locations of private and publicly-listed companies and 7,464 locations of federal and state government agencies and entities. As of June 30, 2021, approximately 58% of our *Totalplay Empresarial* revenues came from private and publicly-listed companies and approximately 42% from federal and state government agencies and entities.

Our fiber optic network is designed to offer greater capacity and reliability that is less dependent on the power grid than traditional technologies. In contrast, the hybrid copper-based and fiber optic networks used by some of our principal competitors provide inconsistent service offerings, speeds and user experience results that vary depending on the different regions and cities in which they operate. Our network has also been designed to be adaptable to future technological developments including 8K or HDR television content and to keep pace with bandwidth demand requirements as major content providers launch "over-the-top" video streaming applications requiring higher bandwidth.

Mexico has a relatively low penetration rate in the services we offer as compared to certain other countries in the hemisphere. The following table shows recent penetration rates (per each 100 homes) in fixed internet, pay-TV and fixed telephony access in Mexico as compared to certain other countries:

	Fixed Internet	Pay-TV	Fixed Telephony
		(%)	
Mexico	58	58	65
Argentina	64	68	54
Canada	104	68	88
Chile	57	57	54
United States	91	71	80

Source: IFT Quarterly Statistical Report for the Second Quarter of 2020.

In addition, despite the contraction of Mexico's gross domestic product ("*GDP*") by 8.2% during fiscal year 2020 as compared with fiscal year 2019, the telecommunications industry in Mexico has increased its contribution to Mexico's national GDP to 2.7% of GDP as of December 31, 2020, compared to 2.5% of GDP as of 2019 and 2.4% of GDP as of 2018. Accordingly, we believe the Mexican telecommunications sector has high growth potential (22% penetration), and we believe we are well-positioned to take advantage of that growth to increase our market share by leveraging our extensive and high-capacity fiber optic network, strong brand and high-quality services and content.

Data published by Bloomberg Market Intelligence estimates that fiber optic technology in Mexico will experience the highest growth in revenues in the period from 2021 to 2025, as compared to other technologies. We believe our technology and infrastructure gives us a significant advantage to exploit this growth opportunity without significant additional capital investment. In addition to our uniquely developed infrastructure, we also have a proven ability to market new or additional offerings to our current customers, through a data pool that provides us with detailed information on each customer's demographics, characteristics, content preferences and consumption behavior, allowing us to quickly and effectively segment our customers and offer them the most relevant products.

We have reduced our ratio of total debt to EBITDA from 23.1x at December 31, 2016 to 3.5x at June 30, 2021, in each case based on the applicable last 12 months of EBITDA. We have experienced high growth by reinvesting cash flow into expanding our network. For the six months ended June 30, 2021, we had revenues of Ps.13,195 million (U.S.$663 million) and net comprehensive income of Ps.252 million (U.S.$12 million) compared to revenues of Ps.8,878 million (U.S.$446 million) and net comprehensive loss of Ps.701 million (U.S.$35 million) for the comparable period in 2020. For the year ended December 31, 2020, we had revenues of Ps.19,557 million (U.S.$982 million) and net comprehensive loss of Ps.548 million (U.S.$28 million) compared to revenues of Ps.14,267 million (U.S.$717 million) and net comprehensive income of Ps.1,450 million (U.S.$73 million) for 2019. Our residential segment accounted for 72.1% of our revenues in 2020. Our revenues and EBITDA have grown at a compound annual growth rate of 23% and 35%, respectively, in the period 2018-2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our vision is to be the most innovative and best-in-class telecommunications company, information technology provider and digital entertainment provider, widely recognized as a market leader in Mexico. The work philosophy we apply to achieve this vision is based on the following strategic pillars:

- Be the leader in providing the most innovative telecommunications solutions by deploying the most advanced infrastructure to offer the fastest and highest-quality service while continuously developing cutting-edge products, such as AnytimeTV, 4K linear TV programming, addressable advertising, unparalleled streaming services and our own Totalplay mobile app.
- Provide exceptional customer service through our fast response times and by using our customer profiles and customization capabilities to tailor our response to each customer's needs.
- Increase product offerings to drive ARPU and RGU growth in both the Totalplay Residential and *Totalplay Empresarial* segments by providing differentiated quality service and content and positioning us to command premium pricing while simultaneously increasing our market share.
- Maximize profitability through a focus on (i) increased market penetration, (ii) increased lifetime value of each customer and (iii) controlling operating expenses. In particular, we have a low penetration rate in comparison to our already-deployed infrastructure and already-invested capital. Our current infrastructure with state-of-the-art technology is able to provide coverage to up to 13.2 million households allowing us to provide the fastest internet speed in Mexico, offer innovative products in

bundle packages and provide high-quality customer service while at the same time positioning us to increase *customer* numbers without additional costs.

- Create the ideal workplace with a focus on professional development, including through technical training and courses on financial education offered through the "Aprende y Crece" (Learn and Grow) program offered by Banco Azteca, a Grupo Salinas company. In addition, we intend to continue to participate in and expand on initiatives of Grupo Salinas (a Mexican group of companies under common ownership engaged in the Consumer Finance, Retail, Media and Telecommunications sectors, among others, and principally owned by the Salinas family) that promote a culture of environmental responsibility, such as "Un Nuevo Bosque" (A New Forest). For the fourth consecutive year, we received the Socially Responsible Company (ESR) award from the Mexican Center for Philanthropy (CEMEFI).

Our Service Offerings

We offer our residential customers Double-Play and Triple-Play services including broadband internet access, pay-TV and fixed telephony services through our Totalplay Residential business unit. We offer private sector companies and public sector entities telecommunication services and IT solutions that improve operation and business processes, including broadband internet access, Flexnet SDWAN Corporate connectivity, fixed wireless access, cloud solutions, cybersecurity, managed WiFi services, surveillance and IT solutions through our *Totalplay Empresarial* business unit. In addition, Total Box, S.A. de C.V., a subsidiary of Total Play, provides telecommunications terminal equipment and devices to Totalplay Residential customers.

The following table shows our revenues by type of service and as a percentage of total revenue for the six months ended June 30, 2021 and June 30, 2020:

	Six Months ended June 30,			
	2021		2020	
	(in millions of Ps., except percentages)			
Consolidated				
Pay television and audio, fixed telephony and internet access	9,559	72%	5,893	66%
Business-oriented services	3,148	24%	2,756	31%
Activation and installation fees	208	2%	94	1%
Advertising	103	1%	54	1%
Interconnection and long-distance fees	15	—	7	—
Other	162	1%	74	1%
Total	**13,195**	**100%**	**8,878**	**100%**

The following table shows our revenues by segment and as a percentage of total revenue for the six months ended June 30, 2021 and June 30, 2020:

	Six Months ended June 30,			
	2021		2020	
	(in millions of Ps., except percentages)			
Revenue from services				
Totalplay Residential	10,047	76%	6,123	69%
Totalplay Empresarial[1]	3,148	24%	2,755	31%
Total	**13,195**	**100%**	**8,878**	**100%**

[1] Ps.1,822 million and Ps.1,326 million were revenue from private and publicly-listed companies and federal and state government agencies and entities, respectively, as of June 30, 2021, compared to Ps.1,564 million and Ps.1,196 million, respectively, as of June 30, 2020.

Totalplay Residential

Totalplay Residential offers Double-Play and Triple-Play packages that feature high-quality content provided through a proprietary system that delivers a home entertainment experience that has been a point of reference in the Mexican and international markets for years. Our Double-Play offering consists of either fixed telephony and internet services or pay-TV and internet services, and our Triple-Play offering consists of fixed telephony, internet and pay-TV services. As of June 30, 2021, approximately 64% of the Totalplay Residential customer base had Triple-Play packages and approximately 36% had Double-Play packages. Totalplay Residential has just launched its newest set-

top box for its Triple-Play packages, which includes WiFi-6 and 4K video. Additionally, to improve our customer experience, the new set-top box comes with Alexa and a speaker designed by Bang Olufsen, offering the highest technology in the market.

Our Totalplay Residential product portfolio focuses on offering the ideal connectivity and entertainment plan, customized to the specific, individual needs of our target customers. The portfolio of services for our Totalplay Residential business unit includes linear TV, internet, fixed telephony and our own Totalplay mobile app:

- Linear TV. Our customers have access to 4K set-top boxes that feature a WiFi range extender and a decoder with HD technology at no additional cost. We offer access to more than 300 channels, including 125 HD channels (the most complete high-definition offering in Mexico) and four 4K channels (the only offer of this type in Mexico).
- Internet. Totalplay Residential's internet service differs from the competition in various important respects, including the following, among others:
  - We have a direct-to-home FTTH (*fiber to the home*) network which means that we offer residential customers a 100% fiber optic network direct-to-home (multi gigabit backbone), which enables us to offer plans with speeds up to 1 Gb (and effectively deliver them).
  - Our network offers IPV6, 4K and 8K services with the same quality in all coverage locations.
  - We provide multiple internet connections with Tier One providers in the United States, such as CenturyLink, TATA and Verizon, to deliver the best user experience.
- Application content. Totalplay Residential has developed its own user-friendly, graphic and intuitive TV interface that integrates popular apps, such as Netflix, YouTube, FOXplay, Prime Video, HBO Go, Google, Starz Play, Paramount, Nickelodeon play, MTV play, and others, offering customers the full complement of services available on these apps on a single platform and providing access on our IOS- and Android-compatible mobile app which offers Anytime video-on-demand, and payment and billing services.
- Telephony. Our Totalplay Residential mobile service customers receive worldwide coverage as if they were connecting on their land line (*Softphone* portability).

Totalplay Empresarial

Totalplay Empresarial offers telecommunications and IT solutions that solve connectivity requirements to improve operation and business processes. As of June 30, 2021, we provided services at more than 111,000 locations (including multiple locations for the same customer) comprised of 104,394 locations of private and publicly-listed companies and 7,464 locations of federal and state government agencies and entities. As of June 30, 2021, approximately 58% of our *Totalplay Empresarial* revenues came from private and publicly-listed companies and approximately 42% from federal and state government agencies and entities. Within the public sector, 26% of our customers are federal government entities and 74% are state government entities. As of June 30, 2021, our market coverage potentially included approximately 3.3 million business establishments (or 61% of the total market), of which we had 43,189 business customers.

Our *Totalplay Empresarial* network leverages the extensive fiber optics deployment of our Totalplay Residential business unit. Furthermore, we have metro Ethernet rings for high-capacity broadband connections that support *Totalplay Empresarial*'s coverage. Additionally, we have a PMP (point-to-multipoint) microwave network (on the 2.4GHz unlicensed spectrum band) which includes more than 520 base stations with 1,500 sectors, serving customers located in 173 cities and allowing us to deliver higher bandwidth availability to our business customers. This network overlays our FTTx (fiber-to-the-x) network and complements our coverage to provide connectivity in coverage areas where fiber optics is not available. Among the solutions we offer business customers are the following:

- Corporate Internet Broadband Access: High-capacity internet (symmetrical and asymmetrical), IP telephony, and value-added services (softphone, data backup, email marketing, G-suite, and online assistance, among others).

- Flexnet SDWAN Corporate Connectivity: We offer dedicated internet access, LAN-to-LAN (local area network) and MPLS (multiprotocol label switching) by using SDWAN (software-defined wide area network) as the underlying technology. This enables us to deliver services in less than five days "on-network." This solution is integrated with a PMP (point-to-multipoint) back-up link in the coverage area. Flexnet also offers a management portal for managing and monitoring business services. We also offer LAN to cloud services with main IaaS Cloud Service Providers (AWS, Google, Azure).

- Fixed Wireless Access with LTE: Through a partnership with Grupo Elektra, S.A.B. de C.V.'s ("*Grupo Elektra*") MVNO "*Oui*" and an agreement to resell wireless access from the wholesale wireless network sponsored by the Mexican government (ALTAN), we are able to offer back-up services when needed and/or complement coverage for specific customer locations where we cannot provide service using our own infrastructure.

- Cloud Solutions: Our cloud solutions include G-Suite, virtual servers, fleet management, Cloud PBX and secure web browsing. Cloud solutions allow our customers to save on equipment expenditures while offering multiple functionalities and/or applications that can be updated rapidly and remotely and offering secure, highly accessible, private and competitive cloud-based solutions.

- Hospitality Solutions: We provide IPTV solutions for the hospitality industry (hotels and hospitals) offering fully interactive and "distributed video" solutions.

- Other Services: We also provide services that include managed WiFi services, video surveillance, remote learning solutions, systems integration services, logical and cybersecurity services, collaboration services and digital transformation services.

Business Strengths

We believe the following core strengths have enabled us to capitalize on growth opportunities in the Mexican market and will allow us to execute our business strategy to continue expanding our customer base and consolidate our market share in the residential and business segments of the Mexican market and capitalize on expected fiber-optic technology growth in Mexico of 14% per year from 2021 through 2025:

Extensive network and infrastructure provides us with a superior and value-add platform. We are a leading telecommunications company in Mexico offering direct-to-home internet service and content on a network that is completely fiber optic. We believe that the size and reach of our fiber optic network positions us well to take advantage of projected growth in the media and telecommunications markets in Mexico. Our 100% fiber optic network delivers the fastest internet speed in Mexico and is designed to seamlessly accommodate new technology. In the period from 2015 to June 30, 2021, we invested an aggregate of Ps.51,697 million (U.S.$2.6 billion) in order to ensure that our infrastructure became and remains one of the most advanced in Mexico.

- We offer Double-Play and Triple-Play services which include broadband internet access, pay-TV and fixed telephony services for residential, business and government customers. In addition, our fiber optic network is designed to offer greater capacity and reliability and is less dependent on the electrical grid than traditional technologies. By comparison, the hybrid copper-based and fiber optic networks used by some of our principal competitors provide inconsistent service offerings, speeds and user experience results that vary by region.

  - Our network also has been designed to be adaptable to future technological developments without significant additional capital expenditures (such as its ability to provide IPV6 internet protocol or 8K and HDR television content formatting and the ability to keep pace with bandwidth demand as major content providers launch "over-the-top" video streaming applications requiring higher bandwidth), which strongly positions us to meet our customers' evolving demands and to provide innovative product offerings, a feature that is not available to our competitors that do not have a completely fiber-optic network.

  - Our unique proprietary IPTV system offers 4K linear TV programming along with AnytimeTV, creating a non-linear experience for our pay-TV customers. Along with SD and HD, we believe we offer the best quality in video and audio available in Mexico.

- We believe we will be able to further penetrate the broadband services as we continue to expand service offerings to our existing customers by leveraging our data technology to target customized services to

individual customers. Our advanced fiber optic network, its configuration and equipment allow us to provide a differentiated customer experience for the consumption of streaming content and other high-value services that can generate incremental revenue. We plan to continue to build and own our nationwide network which allows us to offer the same services, speed and experience in every town, city and region in Mexico in which we operate.

- Our principal competitors include Grupo Televisa, Megacable and América Móvil, S.A.B. de C.V. and its subsidiaries ("*América Móvil*"), which offer hybrid copper-based and fiber optic networks. Other market competitors, such as Dish, Telefónica (Movistar) and AT&T, provide low-speed wireless or internet offerings. Even if our competitors were to transition to a full fiber-optic network, it is likely that such an effort would take a significant investment of time and capital to upgrade their existing networks to fiber-optic technology. We can continue to enhance our own offerings and retain our technological advantage while increasing our market share by continuing to nurture and enhance the loyalty of our customer base.

High-growth opportunities in an underpenetrated and underserved market. We believe we have enormous potential to increase our subscriber base within our current coverage region. Our market share in each of the broadband internet, pay-TV and fixed telephony segments has been steadily growing since 2013. Broadband access remains dominated by DSL (28%) and coaxial cable (41%) technologies, which are unable to deliver the high-capacity services the market currently demands. There is the potential for 10 million broadband customers to switch to FTTH technology based on our current homes passed without requiring additional capital expenditures. Our competitors principally offer less reliable copper-based networks and are still in the process of deploying FTTH technology over certain segments of their network, which requires an enormous expenditure of capital that we have already made. In addition, Mexico continues to have a relatively low penetration rate in the services we offer (fixed internet, pay-TV and fixed telephony) as compared to certain other countries in the hemisphere, such as Argentina, which we believe also provides an opportunity for growth.

We have strong brand positioning and offer high-quality services. We believe the "*Totalplay*" brand is widely recognized for network reliability and high-quality customer care. Over the four quarters ended June 30, 2021, we had a customer net promoter score of 57.8%, compared to 23.6% over the same time period which is the average of our principal competitors' scores, reflecting the number of customers who are satisfied with our services and are brand promoters. In our Totalplay Residential business unit, we have contracts with linear, non-linear and streaming video applications which allow us to provide the most complete, attractive and best quality offering available in Mexico. Our on-demand content is updated continuously and we have access to all sports content (except exclusive content held by Sky). In addition, we have a proprietary mobile app developed in-house which enhances our customer experience by offering a seamless connection to the customer's set-top box and allows customers to watch their favorite content (linear or video-on-demand) from this mobile app, handle WiFi setup and manage their account remotely, refer friends and family and place phone calls, among other things.

- In both our Totalplay Residential and *Totalplay Empresarial* business units, we believe that the higher quality and reliability of our broadband service, as well as the superior speed of our offerings provide customers differentiated value that distinguishes us from our competitors. We were ranked #1 in internet speed in Mexico according to Netflix's monthly ISP (Internet Service Provider) index from October 2016 until February 2020 (when publication temporarily ceased) and again from January to July 2021 (upon resumption of publication), due to the high accessibility and speed of our network to manage its contents. We offer 1 Gb of browsing speed for our residential and SMB (small-and medium-sized businesses) services.

- We offer dedicated internet access, LAN-to-LAN and MPLS (multiprotocol label switching) using SDWAN technology. This enables us to deliver services in less than five days "on-network." This solution is integrated with a PMP back-up link in the coverage area.

- Through *Totalplay Empresarial*, we provide IPTV solutions for the hospitality industry (hotels and hospitals) offering:

  - *Fully interactive solution*: We leverage the Totalplay Residential IPTV offering which is customized for the hospitality industry and includes best-in-class dedicated internet access. This solution allows for integration to a hotel's PMS (property management system) solution for check-in/check-out and connectivity with hotel services (restaurants, spa, etc.)

- ➢ *“Distributed Video” solution*: We are able to reuse existing coaxial infrastructure for customers that do not want to change their existing infrastructure.

- Our customer base in our Totalplay Residential business unit represents a unique opportunity to up-sell and cross-sell additional digital and broadband products and services. Our Double-Play and Triple-Play services, our established “*Totalplay*” brand, the general trend towards digitalization and our increased broadband penetration position us to sell additional products and services to current customers. Our ability to market new and additional products to these customers is enhanced by our access to each customer’s preferences and consumption behavior that allows us to effectively customize and target product offerings. Since our targeted customers are generally from higher socioeconomic segments of the population, they are better candidates for up-selling. Brand promoters also highlight the quality of our internet capabilities, our superior customer service and technical support.

Superior subscriber lifetime value. We have an attractive subscriber lifetime value compared to our competitors. As of June 30, 2021, our average revenue per user was Ps.615.00 per month, compared to Ps.413.00 for Megacable. Izzi, which only publishes average revenue per user annually, had an average revenue per user of Ps.555.00 per month as of December 31, 2020. In addition, as of June 30, 2021, our monthly churn rate was 1.1% (with a *Totalplay Empresarial* churn rate of only 0.9%), compared to Megacable’s average monthly churn rate of 2.2%. Izzi, which only publishes annualized churn rate information had an annual churn rate of 18.3% as of December 31, 2020, representing an average monthly churn rate of 1.5%. Based on data from our BRM system, our churn rate has decreased consistently since 2016, and we expect that we will be able to maintain this trend given that, according to a 2021 KPMG market study we commissioned, our value versus price rating at 7.9 and our Customer Experience Excellence rating at 8.2 are the highest ratings among our principal competitors (Izzi, Megacable and Telmex (América Móvil)). We maintain our subscribers by providing fast and helpful IT and customer service. In our Totalplay Residential business unit, our target to install service after the order is placed by the customer is within 48 hours. We also employ a targeted sales strategy that focuses on the full customer life cycle, including customer retention through our excellent customer service. Our Totalplay Residential customers do not have fixed contract terms, but the average subscription life of our Totalplay Residential customers is 91 months based on a churn rate of 1.1% as of June 30, 2021 as compared to 71 months based on a churn rate of 1.4% as of June 30, 2020. Our *Totalplay Empresarial* customers have an average subscription life of 117 months based on a churn rate of 0.9% as of June 30, 2021 as compared to 143 months based on a churn rate of 0.7% as of June 30, 2020.

Our financial management is strong and conservative. We have a proven track record of high growth in the residential and business segments. In the period from 2015 to 2020, revenue in both our Totalplay Residential and *Totalplay Empresarial* segments increased at a compound annual growth rate of 39%, and the number of our subscribers grew at a compound annual growth rate of 53%. We believe we will be able to meet capital expenditure needs to face increased competition and adapt to an evolving regulatory and technological environment. We have experienced high growth by reinvesting cash flow in expanding our network, resulting in compound annual growth rate of 38% in our revenues from 2017 to 2020 and a reduced ratio of total debt to EBITDA from 23.1x at December 31, 2016 to 3.5x at June 30, 2021, in each case based on the applicable last 12 months of EBITDA.

Experienced management and committed shareholders. We have a highly experienced management team with deep industry knowledge. Each member of our senior management team has at least 15 years of industry experience. Our top management is supported by a broad base of experienced second-level managers in each of Totalplay Residential and *Totalplay Empresarial*. In addition, our principal shareholder has been extremely committed to us from the start, with a proven track record of committing to management’s business and growth strategy plans. This was demonstrated most recently by equity injections in March 2017 through capitalization of a Ps.1,990 million debt owed to the principal shareholder and a Ps.5,000 million capital contribution in 2019. In both cases, the funds were used for refinancing debt, capital expenditures and working capital.

Our Business Strategy

Our long-term business strategy focuses on the continued expansion of our network and increasing our broadband penetration in the residential and business segments. The key elements of our long-term strategy include:

Maintain, expand and increase focus on network and infrastructure. Our 100% fiber optic network delivers the fastest internet speed in Mexico and is designed to seamlessly accommodate new technology. We will continue to make investments in our network and infrastructure and commit resources to maintain our business on the

cutting edge of technological innovation with our foremost goal being to maximize return of capital in the infrastructure we have already invested in. However, we will continue expanding our network into new markets while controlling our capital and operating expenditures. Moreover, because of our competitive technological advantages, we believe we will continue to increase our market share in existing markets, including working to provide coverage to up to 17 million households. We aim to reach approximately 6.5 million residential subscribers and a penetration rate in the services we offer of 37.5% by 2028, while growing our small-medium- and large-business portfolio.

Increase our internet bandwidth penetration and expand our internet bandwidth services. We will continue growing broadband internet subscribers in both Totalplay Residential and *Totalplay Empresarial* by emphasizing our bandwidth capabilities, superior product offering and compelling value offer. We will focus on growing our existing Totalplay Residential and *Totalplay Empresarial* subscriber base to reach a higher penetration of our existing network by adding new customers, while leveraging cross-selling opportunities to existing ones.

Increase our internet protocol television (IPTV) penetration by offering digital TV and other premium digital TV services. We seek to grow our IPTV subscriber base by providing innovative premium digital services with our unique in-house developed system that creates a linear and non-linear customer experience. We will continue to offer existing and future television platforms, such as HBOGo, Amazon Prime Video, Netflix and others, in our services to fully integrate our entertainment center interface.

Maintain focus on customer satisfaction as a key element to the development and growth of our "Totalplay" brand. We continuously monitor our customers' perception of the quality of our services and seek to improve their customer experience through world-class customer service. We closely monitor key performance indicators to assess our operational processes, sales and marketing efficiency and the reliability of our infrastructure. To enhance customer loyalty, we provide training and development programs for our sales force and call center personnel.

Maintain focus on individual customers. We recognize that each individual in any household or business has a unique set of needs and preferences. As a result, we will continue to provide a tailored and targeted offering to our customers in their individual capacities, rather than focusing on household units or businesses in a generalized manner. Since single households and businesses have varied needs and preferences, we will seek to tailor our programming and services to each individual customer's requirements.

Increase focus on innovative products and services. Our team's innovative drive is a main component in our long-term business plan as we continue improving the user experience by:

- Making new streaming services available on our platform directly from our system, providing a fully integrated entertainment center interface for our entire customer base;
- Continuing to enhance the capabilities and features of our mobile app;
- Introducing new products for our residential and business customers to meet future needs, such as cloud-based services and next generation WiFi, and anticipating new service offerings for our customers, including through strategic business partnerships, such as our current alliance with Google; and
- Making available ad insertion technology and behavioral analytics so advertisers are able to target customers more effectively.

Increase focus on financial performance and efficiencies. Our strategy includes a focus on financial performance by controlling capital and operating expenditures while growing our residential and business subscriber base by increasing penetration in our current network and increasing our ARPU and RGU metrics through cross-selling new and innovative products and services to our existing customers. At the same time, we will create operating efficiencies across our business units by achieving economies of scale by leveraging our fixed overhead as we continue to increase our subscriber base.

Recent Developments

During 2020, the COVID-19 pandemic had, and in 2021 it continues to have, a material impact on businesses around the world, in Mexico and the economic environments in which they operate. Governments have taken aggressive measures to slow the spread of COVID-19, including quarantines and lock-downs, restrictions on travel, and closing of businesses and public and private institutions.

The economic outlook for 2021 saw a greater dynamism triggered by the implementation of vaccine campaigns around the world, particularly in the United States, resulting in temporary and shorter lockdowns in most economies. The Mexican economy was not the exception, reporting a greater economic dynamism due to external impulse and a gradual normalization of business activity in 2021, as well as a gradual recovery in GDP for the second quarter of 2021, particularly in the manufacturing sector.

In 2020, governments imposed a wide variety of consumer protection measures that limit how certain businesses, including telecommunications companies, can operate and interact with their customers. In 2020, the effects of the lockdown benefitted our operations as a result of higher demand for high-quality internet services, resulting in an increase in our subscriber base in April and June 2020, which growth trend in subscriber base continued through the second quarter of 2021, as we ended that period with 2.9 million subscribers. We have also launched new services to address the current market under COVID-19, including thermal video surveillance and remote learning solutions.

As the COVID-19 pandemic changed the way people work, study and do business, traffic on our network experienced a significant increase with respect to real-time applications, such as web browsing, videoconferencing, gaming, and banking, as well as video streaming applications. Peak real-time traffic, measured by weekly bouncing-busy hour analysis, grew on average from 892 Gbps in the first quarter of 2020 to 1,113 Gbps, 1,250 Gbps and 1,626 Gbps, in the second, third and fourth quarters of 2020, respectively, representing 188%, 82% and 94% increases, respectively, as compared to the second, third and fourth quarters of 2019, respectively. Similarly, streaming traffic, measured by weekly bouncing-busy hour analysis, grew on average from 2.77 Tbps in the first quarter of 2020 to 3.07 Tbps, 3.60 Tbps and 4.94 Tbps in the second, third and fourth quarters of 2020, respectively, representing 47%, 61% and 87% increases, respectively, as compared to the second, third and fourth quarters of 2019, respectively.

In June 2021, new subscriber additions combined with pandemic business, leisure and academic behaviors, continued to result in an increasing trend in traffic levels. Peak real-time traffic, measured by weekly bouncing-busy hour analysis, grew on average from 1,626 Gbps in the fourth quarter of 2020 to 2,340 Gbps and 2,500 Gbps in the first and second quarters of 2021, respectively, representing 162% and 125% increases when compared to the same time period on the previous year. Similarly, streaming traffic, measured by weekly bouncing-busy hour analysis, grew on average from 4.94 Tbps in the fourth quarter of 2020 to 5.03 Tbps and 5.55 Tbps in the first and second quarters of 2021, respectively, representing 82% and 81% increases when compared to the same time period on the previous year, confirming that traffic levels continue to grow based on new subscriber additions. Our network was built with an ultra-flexible design to grow on an as-needed basis to meet demand from increased content streaming, providing us with an important competitive advantage since an increase in traffic levels does not have a negative impact on the speed or reliability of our services.

We believe this increased demand for high-quality reliable internet services relative to the pre-pandemic period and the increase in our customer base will continue once the COVID-19 pandemic has ended because once customers have been able to experience our service offering, they are less likely to switch back to our competitors or to cancel service completely. During the COVID-19 pandemic period, our accounts receivables aging has not been affected and we believe that they will remain the same after such period.

As of June 30, 2021, our network spanned more than 95,000 km. Our Totalplay Residential coverage included 13.2 million homes passed in 57 cities and we had 2.9 million subscribers, 22.2% of our homes passed. As of June 30, 2021, in our *Totalplay Empresarial* business unit, we provided services at more than 111,000 locations.

Prior to the issuance of our Senior Notes due 2025, 6% of our debt (excluding leases) was unsecured. As of June 30, 2021, 41% of our debt (excluding leases) was unsecured. As of June 30, 2021, on a *pro forma* basis after giving effect to the issuance of the Notes offered hereby and the use of proceeds therefrom, approximately 60% of our debt (excluding leases) would have been unsecured.

In the past year, we have placed increased importance and have had an increased focus on corporate governance. In November 2020, our shareholders elected new members to our board of directors, four out of nine of whom are independent. In February 2021, the board approved the creation of an Audit and Corporate Practices Committee, which is comprised solely of independent members of our board. In addition, as part of our enhanced corporate governance structure, we also have instituted quarterly reporting and board meetings.

At a board of directors meeting held on February 23, 2021, the board approved the Code of Ethics of Total Play, among other policies forming part or our current Ethics, Integrity and Compliance Program (the "*EICP*"). The design and implementation of the EICP is based on organic, procedural and normative elements provided by Mexican

law (*i.e.*, the National Code of Criminal Procedures, Federal Criminal Code and the General Law of Administrative Responsibilities), as well as certain principles and guidelines contained in the best national and international practices and includes critical policy statements such as those with respect to: prohibition of corruption and bribery, conflict of interest, treatment of gifts, entertainment, travel and improper payments (including with respect to government officials), relationships with third parties, training and education, fair competition and antitrust and reporting and retaliation.

Our History

- **In 2004**, we were established when Grupo Iusacell, one of the largest mobile companies in Mexico, decided to leverage its base stations in Mexico to serve the fixed market and began construction of fiber optic infrastructure within Mexico using state-of-the-art technology.
- **In 2008**, Grupo Iusacell completed its first fiber-to-the-home cluster in two neighborhoods in Mexico City.
- **In 2010**, taking advantage of the infrastructure of our parent company, Grupo Iusacell, we began offering broadband internet services, pay-TV, video-on-demand and fixed telephony.
- **In 2011**, our in-house developed IPTV system was completed, and we introduced our fiber optic infrastructure and broadband internet directly to households, differentiating us from our competitors. We also had a significant footprint in 1/3 of Mexico City's high-income areas and had built up our customer base with major business customers and government agencies and entities. Our Totalplay Residential coverage passed 913,171 homes, and we had 16,000 subscribers, representing 1.8% of our homes passed.
- **In 2012,** our Totalplay Residential coverage passed 1.2 million homes, and we had 36,000 subscribers, representing 3.0% of our homes passed.
- **In 2013,** our Totalplay Residential coverage passed 1.9 million homes, and we had 67,735 subscribers, representing 3.6% of our homes passed.
- **In 2014**, our network coverage reached a potential market of 1.9 million homes and served 150,000 active subscribers, representing 7.7% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 27,000 locations.
- **In 2015**, our operations were spun off from our parent company after the sale of Grupo Iusacell to AT&T and we remained a wholly-owned Grupo Salinas company. Our Totalplay Residential coverage passed 5.6 million homes, and we had 295,000 subscribers, representing 5.3% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 44,000 locations.
- **In 2016**, our network footprint included 7.3 million homes passed across 22 cities, with 534,000 active users in Totalplay Residential, representing 7.3% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 58,000 locations.
- **In 2017,** our Totalplay Residential coverage passed 7.4 million homes, and we had 788,000 subscribers, representing 10.7% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 66,000 locations.
- **From 2017-2019**, our revenues grew at a compound annual rate of 38%.
- **In 2018**, we were selected by Google as its first-ever partner worldwide to use non-linear programming to deliver addressable advertising, leveraging our innovative and flexible infrastructure and platforms to deploy Google's cutting-edge technology. We also joined the United Nations Global Compact. Our Totalplay Residential coverage passed 9.3 million homes, and we had 1.1 million subscribers, representing 12% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 81,000 locations.
- **In 2019,** our Totalplay Residential coverage passed 10.3 million homes, and we had 1.5 million subscribers, representing 14.4% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 82,000 locations.
- **As of June 30, 2020**, our network spanned more than 88,000 km. Our Totalplay Residential coverage passed 10.1 million homes in 52 cities, and we had 1.9 million subscribers.

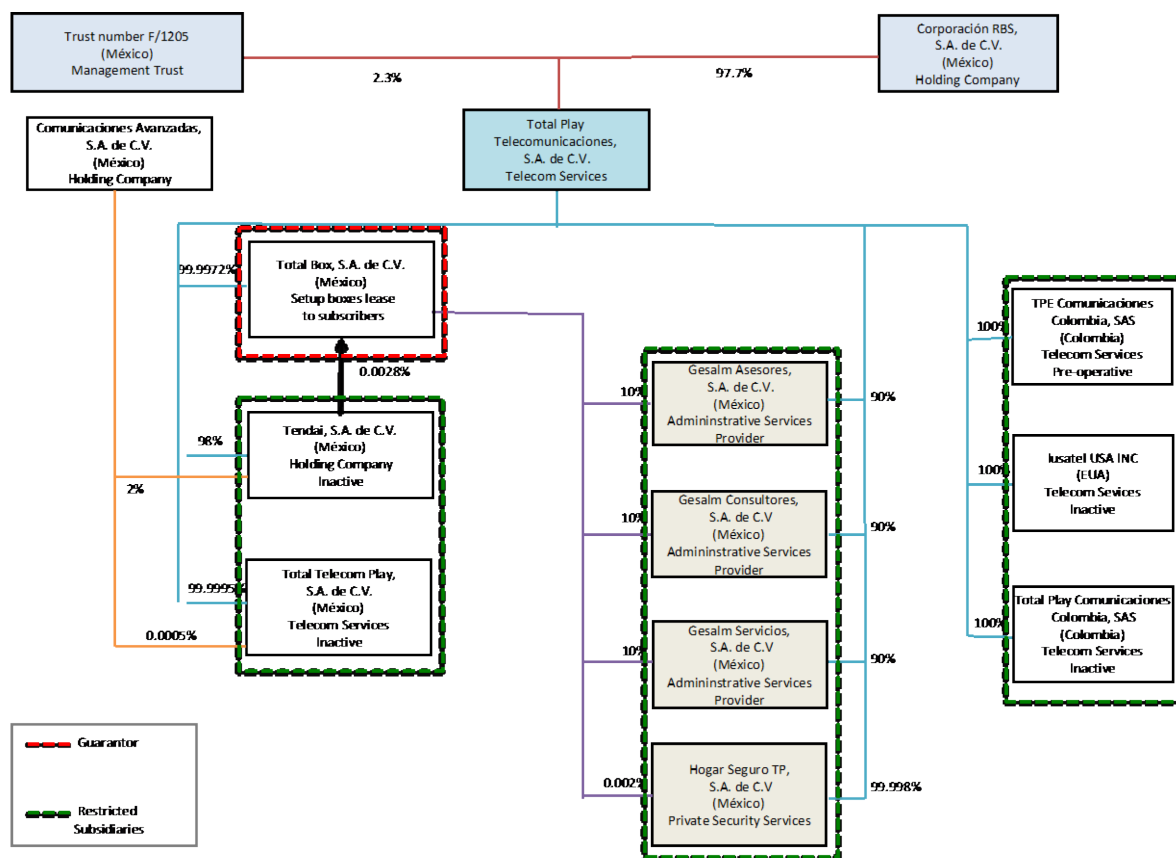
- **On July 16, 2020**, we received the distinction of a "Socially Responsible Company" from the Mexican Center for Philanthropy for the third consecutive time and, as a part of Grupo Salinas, received the Social Inclusion Badge for the first time.
- **In November 2020,** we held a shareholders' meeting to elect the board of directors, comprised of nine members, four of whom are independent under the Securities Market Law.
- **In February 2021,** the board of directors approved the creation of the Audit and Corporate Practices Committee, comprised of the four independent members of the board of directors.
- **On May 19, 2021,** we received the distinction of a "Socially Responsible Company" from the Mexican Center for Philanthropy for the fourth consecutive time.
- **As of June 30, 2021**, our network spanned more than 95,000 km. Our Totalplay Residential coverage passed 13.2 million homes in 57 cities, and we had 2.9 million subscribers, representing 22.2% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 111,000 locations.

Principal Shareholders

As of the date of this Offering Memorandum, Corporación RBS, S.A. de C.V. ("*Corporación RBS*"), a Mexican corporation, 99.99% of the capital stock of which is owned by Mr. Ricardo B. Salinas Pliego, owns 97.70% of our voting stock and Banco Azteca, S.A., Institución de Banca Múltiple, Trust Direction as trustee of Trust F/1205 on behalf of María Laura Medina de Salinas, owns 2.30%.

Corporate Structure

The following chart shows our general consolidated corporate structure:



THE TOTAL PLAY GROUP SUMMARY FINANCIAL AND OPERATING INFORMATION

The following summary of our financial information as of and for each of the years ended December 31, 2020, 2019 and 2018 has been derived from our Audited Annual Consolidated Financial Statements and notes thereto included in this Offering Memorandum. The following summary of our financial information as of June 30, 2021 and for the six months ended June 30, 2021 and 2020 has been derived from our Interim Consolidated Financial Statements and notes thereto included in this Offering Memorandum. The information provided below should be read in conjunction with our Annual Consolidated Financial Statements and the notes thereto and the Interim Consolidated Financial Statements and the notes thereto.

The Consolidated Financial Statements have been prepared in accordance with IFRS, as issued by the IASB.

Total Play Telecomunicaciones, S.A. de C.V. and subsidiaries

	Six Months Ended June 30,			Year Ended December 31,			
	2021	**2021**	**2020**	**2020**	**2020**	**2019**	**2018**
	(U.S.$)[(1)]	**(Ps.)**	**(Ps.)**	**(U.S.$)[(1)]**	**(Ps.)**	**(Ps.)**	**(Ps.)**
		(in millions except for Operating Information, percentages and ratios)					
		(unaudited)					
(A) FINANCIAL INFORMATION:							
Consolidated Statements of Comprehensive Income:							
Revenue from services	**663**	**13,195**	**8,878**	**982**	**19,557**	**14,267**	**10,569**
Cost of services	(164)	(3,273)	(2,387)	(253)	(5,031)	(3,506)	(2,388)
Gross profit	**499**	**9,922**	**6,491**	**729**	**14,526**	**10,761**	**8,181**
General expenses:							
Network-related	(65)	(1,301)	(1,098)	(116)	(2,307)	(1,812)	(1,910)
Selling and administrative	(148)	(2,938)	(2,248)	(247)	(4,921)	(3,435)	(3,309)
Depreciation and amortization	(206)	(4,092)	(2,921)	(324)	(6,440)	(4,378)	(3,133)
Other income (expenses), net	(3)	(50)	(3)	2	37	(55)	(35)
	(422)	(8,381)	(6,270)	(685)	(13,631)	(9,680)	(8,387)
Operating profit (loss)	**77**	**1,541**	**221**	**44**	**895**	**1,081**	**(206)**
Financial cost:							
Accrued interest income	1	21	18	2	45	56	19
Change in fair value of financial instruments	—	—	—	—	—	(1)	—
Accrued interest expense							
Financial debt	(47)	(935)	(388)	(54)	(1,071)	(284)	(411)
Leases	(12)	(237)	(125)	(19)	(370)	(136)	—
Other financial expense	(6)	(123)	(46)	(7)	(135)	(54)	(103)
Foreign exchange gain (loss), net	5	94	(375)	—	1	100	176
	(59)	(1,180)	(916)	(78)	(1,530)	(319)	(319)
Income (loss) before income tax provisions	**18**	**361**	**(695)**	**(34)**	**(635)**	**762**	**(525)**
Income tax provisions	(1)	(17)	(13)	4	88	(99)	291
Net income (loss)	**17**	**344**	**(709)**	**(30)**	**(547)**	**663**	**(234)**
Other comprehensive income:							
Fair value of intangibles	—	—	—	—	—	790	—
Hedge fair value	(5)	(92)	24	1	26	(4)	7
Actuarial losses	—	—	—	(1)	(23)	(2)	(3)
Result from foreign subsidiary translation	—	—	(16)	—	(4)	3	—
	(5)	(92)	8	—	(1)	787	4
Net comprehensive income (loss)	**12**	**252**	**(701)**	**(30)**	**(548)**	**1,450**	**(230)**

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

	As of June 30,			As of December 31,			
	2021[(1)]	2021	2020	2020[(1)]	2020	2019	2018
	(U.S.$)	(Ps.)	(Ps.)	(U.S.$)	(Ps.)	(Ps.)	(Ps.)
		(unaudited)					
	(in millions except for Operating Information, percentages and ratios)						
Statements of financial position							
Current Assets:							
Cash and cash equivalents	57	1,130	130	90	1,787	227	47
Restricted cash / Fiduciary rights	54	1,081	1,597	64	1,272	947	657
Accounts receivable:							
Customers - net	143	2,840	2,318	119	2,376	2,156	1,242
Other receivables	3	61	46	2	41	40	—
Recoverable taxes	190	3,783	2,443	166	3,311	1,968	1,165
Related parties	4	81	68	2	36	101	—
Inventories	76	1,518	1,396	81	1,621	1,260	954
Other	19	372	524	20	407	146	243
Total current assets	**546**	**10,866**	**8,522**	**544**	**10,851**	**6,845**	**4,308**
Non-current Assets:							
Property, plant and equipment - net	1,898	37,797	27,122	1,646	32,756	22,605	18,299
Rights-of-use assets - net	210	4,174	3,619	208	4,142	3,621	—
Trademarks and other assets	54	1,065	1,090	53	1,058	1,065	177
Deferred income tax asset	22	439	321	22	439	321	391
Total non-current assets	**2,184**	**43,475**	**32,152**	**1,929**	**38,395**	**27,612**	**18,867**
Total assets	**2,730**	**54,341**	**40,674**	**2,473**	**49,246**	**34,457**	**23,175**
Liabilities:							
Short-term:							
Short-term portion of long-term debt	62	1,230	1,727	22	443	1,395	2,323
Derivative financial instruments	7	137	—	11	214	—	—
Lease liabilities	76	1,515	1,367	84	1,681	1,453	—
Trade payables	349	6,953	7,320	337	6,714	3,547	4,219
Reverse factoring	76	1,503	1,120	81	1,622	965	1,856
Related parties	23	451	421	12	234	245	241
Other short-term liabilities	104	2,068	1,488	78	1,543	1,075	1,058
Total short-term liabilities	**697**	**13,857**	**13,443**	**625**	**12,451**	**8,680**	**9,697**
Long-term liabilities:							
Long-term debt	1,451	28,891	16,570	1,294	25,750	13,726	9,774
Lease liabilities	154	3,061	2,353	138	2,749	2,934	—
Trade payables	1	20	69	1	14	75	414
Reverse factoring	—	—	—	—	—	—	714
Other long-term liabilities	4	81	214	5	103	314	299
Total long-term liabilities	**1,610**	**32,053**	**19,206**	**1,438**	**28,616**	**17,049**	**11,201**
Total liabilities	**2,307**	**45,910**	**32,649**	**2,063**	**41,067**	**25,729**	**20,898**
Stockholders' equity:							
Capital stock	117	2,337	2,337	117	2,337	2,337	2,337
Paid-in capital	77	1,539	1,539	77	1,539	1,539	1,539
Contributions for future capital stock increases	251	5,000	5,000	251	5,000	5,000	—
Retained earnings (losses)	(104)	(2,068)	(2,574)	(121)	(2,412)	(1,864)	(2,528)
Other comprehensive income	82	1,623	1,723	86	1,715	1,716	929
Total stockholders' equity	**423**	**8,431**	**8,025**	**410**	**8,179**	**8,728**	**2,277**
Total liabilities and stockholders' equity	**2,730**	**54,341**	**40,674**	**2,473**	**49,246**	**34,457**	**23,175**

	As of June 30,			As of December 31,			
	2021[1]	2021	2020	2020[1]	2020	2019	2018
	(U.S.$)	(Ps.)	(Ps.)	(U.S.$)	(Ps.)	(Ps.)	(Ps.)
		(unaudited)					
		(in millions except for Operating Information, percentages and ratios)					
(B) OPERATING INFORMATION:							
Subscribers:							
Number of subscribers at period-end		2,929,329	1,879,232		2,444,458	1,484,615	1,119,668
Net additions		484,871	394,617		959,843	364,947	331,560
Churn (%)		1.1%	1.4%		1.2%	1.6%	1.9%
Penetration		22.2%	15.8%		19.9%	14.4%	12.0%
Number of cities serviced		57	52		54	39	23
Number of employees		9,547	16,407		20,044	13,130	13,760
(C) OTHER OPERATING, FINANCIAL AND PRO FORMA FINANCIAL INFORMATION:							
EBITDA[2]	285	5,683	3,145	367	7,298	5,514	2,962
Total Debt[3]	1,743	34,697	22,017	1,538	30,623	19,508	12,097
Pro forma Total Debt[4]	2,117	42,127					
Net Debt[5]	1,686	33,567	21,887	1,448	28,836	19,281	12,050
Pro forma Net Debt[6]	1,686	33,567					
Consolidated L2QA EBITDA[2][7]	571	11,366	6,290				
Consolidated LTM 2Q21 EBITDA[2][8]	494	9,836					
Cash flow information:							
Net cash flows from operating activities	277	5,519	5,848	416	8,274	2,529	3,996
Net cash flows from investing activities	(401)	(7,980)	(6,236)	(711)	(14,149)	(7,939)	(6,546)
Net cash flows from financing activities	91	1,804	292	374	7,435	5,590	2,540
Ratios:							
EBITDA margin		43%	35%		37%	39%	28%
Total Debt / EBITDA		3.53	3.52		4.20	3.54	4.08
Net Debt/ EBITDA		3.41	3.50		3.95	3.50	4.07
Total Debt / Consolidated LTM 2Q21 EBITDA[3][8]		3.5x	3.5x				
Total Debt / Consolidated L2QA EBITDA[3][7]		3.1x	3.5x				
Pro forma Total Debt / Consolidated LTM 2Q21 EBITDA[4][8]		4.3x					
Net Debt / Consolidated LTM 2Q21 EBITDA[5][6][8]		3.4x					
Pro forma Net Debt / Consolidated LTM 2Q21 EBITDA[5][6][8]		3.4x					
Net Debt / Consolidated L2QA EBITDA[5][6][7]		3.0x					
Pro forma Net Debt / Consolidated L2QA EBITDA[5][6][7]		3.0x					
Net Secured Debt / Consolidated L2QA EBITDA[9][7]		1.7x					
Pro forma Net Secured Debt / Consolidated L2QA EBITDA[10][7]		0.9x					
Ratios pursuant to Indentures[11]:							
Consolidated Net Leverage Ratio [12]		4.5x					
Consolidated Secured Net Leverage Ratio[13]		3.0x					

(1) Solely for the convenience of the reader, peso amounts as of June 30, 2021 and as of December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

(2) EBITDA is a supplemental measure of our financial and operating performance that is not required by or prepared in accordance with IFRS. Our management uses EBITDA because we believe it provides a view of our recurring operating performance that is unaffected by our capital structure and because it enables management to evaluate operating trends and identify strategies to improve operating performance. In addition, we believe EBITDA assists potential investors and analysts in comparing our performance across reporting

periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. You are encouraged to evaluate those adjustments and the reasons we consider them appropriate for supplemental analysis. We define EBITDA as gross profit less network-related and selling and administrative general expenses, which is different to Consolidated EBITDA as defined in the indenture. See "Description of the Notes." In evaluating our EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Our EBITDA is not comparable to similarly-titled measures used by other companies. We encourage you to review our financial information in its entirety and to not rely on a single financial measure in making an investment decision. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures" for an explanation of our definition of EBITDA and certain limitations to the use of EBITDA.

EBITDA reconciliation:

Total Play Telecomunicaciones, S.A. de C.V. and subsidiaries

	Six Months Ended June 30,			**Year Ended December 31,**			
	2021	**2021**	**2020**	**2020**	**2020**	**2019**	**2018**
	(U.S.$)[(1)]	**(Ps.)**	**(Ps.)**	**(U.S.$)[(1)]** **(in millions)**	**(Ps.)**	**(Ps.)**	**(Ps.)**
		(unaudited)					
EBITDA Reconciliation:							
Gross profit	498	9,922	6,491	730	14,526	10,761	8,181
Less:							
General expenses							
Network-related	(65)	(1,301)	(1,098)	(116)	(2,307)	(1,812)	(1,910)
Selling and administrative	(148)	(2,938)	(2,248)	(247)	(4,921)	(3,435)	(3,309)
EBITDA	**285**	**5,683**	**3,145**	**367**	**7,298**	**5,514**	**2,962**

(3) Total Debt Reconciliation:

	Six Months Ended June 30,			**Year Ended December 31,**			
	2021	**2021**	**2020**	**2019**	**2020**	**2019**	**2018**
	(U.S.$)[(1)]	**(Ps.)**	**(Ps.)**	**(U.S.$)[(1)]** **(in millions)**	**(Ps.)**	**(Ps.)**	**(Ps.)**
		(unaudited)					
Short-term portion of long-term debt	62	1,230	1,727	22	443	1,395	2,323
Lease liabilities (short-term)	76	1,515	1,367	84	1,681	1,453	—
Long-term debt	1,451	28,891	16,570	1,294	25,750	13,726	9,774
Lease liabilities (long-term)	154	3,061	2,353	138	2,749	2,934	—
Total debt	**1,743**	**34,697**	**22,017**	**1,538**	**30,623**	**19,508**	**12,097**

(4) Pro forma Total Debt consists of Ps.34,697 (U.S.$1,743 million) Total Debt at June 30,2021 minus Ps.4,215 (U.S.$212 million) of indebtedness prepaid with the net proceeds of the Notes offered hereby plus (ii) Ps.11,944 million (U.S.$600 million) of Notes offered hereby minus Ps.299 (U.S.$15 million) of amortized costs equals Ps.42,127 million (U.S.$2,117 million).

(5) Net Debt Reconciliation:

	Six Months Ended June 30,			**Year Ended December 31,**			
	2021	**2021**	**2020**	**2020**	**2020**	**2019**	**2018**
	(U.S.$)[(1)]	**(Ps.)**	**(Ps.)**	**(U.S.$)[(1)]** **(in millions)**	**(Ps.)**	**(Ps.)**	**(Ps.)**
		(unaudited)					
Total debt	1,743	34,697	22,017	1,538	30,623	19,508	12,097
Cash and cash equivalents	(57)	(1,130)	(130)	(90)	(1,787)	(227)	(47)
Net Debt	**1,686**	**33,567**	**21,887**	**1,448**	**28,836**	**19,281**	**12,050**

(6) Net Debt is equal to our total debt minus cash and cash equivalents. Pro forma Net Debt as of June 30, 2021 is calculated by giving *pro forma* effect to the issuance of the Notes and the repayment of debt with the net proceeds thereof. Pro forma Net Debt of Ps.33,567 (U.S.$1,686 million) at June 30, 2021 is equal to (i) Ps.34,697 million (U.S.$1,743 million) total debt at June 30, 2021 minus Ps.4,215 (U.S.$212 million) of indebtedness prepaid with the net proceeds of the Notes offered hereby plus (ii) Ps.11,944 million (U.S.$600

million) of Notes offered hereby minus Ps.299 million (U.S.$15 million) of amortized costs, minus Ps.8,560 million (U.S.$430 million) of cash and cash equivalents (Ps.7,430 million (U.S.$373 million) of cash remaining from the proceeds of the Notes offered hereby plus Ps.1,130 million (U.S.$57 million) of cash and cash equivalents as of June 30, 2021).

(7) For purposes of this Offering Memorandum, we define Consolidated L2QA EBITDA as EBITDA for the most recently ended two consecutive fiscal quarters for which internal financial statements are available immediately preceding any calculation date, multiplied by two. For a reconciliation of EBITDA to gross profit for these periods, see footnote (2).

(8) EBITDA for the six months ended June 30, 2021 was calculated by adding EBITDA for the six months ended December 31, 2020 to EBITDA for the six months ended June 30, 2021.

(9) Net Secured Debt consists of Net Debt as of June 30, 2021 that was secured by collateral. As of June 30, 2021, Net Secured Debt was Ps.19,031 million (U.S.$956 million).

(10) Pro forma Net Secured Debt consists of all pro forma Total Debt as of June 30, 2021 that was secured by collateral. As of June 30, 2021 pro forma Net Secured Debt was Ps.10,180 million (U.S.$511 million).

(11) Ratios included in the indenture pursuant to which our 7.500% Senior Notes due 2025 have been issued and in the Indenture pursuant to which Notes offered hereby will be issued.

(12) The definition of Consolidated Net Leverage Ratio is the same in the indenture pursuant to which our 7.500% Senior Notes due 2025 have been issued and in the Indenture pursuant to which Notes offered hereby will be issued.

(13) The definition of Consolidated Secured Net Leverage Ratio is the same in the indenture pursuant to which our 7.500% Senior Notes due 2025 have been issued and in the Indenture pursuant to which Notes offered hereby will be issued.

Summary of Key Performance Indicators:

	Six Months Ended June 30,		Year Ended December 31,		
	2021	**2020**	**2020**	**2019**	**2018**
ARPU (in Ps.)					
Triple Play	668	669	665	675	688
Data / Voice	520	513	509	458	480
Data / TV	554	534	522	557	511
Blended Average	615	615	610	602	600
RGU (in millions)					
Video	1.9	1.3	1.6	1.1	0.8
Data	2.9	1.9	2.4	1.5	1.1
Voice	2.9	1.8	2.4	1.4	1.0
Total	**7.7**	**5.0**	**6.4**	**3.9**	**2.9**
Churn Rate[(1)]					
Triple Play	1.0%	1.4%	1.2%	1.5%	1.6%
Data/Voice	1.2%	1.5%	1.2%	1.7%	2.0%
Data/TV	0.9%	1.4%	1.4%	2.1%	2.7%
Blended Average	1.1%	1.4%	1.2%	1.6%	1.9%
Total debt/subscriber (in Ps.)	11,845	11,715	12,527	13,140	10,804
Capital expenditures (in millions of Ps.)	7,994	6,230	14,201	7,896	6,561
Revenue (in millions of Ps.)	13,195	8,878	19,557	14,267	10,569
Subscribers (in millions)	2.9	1.9	2.4	1.5	1.1
Capital expenditures as percent of revenue	60.6%	70.2%	72.6%	55.3%	62.1%
Homes passed (in millions)	13.2	11.9	12.3	10.3	9.4

(1) With an average monthly churn rate of 1.1%, the average life of Totalplay Residential subscriber base is 91 months (calculated by dividing 1/1.1).

THE OFFERING

This summary of certain terms and conditions of the Notes offered hereby is subject to, and qualified in its entirety by, reference to the "Description of the Notes" section of this Offering Memorandum. Capitalized terms used, but not defined, below, have the meanings given to such terms in the "Description of the Notes" section of this Offering Memorandum.

Issuer	Total Play Telecomunicaciones, S.A. de C.V., a variable capital stock corporation (*sociedad anónima de capital variable*) incorporated under the laws of Mexico (the "*Issuer*").
Notes Offered	U.S.$600 million aggregate principal amount of 6.375% Senior Notes due 2028 (the "*Notes*").
Issue Date	September 20, 2021 (the "*Issue Date*").
Issue Price	100.000%, plus accrued and unpaid interest, if any, from the Issue Date.
Maturity Date	September 20, 2028.
Interest Rate	6.375% per annum.
Interest Payment Dates	Semi-annually in arrears on March 20 and September 20, commencing on March 20, 2022.
Denominations	The Notes will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess of thereof. See "Description of the Notes—Transfer and Exchange."
Note Guarantee	The Notes will be fully and unconditionally guaranteed (the "*Note Guarantee*") on a senior unsecured basis by Total Box, S.A. de C.V. (the "*Guarantor*").
Ranking of the Notes	The Notes will: • be general unsecured senior unsubordinated obligations of the Issuer; • rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes; • rank senior in right of payment to all existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, if any; • be effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and • be unconditionally guaranteed by the Guarantor.
Ranking of the Note Guarantee	The Note Guarantee provided by the Guarantor will: • be the general unsecured senior unsubordinated obligation of the Guarantor; • rank *pari passu* in right of payment with all existing and future Indebtedness of the Guarantor that is not subordinated in right of payment to its Note Guarantee;

- rank senior in right of payment to all existing and future Indebtedness of the Guarantor that is expressly subordinated in right of payment to its Note Guarantee, if any;
- be effectively subordinated to any existing and future Indebtedness of the Guarantor that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness.
- be structurally subordinated to all obligations of the Guarantor's Subsidiaries that do not provide a Note Guarantee of the Notes.

The obligations of the Guarantor will be contractually limited to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantor and its shareholders, directors and general partners. See "Risk Factors—Risks Relating to the Notes and the Note Guarantees—Payments on the Notes and the Note Guarantees will be effectively junior to any of the Issuer's and the Guarantor's secured indebtedness and structurally junior to the debt obligations of the subsidiaries of the Issuer who do not guarantee the Notes" and "Description of the Notes—Note Guarantees—Release of the Note Guarantees."

Additional Notes .... The Issuer may issue additional Notes under the Indenture having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as the Notes from time to time after the Issue Date, subject to compliance with all of the covenants in the Indenture, including the covenant described under "Description of the Notes—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock." The Notes and any additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture; *provided* that unless such additional Notes are issued with a separate CUSIP number, ISIN or other identifying number (as applicable), such additional Notes shall be fungible with the Notes offered hereby for U.S. federal income tax purposes.

Additional Amounts .... Any payments made under or with respect to the Notes or the Note Guarantees will be made without withholding or deduction for or on account of any taxes, unless required by law. If withholding or deduction for taxes is required to be made with respect to a payment under or with respect to the Notes or any Note Guarantee in any relevant taxing jurisdiction, subject to certain exceptions, we will pay additional amounts necessary so that the net amount received by the holders of the Notes after the withholding or deduction is not less than the amount that would have been received in the absence of the withholding or deduction. See "Description of the Notes—Additional Amounts."

Optional Redemption .... At any time prior to September 20, 2025, the Issuer will be entitled, at its option, on one or more occasions, to redeem all or a portion of the Notes at a redemption price equal to 100.000% of the principal amount of the Notes redeemed, plus the "make-whole" premium as of, and accrued and unpaid interest, if any, to (but excluding) the

redemption date and all additional amounts, if any, then due, as described under "Description of the Notes—Optional Redemption."

At any time on or after September 20, 2025, the Issuer will be entitled, at its option, on one or more occasions, to redeem all or a portion of the Notes at the redemption prices set forth under the caption "Description of the Notes—Optional Redemption," plus accrued and unpaid interest, if any, to (but excluding) the redemption date and all additional amounts, if any, then due.

At any time prior to September 20, 2025, the Issuer will be entitled, at its option, on one or more occasions, to redeem the Notes in an aggregate principal amount not to exceed 40% of the aggregate principal amount of the Notes with the net cash proceeds from certain equity offerings at a redemption price equal to 106.375% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but excluding) the redemption date and all additional amounts, if any, then due, so long as at least 60% of the aggregate principal amount of the Notes originally issued under the Indenture remains outstanding immediately after such redemption. See "Description of the Notes—Optional Redemption."

In connection with any tender offer or other offer to purchase the Notes, if not less than 90% of the aggregate principal amount of the then-outstanding Notes have been validly tendered and not validly withdrawn, the Issuer will be entitled, at its option, to redeem all, but not less than all, of the Notes that remain outstanding at a price equal to the price offered to other holders in such tender offer or other offer to purchase (excluding any early tender fee), plus accrued and unpaid interest, if any, to (but excluding) the redemption date and all additional amounts, if any, then due. See "Description of the Notes—Optional Redemption."

Optional Redemption for Tax Reasons .... In the event of certain developments affecting taxation which increase withholding tax on amounts payable on the Notes, the Issuer may redeem the Notes, in whole, but not in part, at any time upon proper notice, at a redemption price of 100.000% of the principal amount, together with accrued and unpaid interest, if any, to (but excluding) the redemption date and all additional amounts, if any, then due. See "Description of the Notes—Redemption for Changes in Taxes."

Change of Control Triggering Event ...... Upon the occurrence of a Change of Control Triggering Event, the Issuer may be required to offer to repurchase the Notes at a purchase price in cash equal to 101.000% of the aggregate principal amount of the Notes, plus accrued and unpaid interest, if any, to (but excluding) the purchase date, and all additional amounts, if any, then due. See "Description of the Notes—Change of Control Triggering Event."

Certain Covenants .... The Indenture governing the Notes will, among other things, restrict the ability of the Issuer and its Restricted Subsidiaries to:

- make certain payments, including dividends or other distributions, with respect to the equity interests of the Issuer or its Restricted Subsidiaries;

- incur or guarantee additional indebtedness and issue certain preferred stock;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create or incur certain liens;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to the Issuer or its Restricted Subsidiaries;
- sell, lease or transfer certain assets, including the stock of restricted subsidiaries;
- with respect to the Issuer and the Guarantor only, consolidate or merge with other entities; and
- engage in certain transactions with affiliates.

Each of these covenants is subject to significant exceptions and qualifications. See "Description of the Notes—Certain Covenants."

Suspension of Certain Covenants............ The Issuer's and its Restricted Subsidiaries' obligation to comply with certain of the covenants set forth in the Indenture will be suspended if and for as long as the Notes have Investment Grade Rating from each of the Rating Agencies. See "Description of the Notes—Suspension of Certain Covenants when Notes Have Investment Grade Rating."

Amendments, Supplements and Waivers .... The Indenture, the Notes and the Note Guarantee may be amended or supplemented, or compliance with the terms thereof may be waived, with consent of the holders of at least a majority in aggregate principal amount of Notes, other than with respect to any such amendment, supplement or waiver that would reduce principal, reduce payment of or change the time of payment of interest, and similar terms, which amendments or supplements will require the consent of each holder of Notes affected thereby. See "Description of the Notes—Amendment, Supplement and Waiver."

Use of Proceeds .... The Issuer will use the net proceeds from the issuance of the Notes to finance its growing expansion needs, for working capital and to prepay debt. See "Use of Proceeds."

Transfer Restrictions................................ The Notes have not been, and will not be, registered under U.S. federal or state or any foreign securities laws and are subject to restrictions on transferability and resale. See "Transfer Restrictions."

Listing.. Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Memorandum. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies).

Governing Law .... New York.

Trustee, Paying Agent, Registrar and Transfer Agent	The Bank of New York Mellon.
Security Identifiers	Rule 144A: CUSIP Number: 89157F AC4 ISIN: US89157FAC41 Regulation S: CUSIP Number: P9190N AC7 ISIN: USP9190NAC76

Risk Factors

Investing in the Notes involves substantial risks and uncertainties. See "Risk Factors" for a description of certain of the risks you should consider carefully before investing in the Notes.

RISK FACTORS

An investment in the Notes is subject to risks and uncertainties. You should carefully consider the risks described below, in addition to the other information contained in this Offering Memorandum, before deciding whether to purchase the Notes. Realization of any of these risks could have a material adverse effect on our business, financial condition, cash flows and results of operations and could materially affect the value or liquidity of the Notes and result in the loss of all or part of your investment in, or failure to receive timely payments in respect of, the Notes. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial, and that are not described below, may also materially adversely affect us, which could also result in the loss of all or part of your investment in the Notes.

Risks Relating to Our Business

The telecommunications industry is characterized by rapid and continuous technological change, and if we fail or are unable to make necessary investments and our network and equipment becomes obsolete, our access to comparable technologies could be limited and cause an asset impairment charge.

Network and other equipment used in the telecommunications industry may have a limited useful life and must be replaced in order to avoid obsolescence. Such upgrades or migrations require significant capital expenditures and our services could become obsolete due to unforeseen technological developments. Furthermore, in the event of obsolescence, we may not be able to have access to new technologies at reasonable prices or at all. To the extent equipment or systems become obsolete, we may be required to recognize an impairment charge to such assets, which may have a material adverse effect on our business and results of operations.

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

The telecommunications industry is subject to continuous, rapid and significant changes in technology and introductions of new products and services. These include evolving industry standards, ongoing improvements in the capacity and quality of digital and other related technology, shorter development cycles for new products, enhancements and changes in end-user needs and preferences, and continuing development of alternative technologies in mobile and fixed-line telephony, high-speed data communications, satellite direct services and internet related services. We expect that new services and technologies applicable to our market will continue to emerge and we cannot predict the effect of technological changes on our business. Our competitors may implement superior new technologies that enable them to offer lower prices or higher quality services and resulting in rapid loss or shifting of customers. Any such new service offerings may adversely affect our competitive position, render certain of our current businesses obsolete or require significant capital expenditures for which we may be unable to obtain additional financing.

Delays in implementing new technologies or service access networks could adversely affect our results of operations.

Telecommunications companies must continuously update to new technologies to satisfy demand for services. We continuously test different services and fiber optic technologies, such as routers, set-top boxes, switches, optical transmission and Fiber Optic Modem, to deliver converged telecommunications services and programming to our customers. Deployment of these technologies is susceptible to delays and such technologies may fail to meet expected capacities and capabilities, which would result in slower growth and adversely affect our business, financial condition and results of operations.

Significant unanticipated increases in the use of bandwidth-intensive, Internet-based services could increase our costs.

The popularity of bandwidth-intensive, Internet-based services poses risks for our broadband services. Examples of such services include "over-the-top" programming, peer-to-peer file sharing services, gaming services and the delivery of video via streaming technology and state of the art technology, such as 4K and 8K streaming and virtual reality, among others. If heavy usage of bandwidth-intensive broadband services grows beyond our current expectations, we may be required to incur more capital expenditures than budgeted to expand bandwidth capacity. In order to provide quality services at optional prices, we need continued flexibility to develop and refine business models that respond to changing consumer uses and demands and to manage bandwidth usage efficiently. If we fail to make

the necessary investments in bandwidth capacity to keep pace with growing demand for bandwidth, our business, financial condition and results of operations could be materially adversely affected.

We operate in a highly competitive business environment, which could materially and adversely affect our business, financial condition, results of operations and liquidity.

We operate in a highly competitive, consumer-driven industry and compete with a variety of broadband, pay-TV and telephony providers and delivery systems, including broadband communications companies, wireless data and telephony providers, satellite-delivered video signals, Internet-delivered video content and broadcast television channels available to customers in our service areas. In addition, our pay-TV services compete with providers of leisure, news, information and entertainment, including movies, sporting or other live events, radio broadcasts, home-video services, console games, print media and the Internet.

More than 68% and 72% of our income in 2020 and in the six months ended June 30, 2021, respectively, came from paid television services, data and Internet services and local and international landline telephone services in Mexico. A shift in consumer preferences away from pay-TV services in Mexico could result in a reduction in our revenue, which could adversely affect our business, financial condition and results of operations. In addition, our ability to generate revenue depends on our ability to retain and expand our customer base. In order to attract new clients, we must incur certain costs, including sales commissions, market expenses, installation costs, and investment on acquisition of new equipment. Although we should recover these costs and investments over time, if we have high customer churn, we could experience an adverse impact on business, financial condition and results of operations.

Our pay-TV service also competes with video content services over the Internet directly to customers, some of which is offered free of charge. This competition comes from sources including companies that deliver movies, television shows and other video programming over broadband Internet connections, such as Netflix, iTunes, YouTube and SKY. Other competitors may enter our market and begin offering free video content. Increasingly, content owners, such as HBO, CBS and ESPN, are selling their programming directly to consumers over the Internet without requiring a pay television subscription. The availability of these services has and will continue to adversely affect customer demand for our pay-TV services, including premium and on-demand services. Further, due to innovations in consumer electronics, consumers are able to watch content on television sets and mobile devices directly. Internet access also is offered by providers of wireless services, including traditional cellular phone carriers and others focused solely on wireless data services. Some wireless carriers in Mexico have started to offer unlimited data plans, which could, in some cases, become a substitute for the fixed broadband services we provide.

We have a history of losses due to investments in recent years.

We have a history of losses due to investments to build our network and to expand our subscriber base in new cities. When we make investments to build our network and expand our subscriber base, we incur additional costs and expenses including costs associated with equipment installations. Over the long term this results in an increase in revenues and improvement in credit metrics while in the short term it contributes to a net loss.

We had a net comprehensive loss of Ps.230 million (U.S.$12 million) for the year ended December 31, 2018, net comprehensive income of Ps.1,450 million (U.S.$73 million) for the year ended December 31, 2019 and a net comprehensive loss of Ps.548 million (U.S.$28 million) for the year ended December 31, 2020. We had net comprehensive income of Ps.252 million (U.S.$12 million) for the six months ended June 30, 2021, and a net comprehensive loss of Ps.701 million (U.S.$35 million) for the comparable period in 2020. As a result of our history of losses, our independent auditors noted an uncertainty relating to going concern in their audit report with respect to our consolidated financial statements for the year ended December 31, 2018, without qualifying their opinion, since the financial statements were prepared assuming the continuity of our operations. The independent auditors' reports with respect to our subsequent financial statements no longer reflect such uncertainty.

Our net losses have historically resulted primarily from the substantial investments required to grow our business, including the significant increase in recent periods in the size of our network. We expect that these costs and investments will continue to increase as we continue to grow our business. We also intend to invest in maintaining our high level of customer service and support, which we consider critical to our continued success. Our operating costs and other expenses may be greater than we anticipate, and our investments to make our business and our operations more efficient may not be successful. We also expect to incur additional general and administrative expenses as a result of our growth. These expenditures will make it more difficult for us to maintain profitability, and we cannot predict whether we will maintain profitability for the foreseeable future.

If our customer churn rate increases, our business, financial condition and results of operations could be adversely affected.

Due to the nature of our residential customer contracts, customers are not subject to a mandatory term and we may terminate them for nonpayment. If we experience higher customer churn rates in the future that is not compensated by new subscribers, our business, financial condition and results of operations as well as our ability to make payments on the Notes could be adversely affected. Customer acquisition costs are much higher than the cost of maintaining an existing customer. Accordingly, customer churn could have an adverse impact on our operating income, even if we are able to obtain one new customer for each lost customer. For the six months ended June 30, 2021, based on data from our BRM system, our average monthly customer churn rate was 1.1%. We believe churn rate mainly results from customer deactivations due to nonpayment of bills and migrations to cities or areas where we have no service coverage. In addition, a decline in general economic conditions in Mexico could lead to an increase in churn due to nonpayment, particularly among our residential customers.

If our suppliers fail to provide services, technologies and/or equipment, our business, financial condition and results of operations could be adversely affected.

Our main suppliers include Huawei Technologies de México, S.A. de C.V., Anixter, de México, S.A. de C.V., SAGEMCOM México, S.A. de C.V., Fox Latin American Channel, Inc., Televisa, S.A.B. de C.V., Fibras Ópticas de México, S.A. de C.V., YOFC International Mexico, S.A. de C.V., Operbes, S.A. de C.V., Wuhan Fiberhome International de Mexico, S.A. de C.V., Red Comercial Empresarial, S.A. de C.V., Crossopt México, S. de R.L. de C.V., and MATC Digital, S. de R.L. de C.V., among others. If any of our key suppliers fails or becomes unable to provide services, technologies and/or equipment necessary for our operations, and no alternate supplier is available, our ability to make the necessary technology to support our services would be adversely affected, which could adversely affect our business, financial condition and results of operations.

A system failure could cause delays or interruptions of service, which could cause a loss of customers.

To be successful, we will need to continue providing our customers reliable service over our network. Some of the risks that our network and infrastructure are exposed to include:

- physical damage to access lines;
- power surges or outages;
- software defects; and
- disruptions beyond our control.

Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause a loss of customers or the incurrence of additional expenses.

We may be subject to interruptions or failures in our information technology systems, as well as to cyberattacks or other breaches of network or IT security.

We rely on sophisticated IT systems and infrastructure to support our business, including process control technology. These systems may be susceptible to outages due to fire, floods, earthquakes, power loss, telecommunications failures and similar events. The failure of any of our information technology systems may cause disruptions in our operations, adversely affecting our sales and profitability. We cannot assure you that our business continuity plans will be completely effective in the event of interruptions or failure of our information technology systems.

Furthermore, our technologies, systems and 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.

Our operations depend upon our ability to protect our infrastructure.

We depend on our ability to protect our infrastructure against damage from fire, earthquakes, hurricanes, floods, power loss, security breaches, software flaws and similar events, and on building networks that are not vulnerable to the effects of such events. The occurrence of a natural disaster or other unanticipated problems at the facilities or sites of switches, data centers or points of presence ("*POPs*") could cause interruptions in the services that we provide. The failure of a switch, data center, or POP would result in the interruption of service to the customers served by that equipment until necessary repairs are made or replaced. Repairing or replacing damaged equipment may be costly. Any damage or failure that causes interruptions in our operations could have a material adverse effect on our business, financial condition and results of operations.

Additionally, cyber pirates may obtain and wrongfully use or divulge our customers' confidential information stored in our computer systems, which may result in reputational damage and costly litigation.

Our network growth strategy may fail to generate anticipated revenues.

In the six months ended June 30, 2021, and in the years ended December 31, 2020, 2019 and 2018, we invested Ps.7,994 million (U.S.$402 million), Ps.14,201 million (U.S.$713 million), Ps.7,896 million (U.S.$397 million) and Ps.6,561 million (U.S.$330 million), respectively, in our network infrastructure, and we expect to make additional significant annual investments on a continuing basis to maintain and upgrade our network and increase our capacity and achieve business growth in the future. These investments and divestments, together with operating expenses, may affect our cash flow and profitability, particularly if such investments and divestments do not result in additional revenue or efficiencies. If we are unable to meet the challenges that such growth presents, our business, financial condition and results of operations could be adversely affected.

If we do not successfully maintain, upgrade and efficiently operate our accounting, billing, customer service and management information systems, we may not be able to maintain and improve our operating efficiencies.

Having efficient information and processing systems is vital to our operations and projected growth strategy, and to be able to monitor costs, provide timely invoices for services, process service orders, provide customer service and achieve operating goals. We believe that we have the systems necessary to provide these services efficiently. However, we can provide no assurance that in the future we will be able to continue the optimal operation and maintenance of such systems or that they will continue to perform as expected or that our systems will not be subject to hacking or interference. Any failure in these systems could affect our billing, collection and customer responsiveness and may adversely affect our business, financial condition and results of operations.

We depend on access to infrastructure owned by the Federal Electricity Commission (Comisión Federal de Electricidad).

A significant portion of our public telecommunications network is installed on the electric power poles owned by the Mexican Federal Electricity Commission (*Comisión Federal de Electricidad,* the *"CFE*"). To maintain our right of access and access to new poles, we must comply with the terms of our agreement with the CFE and applicable regulations. If we fail to comply with these terms and conditions, our business, financial condition and results of operations could be adversely affected. Additionally, in some circumstances we may face obstacles and increased costs resulting from the imposition of requirements by local authorities to install and maintain our infrastructure.

Our pay-TV content is provided by third parties and if we face difficulty securing such content we may experience customer losses.

We have long-term arrangements with programmers for access to their content. The success of our pay-TV services depends on our ability to access an attractive and varied selection of programming. The ability to provide movie, sports and other popular programming is a major factor that attracts customers to our pay-TV services. If we are not able to obtain sufficient high-quality programming for our pay-TV services on satisfactory terms or at all this could result in reduced demand for, and lower revenue and profitability from, our cable services. Moreover, there can be no assurance that our existing programming contracts will be renewed on favorable or comparable terms, or at all, or that the rights we negotiate will be adequate for us to execute our business strategy.

We may be liable for the material that content providers distribute over our network.

The law relating to the liability of private network operators for information carried on, stored or disseminated through their networks is still unsettled. As such, we could be exposed to legal claims relating to content disseminated on our network. Claims could challenge the accuracy of materials on our network or could involve matters such as

defamation, invasion of privacy or copyright infringement. If we need to take costly measures to reduce our exposure to these risks or are required to defend ourselves against such claims, our business, reputation, financial condition and results of operations could be materially adversely affected.

If Netflix or any other provider of streaming or over-the-top ("*OTT*") service stops providing their services, our content offering may be materially reduced and adversely impact our ability to retain existing customers and acquire new subscribers, and as a result we could become a linear pay-TV service with reduced revenue and profit.

Programming and retransmission costs are increasing, and we may not have the ability to pass these increases on to our customers. Disputes with programmers and the inability to retain or obtain popular programming can adversely affect our relationship with customers and lead to customer losses.

Programming costs are one of our largest categories of expenses. In recent years, the cost of programming has increased significantly and is expected to continue to increase, particularly for sports programming and broadcast network programs. We may not be able to pass to our customers increased programming costs due to the competitive environment. If we are unable to pass these costs on to our customers, our business, financial condition and results of operations would be adversely affected. In addition, programming costs are related directly to the number of customers in our customer base. Our larger customer base relative to our competitors may have a disproportionately negative impact on our operating margins relative to our competitors with a smaller customer base. As our customer base continues to grow, we are able to reduce our programming cost per subscriber and to the extent we add additional subscribers the cost of our programming per subscriber should decrease and if we fail to grow our customer base such cost per customer would increase.

Agreements with government agencies face a greater level of uncertainty.

Revenues from contracts with government agencies represented 10.3% and 11.5%, of total revenues for the six months ended June 30, 2021 and the year ended December 31, 2020, respectively. These contracts represent some risk for us, even if they are terminated and certain conditions are not satisfied if they may not be extended at will, as a public bidding process is required for an extension. The loss of market share or revenue from agreements with government agencies may not have a negative impact in our financial condition and results from operations.

Any loss of key personnel could adversely affect our business.

Our success depends, in large measure, on the skills, experience, efforts and collaboration of our senior management team and other key personnel and the correct strategic decision making by the executive team. Our executive management team has extensive experience in the industry and it is of the utmost importance that they continue to be a part of our company or be replaced by equally qualified executives to maintain our most important customer relationships and the proper operation of our business. The loss of the technical knowledge, management and industry expertise of key employees could hinder the optimal execution of our business plan and could result in delays in launching new products, loss of customers and diversion of resources to the extent that such employees cannot be replaced. If we are not able to attract, hire or retain highly skilled, talented and committed senior managers or other key employees, our ability to fully implement our business objectives may be adversely affected.

Any deterioration of relations with our employees or increase in labor costs may have a negative impact on our business, financial condition, results of operations and prospects.

Through our subsidiaries and affiliated and third-party personnel service companies, we employed 9,547 employees throughout Mexico as of June 30, 2021. In addition to requiring us to carefully manage our administrative expenses, our growth will require us to attract, hire and retain qualified personnel to efficiently manage such growth. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover, changes in the Mexican Federal Labor Law (*Ley Federal del Trabajo*) or the interpretation thereof, could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, an amendment to each of the Mexican Federal Labor Law and the Mexican Social Security Law (*Ley del Seguro Social*) was approved by the Mexican Congress (*Congreso de la Unión*) and published by the Federal Executive (*Ejecutivo Federal*) in the Official Gazette on April 23, 2021 (the "*Subcontracting Reform*"). Pursuant to the Subcontracting Reform, the subcontracting of personnel, defined as the provision of employees (between third parties, as well as with related parties) by an individual or legal entity for the benefit of another, is legally prohibited. It can be inferred from the Subcontracting Reform that schemes known as insourcing, in which corporate groups create their own service companies to hire and provide personnel to other legal entities of the corporate group, are also

prohibited. This prohibition does not include those who perform specialized services or works, meaning those that are distinct from the corporate purpose or main economic activity of the beneficiary of the services. The specialized services or works must be formalized through a written agreement, and the service provider of said specialized services or works must be registered with the Ministry of Labor and Social Welfare (*Secretaría del Trabajo y Previsión Social*) in order to render such services, which must be renewed every three years. The Subcontracting Reform establishes that anyone who subcontracts specialized services or carries out specialized works and fails to comply with obligations to its employees will be jointly and severally liable with respect to any labor, social security and/or tax obligations. We plan to take all necessary measures and actions to comply with the Subcontracting Reform, including the adjustment of our personnel outsourcing arrangements, which may increase our overall labor and social security payments. This reform could also adversely affect our business, prospects, results of operations, and financial condition since it could make it easier for employees to bring legal proceedings against us.

A strike, work or other labor unrest could, in some cases, impair our ability to provide our services to customers, which could result in reduced net sales. As of June 30, 2021, only 66 employees were unionized. Under our collective bargaining agreement, we are required to negotiate salaries on a yearly basis and other benefits.

Our operations are subject to the general risks of litigation.

We are involved in litigation on an ongoing basis arising in the ordinary course of business or otherwise. Litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims related to commercial, labor, employment, antitrust, securities or environmental matters. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brands and reputation and/or customer preference for our products. In 2012, Mexico's Congress approved legislation allowing consumers and other market participants to initiate class action lawsuits against us. There is very limited experience in Mexico with class action lawsuits and judicial precedent regarding these laws is extremely limited. Furthermore, there may be claims or expenses that are denied insurance coverage by our insurance carriers or not fully covered by our insurance; that is in excess of the amount of our insurance coverage or not insurable at all. Litigation trends and expenses and the outcomes of litigation cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could have a material adverse effect on our business, financial condition and results of operations. See "The Total Play Group—Market & Competition—Legal and Administrative Proceedings."

Online piracy of entertainment and media content could result in reduced revenues and increased expenditures, which could materially adversely affect our business, financial condition and results of operations.

Online entertainment and media content piracy is persuasive in many parts of the world and is made easier by technological advances. This trend facilitates the creation, transmission and sharing of high-quality unauthorized copies of entertainment and media content. The proliferation of unauthorized copies of this content will likely continue, and if it does, could have an adverse effect on our business, financial condition and results of operations because these products could reduce the revenue we receive for our products. Additionally, in order to contain this problem, we may have to implement elaborate and costly security and antipiracy measures, which could result in significant expenses and losses of revenue. There can be no assurance that even the highest levels of security and anti-piracy measures will prevent piracy.

Our business depends on intellectual property rights and on not infringing on the intellectual property rights of others.

We rely on copyrights and trademarks owned by us, as well as licenses and other agreements with our vendors and other parties, to use technologies, conduct our operations and sell our products and services. Our intellectual property rights may be challenged and invalidated by third parties and may not be strong enough to provide meaningful commercial competitive advantages. Third parties have in the past asserted, and may in the future assert, claims or initiate litigation related to exclusive patent, copyright, trademark and other intellectual property rights to technologies and related standards that are relevant to us. Because of the existence of a large number of patents in the networking field, the secrecy of some pending patents and the rapid rate of issuance of new patents, we believe it is not possible to determine in advance whether a product or any of its components infringes or will infringe on the patent rights of others. Asserted claims and/or initiated litigation can include claims against us or our manufacturers, suppliers or customers, alleging infringement of their proprietary rights with respect to our existing or future products and/or services or components of those products and/or services.

Regardless of the merit of these claims, they can be time-consuming, result in costly litigation and diversion of technical and management personnel, or require us to modify our business, develop a non-infringing technology, be enjoined from use of certain intellectual property, use alternate technology or enter into license agreements. There can be no assurance that licenses will be available on acceptable terms and conditions, if at all, or that our indemnification by our suppliers will be adequate to cover our costs if a claim were brought directly against us or our customers. Furthermore, because of the potential for court awards that are not necessarily predictable, it is not unusual to find even arguably unmeritorious claims settled for significant amounts. If any infringement or other intellectual property claim made against us by any third party is successful, if we are required to indemnity a customer with respect to a claim against the customer, or if we fail to modify our business, develop non-infringing technology, use alternate technology or license the proprietary rights on commercially reasonable terms and conditions, our business, financial condition and results of operations could be materially adversely affected.

We may not have sufficient insurance to cover future liabilities, including any litigation claims, either due to coverage limits or as a result of insurance carriers' denial of coverage of such liabilities, which, in either case, could have a material adverse effect on our business, financial condition and results of operations.

Our third-party insurance coverage may not be sufficient to cover damages that we may incur if the amount of such damages surpasses the amount of our insurance coverage or the damages are not covered by our insurance policies. Such losses could cause us to suffer significant unanticipated expenses resulting in an adverse effect on our business, financial condition and results of operations. In addition, our insurance carriers may seek to rescind or deny coverage with respect to future liabilities, including from lawsuits, investigations and other legal actions against us. If we do not have sufficient coverage under our policies, or if the insurance companies are successful in rescinding or denying coverage to us, this could have a material adverse effect on our business, financial condition and results of operations.

We have a majority shareholder, Corporación RBS, whose interests may not be aligned with the interest of Total Play or its bondholders or other creditors.

As of the date of this Offering Memorandum, we are a majority-owned subsidiary of Corporación RBS, which owns 97.7% of our outstanding voting stock, 99.99% of the capital of which is owned by Mr. Ricardo B. Salinas Pliego. As such, Corporación RBS and its controlling shareholder has and will continue to have the power to control our affairs and operations and may exercise its control in a manner that differs from the interests of our creditors including holders of the Notes offered hereby. The interests of Corporación RBS may be different from the interests of minority shareholders, holders of the Notes or other creditors in material aspects, including with respect to, among others, the appointment of board members, the appointment of the CEO and the approval of mergers, acquisitions and other non-recurring transactions. Although each of Corporación RBS' subsidiaries determines its own business plan according to the industry in which it operates, Corporación RBS can exert significant influence in our business strategy, administration and operations. Consequently, any business decision or changes in our majority shareholder's global strategy could adversely affect our business, financial condition and results of operations.

We may be associated with news reports, allegations, investigations, legal or regulatory proceedings with respect to alleged misconduct relating to Mr. Ricardo Salinas Pliego, our controlling shareholder, or companies in Grupo Salinas, and our reputation and business could be adversely affected by the negative publicity associated with such matters.

A number of news reports have been published that may be detrimental to our reputation and that of Mr. Salinas Pliego and companies affiliated with Grupo Salinas. Mr. Salinas Pliego is the controlling shareholder of Corporación RBS, which controls us, and is the chairman of our board of directors. Mr. Salinas Pliego was identified in a periodical as having personal interests in a transaction that is under investigation by the Mexican government regarding alleged government corruption involving Petróleos Mexicanos ("*PEMEX*"), Mexico's state-owned oil company, and Grupo Fertinal, S.A. de C.V., a Mexican fertilizer company, to which Banco Azteca, a company which is part of Grupo Salinas, provided financing as a member of a lending syndicate in connection with the purchase by PEMEX of Fertinal. Neither Mr. Salinas Pliego nor Banco Azteca have been summoned or asked to appear before any governmental body in connection with such matter. Mr. Salinas Pliego and Banco Azteca have stated that they consider such reports without merit and have filed a libel suit against the periodical that initiated the reports. Mr. Salinas Pliego did not have and, as of the date of this Offering Memorandum, does not have personal interests, directly or indirectly, in Fertinal.

If, for any reason, we are unable to disassociate ourselves from these or other news reports, allegations, investigations and legal proceedings in the future, such failure could have a material adverse effect on our reputation and commercial dealings. Furthermore, there can be no assurance that these or other similar matters will not have a material adverse effect on our reputation, commercial dealings and the price of our securities.

We enter into transactions with related parties and affiliates, which could result in conflicts of interest.

We have entered into and, subject to compliance with the covenants that will apply to the Notes, will continue to enter into transactions with Corporación RBS, our parent company, and several entities directly or indirectly owned or controlled by our parent company. Specifically, we have entered into certain service contracts with our affiliates in exchange for certain fees. We are likely to continue engaging in transactions with our parent and any of its subsidiaries and affiliates, and our subsidiaries and affiliates are likely to continue engaging in transactions among themselves. Such transactions could result in conflicts of interest.

No assurance can be given that the terms that we consider to be "substantially on market conditions" will be considered as such by third parties. Although we intend to continue carrying out transactions with related parties under market conditions, future conflicts of interest between us and our parent company or any of its subsidiaries or affiliates, and among our subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in our favor. See "Related Party Transactions."

Our current level of indebtedness may affect our flexibility in operating and developing our business and our ability to fulfill our obligations or achieve our strategic objective.

As of June 30, 2021, we had Ps.34,697 million (U.S.$1,743 million) of total consolidated financial debt including lease liabilities, accrued interest payable and debt issuance costs. Our level of indebtedness may have significant implications for investors, including:

- limiting our ability to generate sufficient cash flow to satisfy our obligations with respect to our indebtedness, particularly in the event of a default under one of our other instruments;
- limiting the cash flow available to fund our working capital, capital expenditures (including maintenance) or other general corporate requirements;
- increasing our vulnerability to adverse economic and industry conditions, including increases in interest rates, foreign currency exchange rate fluctuations and market volatility;
- limiting our ability to obtain additional financing to refinance our debt or to fund our future working capital, capital expenditures, other general corporate requirements and acquisitions on favorable terms or at all;
- limiting our flexibility in planning for, or reacting to, changes in our business and industry; and
- limiting our ability to incur additional financings to make acquisitions, investments or take advantage of corporate opportunities in general.

If we incur additional indebtedness, the risks outlined above could increase. In addition, our cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay all of our outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms or at all, to refinance our debt. See "—Risks Relating to the Notes—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."

We might not be able to obtain funding if a deterioration in the credit and capital markets or reductions in our credit ratings were to occur, which could hinder or prevent us from meeting our future capital needs and from refinancing our existing indebtedness when it comes due.

A deterioration of capital and credit markets could hinder our ability to access these markets. In addition, adverse changes in our credit ratings, which are based on various factors, including the level and volatility of our earnings, the quality of our management, the liquidity of our statement of financial position and our ability to access a broad array of funding sources, may increase our cost of funding. If this were to occur, we cannot be certain that additional funding for our capital needs from credit and capital markets would be available, if needed, on acceptable terms or at all. In addition, we might be unable to refinance our existing indebtedness when it comes due on terms that

are acceptable to us or at all. If we were unable to meet our capital needs or refinance our existing indebtedness, it could have a material adverse effect on our business, financial condition and results of operations.

We may require additional financing, which could aggravate the risks associated with our debt.

We operate in a capital intensive industry and expect to make investments in the future as new technologies are implemented and we expand the capacity and coverage of our existing infrastructure to exploit market opportunities and maintain our network, data centers, switches and POPs. In addition, we operate in a highly regulated industry and must maintain government-mandated capital investment requirements that may change over time as our connections are renewed or expanded. There can be no assurance that we will have sufficient resources available to make these investments or to cover potential expenditures requested by government agencies and that, if required, there would be funding available on terms and conditions acceptable to us. In addition, our ability to obtain additional financing will be limited to the terms and conditions of existing credit agreements or those entered into in the future.

Adverse and volatile conditions in the domestic or international credit markets, including higher interest rates, reduced liquidity or a decrease in the willingness of financial institutions to grant us credit, have increased the cost of funding or the possibility of refinancing the debt maturities in the past and could increase it in the future. This could have adverse consequences on our financial condition or results of operations. There can be no assurance that financial resources will be obtained to refinance the incurred debt or obtain proceeds from the sale of assets or the raising of capital to make payments for such debt.

Risks Relating to the Mexican Telecommunications Industry

Additional competition from new entrants in the pay-TV business, including América Móvil to the extent it is permitted to offer pay-TV services in the future, could have a material adverse effect on our business, financial condition and results of operations.

As of the date of this Offering Memorandum, América Móvil, the largest incumbent provider with an estimated 48.4% market share of broadband internet and fixed telephony services, is prohibited from offering pay-TV services. However, if América Móvil is authorized in the future to provide pay-TV services, it could lead to a reduction in our growth plans in the face of this new competition, which in turn would adversely impact our revenues and profitability. Competitors in pay-TV services could decide to invest heavily in modernizing their infrastructure, which could potentially result in lower price for our services, impact our new customer acquisition targets and have a material adverse effect on our business, financial condition and results of operations.

If América Móvil ceases to be considered a "preponderant economic actor" in the Mexican telecommunications market, it will no longer be required to comply with certain regulations, which could have a material adverse effect on our business, financial condition and results of operations.

As of the date of this Offering Memorandum, the IFT has determined, and the Supreme Court of Justice of the Nation (*Suprema Corte de Justicia de la Nación*, the "*Supreme Court*") has recently confirmed, that the economic group consisting of América Móvil and its subsidiaries constitutes a "preponderant economic actor" in the Mexican telecommunications market, given its market concentration and focus on providing local telephony and internet services. As a result, América Móvil and its subsidiaries are subject to certain specific regulations.

If América Móvil ceases to be a preponderant economic actor, certain specific regulations that apply to it and that allow us access to América Móvil's wholesale services on competitive terms, such as the use of passive infrastructure and the provision of Ethernet private lines, would be terminated, which could adversely impact our investment plans. It would either increase our costs for such services from América Móvil or terminate such services.

If potential new entrants enter the market, our business, financial condition and results of operations could be materially and adversely affected.

Other groups and investors could enter the market, increasing the number of viable competitors, potentially leading to price reductions, ARPU reductions, and adversely impact our ability to attract and retain subscribers.

We operate in a highly regulated industry. Government regulation of our industry or changes to the legal framework could adversely affect our ability to offer or expand our services.

The operation of telecommunications systems in Mexico is currently subject to laws and regulations administered by the IFT, intended to regulate and promote competition and the efficient development of the telecommunications and broadcasting industry in Mexico. As a public service provider, we are subject to extensive

regulation. Therefore, our activities may be materially and adversely affected by the interpretation and enforcement of the current laws and by future amendments to such laws. Our ability to continue offering or expanding our product lines and increasing our revenue may be limited by the scope, date of enactment, interpretation and enforcement of current or future laws, including any new or higher taxes.

Under Mexican law, our concessions could be seized or suspended.

Pursuant to the Mexican Federal Law of Telecommunications and Broadcasting (*Ley Federal de Telecomunicaciones y Radiodifusión*, the "*LFTR*") enacted in August 2014, public telecommunications networks concessions in Mexico are considered of public interest and holders of telecommunications networks concessions are subject to the provisions of the LFTR. The LFTR provides, among other things, for the following:

- the rights and obligations granted under the concessions to install, operate and exploit public telecommunications networks may only be assigned with the prior authorization of the IFT;
- neither the concession nor the rights thereunder or the related assets may be assigned, pledged, mortgaged, placed in escrow or sold to any government or country; and
- the Mexican government may expropriate for public utility purposes or temporarily seize the assets (*requisa*) related to the concessions in the event of natural disasters, war, significant public disturbance or threats to internal peace or for other reasons relating to economic or public order.

Reasons for seizure are wide-ranging and may be claimed by the Mexican government at any time. Mexican law sets forth the process for indemnification by the government for direct damages arising from expropriation or temporary seizure of the assets related to the concessions. However, if the concessionaire does not agree with the indemnity amount determined by IFT it may appeal to the Specialized Tribunals on telecommunication matters that they may determine the definitive amount. If our concessions are expropriated, there may be significant delays in the receipt of payment of the applicable indemnification. In addition, the indemnification payment may be insufficient to compensate us for damages suffered. Furthermore, expropriation of our concessions may limit our ability to continue operations. The expropriation or suspension of our concessions would have a material adverse effect on our business, financial condition and results of operations.

We are subject to the supervision and verification authority of the IFT.

As a concessionaire of a public telecommunications network regulated by the IFT, we must submit detailed periodic information, including specifically regarding the provision of our services. The IFT has sanction and supervision powers and must guarantee continuity of public services of general interest pursuant to applicable law. Under such authority, the IFT may impose sanctions and/or fines on us. The IFT also issues warnings regarding possible service continuity problems from time to time, which may trigger a seizure event under applicable law if they remain unresolved.

Our assets are located in Mexico and are therefore subject to the provisions of the National Law of Domain Extinction (Ley Nacional de Extinción de Dominio).

The National Law of Domain Extinction (*Ley Nacional de Extinción de Dominio*, the "*LNED*") empowers the public prosecutor (*agente del ministerio público*) to exercise the extinction of domain action with respect to all types of assets related to crimes in a broad range of categories, including organized crime, kidnapping, crimes related to hydrocarbons, oil and petrochemicals, crimes against health, human trafficking, crimes for acts of corruption, cover-ups, crimes committed by public servants, theft of vehicles, resources of illicit origin and extortion. Pursuant to the LNED, the extinction of domain action may be exercised with respect to assets related to any of these crimes, including if the assets are used by a party other than the owner of the asset in order to commit the crime.

The LNED permits a final judgment on domain extinction even in certain cases when the criminal trial has not yet concluded, provided the governmental authority determines that solid and reasonable grounds exist to infer the existence of assets that are covered by the LNED. In such cases, if the affected person were to later prove its innocence and the asset has already been monetized, the affected person would only be able to recover the proceeds from the monetization of the asset.

Legal remedies are available to challenge the enforcement of the LNED on the grounds of a possible violation of human and constitutional rights such as property rights and the presumption of innocence. Should our assets ever be challenged under LNED grounds, in order to defend our rights, it may be necessary to incur significant costs due

to litigation and/or full or partial loss of the assets subject to domain extinction proceedings. All of the foregoing could adversely affect our operations and our ability to make payments on the Notes.

Decreases in market rates for telecommunication services could have a material adverse effect on our results of operations and financial condition.

It is expected that the Mexican telecommunications market will continue experiencing rate pressure, primarily as a result of:

- increased competition and focus by competitors on increasing market share; and
- recent technological advances that permit substantial increases in the transmission capacity of both new and existing fiber optic networks resulting in long distance overcapacity.

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

Risks Relating to Mexico and Other Global Risks

Our business is highly dependent on the general state of the Mexican economy. Economic developments in Mexico may adversely affect our business and results of operations.

Total Play is a Mexican corporation, and the majority of our subsidiaries are also Mexican corporations. For the years ended December 31, 2019 and 2020, and the six months ended June 30, 2021, our operations in Mexico accounted for 100% of our total consolidated revenues of Ps.14,267 million (U.S.$717 million), Ps.19.557 million (U.S.$982 million) and Ps.13,195 million (U.S.$663 million), respectively. As a result, our business may be significantly affected by the Mexican economy's general condition, by the depreciation of the peso, by inflation and high-interest rates in Mexico, or by political developments in Mexico. Declines in growth and consumer purchasing power, high rates of inflation, and high-interest rates in Mexico have a generally adverse effect on our operations. If inflation in Mexico increases while economic growth slows, our business, results of operations, and financial condition will be affected. In addition, high-interest rates and economic instability could increase our costs of financing.

On June 5, 2019, Fitch Ratings downgraded Mexico's sovereign debt, which reflects an assessment of the overall financial capacity of the government of Mexico to pay its obligations and its ability to meet its financial commitments as they become due, from BBB+ to BBB citing increased risk due to the deteriorating credit profile of PEMEX, Mexico's state-owned oil company, and weakness in the macroeconomic outlook due to, among other things, trade tensions. In addition, Moody's Investors Service ("*Moody's*") changed its outlook on Mexico's A3 rating from stable to negative. The same day, Fitch Ratings downgraded PEMEX, from BBB- to BB+, citing insufficient investment to restore declining production. On March 26, 2020, Standard & Poor's ("*S&P*") downgraded its credit rating for Mexico's foreign currency sovereign debt from BBB+ to BBB and local currency sovereign debt from A+ to BBB+ (in each case, with negative outlook). S&P affirmed its ratings and outlook of Mexico on June 15, 2021. Moreover, on April 3, 2020, Fitch Ratings downgraded PEMEX from BB+ to BB, citing the continued deterioration of its stand-alone credit profile amid the downturn in the global oil and gas industry, Fitch Ratings' lower oil price assumptions and the weakening credit linkage between Mexico and PEMEX. Fitch Ratings subsequently downgraded PEMEX to BB– (stable outlook). On April 15, 2020, Fitch Ratings revised its rating of Mexico's sovereign debt from BBB to BBB– (stable outlook), and affirmed its rating and outlook of Mexico on May 17, 2021. Finally, on April 17, 2020, Moody's downgraded its ratings of PEMEX's senior unsecured notes, as well as its ratings of PEMEX's guarantee, from Baa3 to Ba2 (negative outlook) and, simultaneously, Moody's withdrew PEMEX's Baa3 issuer rating and assigned a Ba2 corporate family rating. Moody's also lowered PEMEX's Baseline Credit Assessment (BCA), reflecting its stand-alone credit strength, to Caa2 from Caa1. These rating actions were triggered by PEMEX's aggregated liquidity and business risk. Simultaneously, on April 17, 2020, Moody's downgraded the credit ratings for Mexico's sovereign debt from A3 to Baa1 and maintained the negative outlook. Moody's affirmed its rating and outlook of Mexico on April 29, 2021. The same day, Fitch Ratings proceeded to downgrade PEMEX once again from BB to BB- (stable outlook). On July 27, 2021, Moody's downgraded its ratings on PEMEX's corporate family and its ratings of PEMEX's existing senior unsecured notes, as well as its ratings of PEMEX's guarantee, from Ba2 to Ba3 (negative outlook). Moody's also lowered PEMEX's Baseline Credit Assessment (BCA), which reflects its standalone credit strength, from Caa2 to Caa3, citing high liquidity risk and increasing business risk. We cannot ensure that the rating agencies will not announce additional downgrades of Mexico and/or PEMEX in the future. These downgrades

could adversely affect the Mexican economy and, consequently, our business, financial condition, operating results, and prospects.

Furthermore, the COVID-19 pandemic may continue to disrupt economic activity, which may intensify the Mexican economy's slowdown. See "—The COVID-19 outbreak has had a material impact on the global economy."

Developments in other countries, particularly the United States, could materially affect the Mexican economy and, in turn, our business, financial condition and results of operations.

The U.S. economy heavily influences the Mexican economy, and therefore, the deterioration of the United States' economy, the termination of the United States–Mexico–Canada Agreement (the "*USMCA*") or other related events may impact the economy of Mexico. Economic conditions in Mexico have become increasingly correlated to economic conditions in the United States as a result of the North American Free Trade Agreement ("*NAFTA*"), which has induced higher economic activity between the two countries and increased the remittance of funds from Mexican immigrants working in the United States to Mexican residents. On an annual basis, as of May 2021, 80.9% of Mexico's total exports are purchased by the United States, the single country with the highest share of trade with Mexico. The terms of the USMCA, which entered into force on July 1, 2020, could have an impact on Mexico's economy generally and job creation in Mexico, which could significantly adversely affect our business, financial performance and results of operations.

Likewise, any action taken by the current U.S. or Mexico administrations, including changes to the USMCA and/or other U.S. government policies that may be adopted by the U.S. administration, could have a negative impact on the Mexican economy, such as reductions in the levels of remittances, reduced commercial activity or bilateral trade or declining foreign direct investment in Mexico. In addition, increased or perceptions of increased economic protectionism in the United States, Mexico and other countries could potentially lead to lower levels of trade and investment and economic growth, which could have a similarly negative impact on the Mexican economy. These economic and political consequences could adversely affect our business, operating results and financial condition.

Additionally, economic conditions in Mexico may also be affected by political developments in the United States, such as changes as a result of the presidential elections that took place on November 2020. We cannot make assurances that any events in the United States or elsewhere will not materially and adversely affect us.

The political situation in Mexico could negatively affect our operating results.

In Mexico, political instability has been a determining factor in business investment. We are a Mexican corporation, the majority of our subsidiaries are Mexican corporations and most of our assets and operations are in Mexico. Therefore, the political situation in Mexico has a significant impact on our financial condition and results of operations. Significant changes in laws, public policies and/or regulations could affect Mexico's political and economic situation, which could, in turn, adversely affect our business. Any change in the current consumer protection or outer regulatory policies could have a significant effect on Mexican consumer service providers, including us, variations in interest rates, demand for our products and services, market conditions, and the prices of and returns on Mexican securities.

Mexican political events may significantly affect our business operations. As of the date of this Offering Memorandum, the president's political party and its allies hold a majority in the Chamber of Deputies and the Senate and a strong influence in various local legislatures. The federal administration has significant power to implement substantial changes in law, policy and regulations in Mexico, including Constitutional reforms, which could negatively affect our business, results of operations, financial condition and prospects. We cannot predict whether potential changes in Mexican governmental and economic policy could adversely affect Mexico's economic conditions or the sector in which we operate. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, results of operations, financial condition and prospects.

Social and political instability in or affecting Mexico could adversely affect our business, financial condition and results of operations, as well as market conditions and prices of our securities. These and other future developments in the Mexican political or social environment may cause disruptions to our business operations and decreases in our sales and net income.

Additionally, economic conditions in Mexico may also be affected by political developments in Mexico, such as the federal midterm congressional election that took place on June 2021, in which the president of Mexico's

coalition kept control of the lower house of congress, but lost the supermajority required to pass Constitutional amendments.

The COVID-19 outbreak has had a material impact on the global economy.

The COVID-19 outbreak has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. In April 2020, the International Monetary Fund warned that the outbreak is likely to trigger the worst recession since the Great Depression. Governments have taken aggressive measures to slow the spread of COVID-19, including quarantines and lock-downs, restrictions on travel, and closing of businesses and public and private institutions. In addition, governments have imposed a wide variety of consumer protection measures that limit how certain businesses, including telecommunications companies, can operate their businesses and interact with their customers. The virus continues to spread globally and cause significant social and market disruption. The COVID-19 pandemic and measures implemented by government to slow the spread could have a material adverse effect on our business, results of operations, cash flows, and financial position.

As of the date of this Offering Memorandum, the COVID-19 pandemic remains a significant risk to the global economy. Although a vaccine is available in limited capacities, the COVID-19 pandemic may not be fully contained for the foreseeable future, and certain regions may be subject to an increase in the number of people infected and deaths. Uncertainty related to the COVID-19 pandemic could keep consumer confidence low for an extended period of time, delaying economic recovery further.

Furthermore, downside risks as a result of the COVID-19 pandemic are significant. A resurgence of infections and new strains of the virus may trigger new generalized restrictions or reduce vaccines' effectiveness. A further decline in economic activity due to closures, general hesitation by companies to hire jobseekers, and unemployed workers leaving the labor force entirely could lead to further scarring of the economy.

Initially, the effects of the lockdown benefited our Totalplay Residential segment revenues as a result of higher demand for high quality internet services, leading to an increase in subscribers from 1.7 million in April 2020 to 2.9 million in June 2021. However, we are not certain that this trend will continue. If the COVID-19 pandemic continues for an extended period of time, national economies, including ours, would likely have consequences such as an adverse impact on the purchasing power of our customers (Residential and Business), which could adversely affect our churn rate in the near future.

The COVID-19 pandemic has not yet had a material negative impact on our financial, operational and administrative position, nor are there any relevant COVID-19-related measures that put our operations at risk. We expect to continue to maintain our operations at normal levels, continuing to offer essential telecommunications products and services, broadband internet, fixed telephony and restricted television. In fact, thus far, social distancing requirements have had a beneficial effect on our business. Although we have continued to operate normally, it is not possible to anticipate the impact of the COVID-19 pandemic and there is a possibility that it will have a negative effect on our business and financial position.

The COVID-19 pandemic has caused, and will likely continue to cause, significant worldwide economic and market effects. It is not possible to ensure that conditions in bank financing, capital and other financial markets will not continue to deteriorate as a result of the COVID-19 pandemic, or that our ability to access capital and other financing sources will not be limited, which could negatively affect our financial condition.

Most of the impact and actions described above were implemented during the latter part of the first quarter of 2020. Since the lockdown in the second quarter of 2020, the government has gradually allowed more business sectors to operate and interact with customers since June 2020 and as of the date of this Offering Memorandum. The extent to which COVID-19 may impact our operations, liquidity, financial condition, and results of operations for the near future and beyond will depend on future developments, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the disease or treat its impact, and the duration, timing and severity of the impact on financial markets and the financial condition of our customers and the availability of a vaccine, all of which are highly uncertain and cannot be predicted. We will continue to closely monitor and evaluate the nature and extent of the impact of COVID-19 on our operations, liquidity, financial condition, results of operations, and prospects. We may also take further actions that alter our business operations, as may be required by federal, state, or local authorities, or that we determine are in the best interests of our customers, employees and suppliers.

Depreciation of the peso relative to the U.S. dollar could adversely affect our financial condition, our ability to repay debt and other obligations and results of operations.

The exchange rate for the peso fluctuates in relation to the U.S. dollar and such fluctuations may, from time to time, have a material adverse effect on our earnings, assets, liability valuation and cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Effects of Fluctuations in Exchange Rates between the Peso and the U.S. Dollar." Moreover, currency movements can also affect our leverage, as a significant portion of our debt is denominated in U.S. dollars. As of June 30, 2021, 34% of our debt (U.S.$576 million) was denominated in U.S. dollars. In particular, our Senior Notes due 2025 represent a substantial part of our total indebtedness, and the payment obligations under our Senior Notes due 2025 are denominated in U.S. dollars. Considering that we do not obtain revenue in U.S. dollars, we must use our revenue in pesos or in other currencies in order to service our U.S. dollar-denominated debt, including the Notes. A material devaluation or depreciation of the peso against the U.S. dollar may result in disruption of the international foreign exchange markets and may limit our ability to transfer or to convert pesos into U.S. dollars and other currencies to make timely payments of interest and principal on our U.S. dollar-denominated debt or obligations in other currencies, including our Senior Notes due 2025 and the Notes.

The peso is a free-floating currency and, as such, it experiences exchange rate fluctuations relative to the U.S. dollar over time. During 2020, the peso depreciated by 5.5% against the U.S. dollar compared to 2019. Through the first six months of 2021, the peso remained practically flat against the U.S. dollar, closing at Ps.19.9062 on June 30, 2021, as compared to Ps.19.9087 on December 31, 2020. While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could impose restrictive exchange rate policies in the future, as it has done in the past. Currency fluctuations may have an adverse effect on our financial position, results and cash flows in future periods. When the financial markets are volatile, as they have been in recent periods, our results may be substantially affected by variations in exchange rates and commodity prices and, to a lesser degree, interest rates. These effects include foreign exchange gain and loss on assets and liabilities denominated in U.S. dollars, fair value gain and loss on derivative financial instruments, commodities prices and changes in interest income and interest expense. These effects can be much more volatile than our operating performance and our operating cash flows.

Fluctuations in interest rates and inflation may adversely affect our business.

Mexico has, and is expected to continue to have, high real and nominal interest rates relative to the United States, its main commercial partner. According to the Central Bank, on July 1, 2021, the interest rate on 28-day Mexican government treasury securities was 4.30%. Any negative variations in prevailing interest rates could have an adverse effect on our financial condition because the amount of interest we owe may increase with regard to our present liabilities and indebtedness or any liabilities and indebtedness incurred in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results and Operations—Effects of Inflation."

Inflation in Mexico has historically been higher than that of more developed economies. According to the Central Bank, annual inflation in Mexico was 4.83%, 2.83% and 3.15% for the years ended December 31, 2018, 2019 and 2020, respectively, and for the six months ended June 30, 2021, annualized inflation was 5.88% in Mexico. Any significant increase in the inflation rate in Mexico could adversely affect our financial condition and results of operations because inflation can adversely affect consumer purchasing power.

If the Mexican government imposes exchange controls and restrictions, we may not be able to service our debt in U.S. dollars.

In the past, the Mexican economy has experienced balance of payment deficits and shortages in foreign exchange reserves. There can be no assurance that the Mexican government will not institute a restrictive exchange control policy. Any such restrictive exchange control policy could prevent or restrict access to U.S. dollars and limit our ability to service our debt. Moreover, we cannot predict what impact a restrictive exchange control policy would have on the Mexican economy generally.

Fluctuations in the U.S. economy or the global economy in general may adversely affect Mexico's economy and our business.

Mexico's economy is vulnerable to global market downturns and economic slowdowns. Moreover, Mexico's economy is largely influenced by economic conditions in the United States and Canada as a result of various factors, including the volume of commercial transactions under the USMCA and the level of U.S. investments in Mexico. Therefore, events and conditions that affect the U.S. economy can also affect our business, results of operations and financial condition, both indirectly and directly.

During the current global recession, which has been worsened by the ongoing COVID-19 pandemic, the global economy, including Mexico and the United States, has been materially and adversely affected by a significant lack of liquidity, disruption in the credit markets, reduced business activity, rising unemployment, a decline in interest rates, and erosion of consumer confidence. This situation has had a direct adverse effect on the purchasing power of our customers in Mexico. The macroeconomic environment in which we operate is beyond our control, and the future economic environment may continue to be less favorable than in recent years. Our level of revenues depends significantly on our ability to increase our number of subscribers and broaden the coverage area of our services, which in turn depend on the continued recuperation of the Mexican and global economy. There is no assurance that such recovery will continue or the current economic conditions will ameliorate. The risks associated with current and potential changes in the Mexican and United States economies are significant and could have a material adverse effect on our business and results of operations.

Financial problems or an increase in risk related to investment in emerging economies could limit foreign investment in Mexico and adversely affect the Mexican economy. Mexico has historically experienced uneven periods of economic growth and the economy as a whole has recently been adversely affected by the current global recession resulting from COVID-19. Although Mexico, the U.S. and other governments have taken steps to increase liquidity in the financial markets, there can be no assurance that such measures will lead to sustained growth of the overall business environment in which we operate and we cannot predict the impact any future economic downturn could have on our results of operations and financial condition. The economic effects on us resulting from the COVID-19 pandemic also cannot be predicted. However, consumer demand generally decreases during economic downturns.

The Mexican government exercises significant influence over the economy.

The Mexican government has and continues to exert significant influence over the Mexican economy. The Mexican government's economic plans in the past often have not fully achieved their objectives, and we cannot assure you that current and future economic plans of the Mexican government will achieve our stated goals. Similarly, we cannot determine what effect these plans or their implementation will have on the Mexican economy or on our business. Future Mexican governmental actions could have a significant effect on Mexican companies, including us, and market conditions.

Security risks in Mexico could increase, and this could adversely affect our results.

In recent years, Mexico has experienced a period of increasing criminal activity and particularly high homicide rates, primarily due to organized crime. The presence of violence among drug cartels, and between these and the Mexican law enforcement and armed forces, or an increase in other types of crime, pose a risk to our business, and might negatively impact business continuity. This insecurity situation in Mexico is likely to worsen as the economy continues to deteriorate.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Mexico. 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 Mexico. 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 the Notes and the Note Guarantees

Payments on the Notes and the Note Guarantees will be effectively junior to any of the Issuer's and the Guarantor's secured indebtedness and structurally junior to the debt obligations of the subsidiaries of the Issuer who do not guarantee the Notes.

The Notes and the Note Guarantees will constitute the Issuer's and the Guarantor's senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the Guarantor's other existing and future senior unsecured indebtedness, other than obligations preferred by statute (such as tax, social security and labor claims). Although the holders of the Notes will have a direct, but unsecured, claim on our assets and property, payment on the Notes and Note Guarantees will be subordinated in right of payment to any existing or future secured debt of the Issuer and the Guarantor, respectively, to the extent of the value of the assets securing such debt. Although the indenture pursuant to which the Notes will be issued will contain restrictions on the incurrence of additional liens, these restrictions are subject to important qualifications and exceptions, and the liens that we may incur in compliance with these restrictions or liens that arise from governmental or creditor action, could be substantial. Payment by us in respect of the Notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our non-guarantor subsidiaries.

As of June 30, 2021, we had total consolidated debt of Ps.34,697 million (U.S.$1,743 million). The Issuer owed Ps.33,581 million (U.S.$1,687 million), which represented 97% of our total debt as of June 30, 2021 and the rest was owed only by the Guarantor. See "Principal Existing Indebtedness."

If we become insolvent or are liquidated, or we become subject to bankruptcy proceedings, or if payment under any secured debt is accelerated, the relevant lenders would be entitled to exercise the remedies available to a secured lender. Accordingly, any proceeds upon a realization of the collateral granted for the benefit of secured creditors would be applied first to amounts due under the secured debt obligations before any proceeds would be available to make payments on the Notes. After such application of the proceeds from collateral and priorities, it is possible that there would be no assets remaining from which claims of the holders of the Notes could be satisfied.

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, social security 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.

In addition, the Issuer's and the Guarantor's creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the Issuer's or the Guarantor's assets at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the Notes.

The Note Guarantee may not be enforceable under applicable laws.

The Notes will be fully and unconditionally guaranteed by our subsidiary, Total Box, S.A. de C.V. The Note Guarantee provides a basis for a direct claim against the Guarantor; however, it is possible that the Note Guarantee may not be enforceable under Mexican, U.S. or other applicable laws.

While Mexican law does not prohibit the giving of guarantees by a subsidiary and, as a result, does not prevent the guarantee of the Notes from being valid, binding and enforceable against the Guarantor, if the Guarantor becomes subject to a judicial reorganization proceeding (*concurso mercantil*) or to bankruptcy (*quiebra*), the Note Guarantee provided by the Guarantor 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.

Among other things, a legal challenge of a subsidiary guarantor's obligations under a guarantee on fraudulent conveyance grounds could focus on the benefits, if any, realized by such subsidiary guarantor as a result of the issuance of the Notes. To the extent the Note 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 the Guarantor and would be creditors solely of the Issuer. 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 pursuant to which the Notes will be issued 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.

We may be unable to purchase the Notes upon a change of control triggering event, which would result in a default under the indenture pursuant to which the Notes will be issued.

The indenture pursuant to which the Notes will be issued will require us to make an offer to repurchase the Notes upon the occurrence of a change of control triggering event at a purchase price equal to 101.000% of the principal amount of the Notes, plus accrued and unpaid interest to the date of the purchase. Any financing arrangements the Issuer may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit the Issuer's ability to fund the repurchase of the Notes in certain circumstances. The Issuer may not have sufficient funds at the time of the change of control triggering event to make the required repurchase of the Notes or that restrictions in its other financing arrangements will not allow the repurchase. If the Issuer fails to repurchase the Notes in such circumstance, the Issuer 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—Change of Control Triggering Event."

The instruments governing our indebtedness, including the Notes offered hereby, contain cross-default provisions that may cause all of the debt issued under such instruments to become immediately due and payable as a result of a default under an unrelated debt instrument.

The indenture pursuant to which the Notes will be issued will contain restrictive covenants. Instruments governing our existing indebtedness also contain, and the instruments governing indebtedness we may incur in the future may contain, certain affirmative and negative covenants and require us and our subsidiaries to meet certain financial ratios and tests. Our failure to comply with the obligations contained in these instruments could result in an event of default under the applicable instrument, which could then result in the related debt and the debt issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such default could require us to sell our assets and otherwise curtail operations in order to pay our creditors.

The Notes are subject to transfer restrictions, which could limit your ability to resell your Notes.

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. 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.

An active trading market for the Notes may not develop.

Currently there is no market for the Notes. Application has been made to the SGX-ST for the Notes to be admitted to trading on the SGX-ST. Even if the Notes become listed on this exchange, we may delist the Notes. A trading market for the Notes may not develop, even if the Notes are listed as specified above, or if a market for the Notes were to develop, the Notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The Initial Purchasers are not under any obligation to make a market with respect to the Notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the Notes. If an active market for the Notes does not develop or is interrupted, the market price and liquidity of the Notes may be adversely affected.

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

The 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.

Payments claimed on the Notes or the Note Guarantee in Mexico, pursuant to a judgment or otherwise, would be required to be made in local currency.

In the event that proceedings are brought against the Issuer or the Guarantor in Mexico, either to enforce a judgment or as a result of an original action, or if payment is otherwise claimed from the Issuer or the Guarantor therein, the Issuer or the Guarantor would not be required to discharge those obligations in a currency other than pesos and a claim for any deficiency after conversion would not be enforceable. If such a claim were brought in the country of incorporation of any other subsidiary guarantor, or if payment is otherwise claimed from such subsidiary guarantor therein, such subsidiary guarantor may similarly be required to discharge those obligations in a currency other than its local currency. As a result, you may suffer a U.S. dollar shortfall if you obtain a judgment or a payment in any currency other than U.S. dollars.

Our obligations under the Notes would be affected in the event of our bankruptcy or the bankruptcy of the Guarantor.

Under Mexican Bankruptcy Law (*Ley de Concursos Mercantiles*), if the Issuer or the Guarantor is declared bankrupt (*en quiebra*) or if the Issuer or the Guarantor becomes subject to a reorganization proceeding (*concurso mercantil*), the Issuer's and the Guarantor's obligations under the Notes and the Note Guarantee, respectively (i) would be converted into pesos and then from pesos into UDIs, (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 (including priorities resulting from applicable law, such as tax, social security and labor claims, and claims of secured creditors (up to the value of the collateral provided to such creditors)), (iv) would cease to accrue interest from the date the *concurso mercantil* is declared, and (v) would not be adjusted to take into account any depreciation of the peso against the U.S. dollar (or any other currency) occurring after such declaration. As a result, upon the occurrence of any such events, payments under the Notes by the Issuer or the Guarantor may be affected.

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 also have a material adverse effect on our business, financial condition and results of operations.

The Issuer and the Guarantor are incorporated or formed under the laws of Mexico and therefore it may be difficult to enforce civil liabilities against the Issuer, the Guarantor or their respective directors, executive officers and controlling persons.

A significant number of the directors, executive officers and controlling persons of the Issuer and the Guarantor are not residents of the United States and substantially all of the assets of such persons and a significant portion of all of our assets are located in Mexico. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Guarantor or to enforce against any such persons in courts of any jurisdiction outside of Mexico, judgments predicated upon the laws of any other jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have been advised that there is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities arising under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon United States federal 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 Mexican law relating to the enforcement of foreign judgments in Mexico, consisting 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),* among other requirements, 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 issued in analogous cases.

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.

We may choose to redeem the Notes and you may be unable to reinvest the proceeds at the same or a higher rate of return.

We will have the right to redeem the Notes, in whole or in part, prior to their maturity on the terms and at the prices provided under "Description of the Notes—Optional Redemption." We may choose to redeem the Notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the Notes being redeemed.

USE OF PROCEEDS

We expect to receive U.S.$585 million of proceeds from the sale of the Notes offered hereby, after deducting transaction expenses. We intend to use the net proceeds from the issuance of the Notes to repay outstanding debt of U.S.$212 million and the balance for capital expenditures and working capital.

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EXCHANGE RATES AND CURRENCY

Mexico has had a free market for foreign exchange since 1994, allowing the peso to float freely against the U.S. dollar and other foreign currencies. Exchange rate policy is determined by the Mexican Exchange Rate Commission (*Comisión de Cambios*), which is formed by officers from the Mexican Finance Ministry (*Secretaría de Hacienda y Crédito Público*, "*SHCP*") and the Central Bank. In February 2017, the Mexican Exchange Rate Commission announced the implementation of a foreign exchange market mechanism that consists of non-deliverable forward auctions that are settled in pesos. The mechanism aims to maintain the proper functioning of the local exchange market, while supplying market participants with a foreign exchange hedging instrument to mitigate exposure to foreign exchange risk. The implementation of monetary policy by the Central Bank is achieved by using a target for the overnight interest rate charged in the interbank market. The Central Bank intervenes directly in the foreign exchange market only to reduce excessive short-term volatility and conducts open market operations (liquidity and auctions) on a regular basis to determine the size of Mexico's monetary base. These operations provide incentives for commercial banks to keep their accounts at the Central Bank with a balance of zero at the daily market closing, in an environment where the overnight rate equals the target rate, thus providing or withdrawing liquidity as needed to meet its target rate through these operations. Positive balances in the accounts kept by commercial banks at the Central Bank are not paid interest, while overdrafts or negative balances are charged twice the overnight interest rate target. An increase in interest rates can make domestic financial assets more attractive to investors than foreign financial assets, which could trigger an appreciation of the nominal exchange rate and vice versa.

There can be no assurance that the Central Bank will maintain its current policies with respect to the peso or that the peso will not depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the period-end, average, high and low, the Central Bank Exchange Rate expressed in pesos per U.S. dollar. The Mexican Central Bank Exchange Rate is currently determined by the Mexican Central Bank every business day in Mexico based on an average of wholesale foreign exchange market quotes and published the following business banking day in the Official Gazette and on the Central Bank's website (www.banxico.org.mx). The rates shown below are in nominal pesos that have not been restated in constant currency units. No representation is made that the peso amounts referred to in this Offering Memorandum could have been or could be converted into U.S. dollars at any particular rate or at all. Unless otherwise indicated, U.S. dollar amounts that have been converted from pesos have been so converted at an exchange rate of Ps.19.9062 to U.S.$1.00, the Mexican Central Bank Exchange Rate determined by the Central Bank on June 30, 2021 and published on the Official Gazette on July 1, 2021.

	Central Bank Exchange Rate[1]			
Year Ended December 31,	**Period-End**	**Average[2]**	**High**	**Low**
2016	20.6194	18.6886	21.0511	17.1767
2017	19.6629	18.9066	21.9076	17.4937
2018	19.6512	19.2373	20.7160	17.9787
2019	18.8642	19.2574	20.1253	18.7719
2020	19.9087	21.4976	25.1185	18.5712
2021				
January	20.2248	19.9215	20.2697	19.5793
February	20.9390	20.3097	20.9390	19.9518
March	20.4400	20.7555	21.4177	20.4400
April	20.1822	20.0153	20.2483	19.8145
May	19.9213	19.9631	20.2235	19.8028
June	19.9062	20.0301	20.7002	19.6897
July	19.8455	19.9701	20.1907	19.8448
August	20.0605	20.0668	20.3907	19.8520
September (through September 13)	19.8677	19.9191	19.9703	19.8677

(1) Source: Central Bank.

(2) Average of end-of-month rates for 2016, 2017, 2018, 2019 and 2020. Average of daily rates for each complete or partial month of 2021.

CAPITALIZATION

The following table sets forth Total Play Group's cash and cash equivalents and total capitalization as of June 30, 2021, and as adjusted to reflect the issuance and the sale of the Notes and application of proceeds as disclosed in "Use of Proceeds" including prepayment of outstanding indebtedness with a portion of the net proceeds therefrom. This table should be read in conjunction with the Interim Consolidated Financial Statements and the Notes thereto included in this Offering Memorandum.

	As of June 30, 2021(1)(2) (unaudited)			
	Actual	**As Adjusted**	**Actual**	**As Adjusted**
	(in millions of U.S.$)(2)		**(in millions of Ps.)**	
Cash and cash equivalents(3)	57	430	1,130	8,560
Short-term debt(3)(4)	138	119	2,745	2,363
6.375% Senior Notes due 2028 offered hereby	—	585	—	11,645
7.500% Senior Notes due 2025	561	561	11,167	11,167
Other long-term debt(3)	1,044	852	20,785	16,952
Total long-term debt	1,605	1,998	31,952	39,764
Total debt	1,743	2,117	34,697	42,127
Total stockholder's equity.	423	423	8,431	8,431
Total capitalization	2,167	2,540	43,128	50,558

(1) Solely for the convenience of the reader, peso amounts have been translated into U.S. dollars using the exchange rate of Ps.19.9062 per U.S.$1.00 for June 30, 2021 as published by Central Bank.

(2) Since June 30, 2021, we incurred Ps.2,100 million (U.S.$105 million) of additional indebtedness that bears interest at an annual interest rate of TIIE plus 425 basis points under a credit facility entered with FGS Bridge, S.A.P.I. de C.V. Except for indebtedness incurred pursuant to the forgoing credit agreement with FGS Bridge, S.A.P.I de C.V., we have not incurred a material amount of indebtedness for borrowed money since June 30, 2021.

(3) In addition to the prepayment of Ps.4,215 million (U.S.$212 million) of total debt, we expect to repay approximately Ps.2,100 million (U.S.$105 million) of indebtedness which was incurred since June 30, 2021. U.S.$430 million of cash and cash equivalent as of June 30, 2021 as adjusted for the receipt of proceeds in the offering, would have been U.S.$325 million after giving effect to the repayment of the U.S.$105 million of indebtedness incurred since June 30, 2021.

(4) The principal amounts of the Senior Notes debt are shown net of their applicable amortized costs, amounting to Ps.279 million (U.S.$14 million) for the 7.500% Senior Notes due 2025 and Ps.299 million (U.S.$15 million) for the 6.375% Senior Notes due 2028 offered hereby.

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA

The following selected historical financial data as of and for each of the years ended December 31, 2020, 2019 and 2018 have been derived from our Audited Annual Consolidated Financial Statements and notes thereto included in this Offering Memorandum. The following selected historical financial data as of June 30, 2021 and for the six months ended June 30, 2021 and 2020 have been derived from our Interim Consolidated Financial Statements and notes thereto included in this Offering Memorandum. The data provided below should be read in conjunction with our Annual Consolidated Financial Statements and the notes thereto and our Interim Consolidated Financial Statements and the notes thereto.

The Consolidated Financial Statements have been prepared in accordance with IFRS, as issued by the IASB.

Total Play Telecomunicaciones, S.A. de C.V. and subsidiaries

	Six Months Ended June 30,			Year Ended December 31,			
	2021	2021	2020	2020	2020	2019	2018
	(U.S.$)[(1)]	(Ps.)	(Ps.)	(U.S.$)[(1)]	(Ps.)	(Ps.)	(Ps.)
	(in millions except for Operating Information, percentages and ratios) (unaudited)						
(A) FINANCIAL INFORMATION:							
Consolidated Statements of Comprehensive Income:							
Revenue from services	**663**	**13,195**	**8,878**	**982**	**19,557**	**14,267**	**10,569**
Cost of services	(164)	(3,273)	(2,387)	(253)	(5,031)	(3,506)	(2,388)
Gross profit	**499**	**9,922**	**6,491**	**729**	**14,526**	**10,761**	**8,181**
General expenses:							
Network-related	(65)	(1,301)	(1,098)	(116)	(2,307)	(1,812)	(1,910)
Selling and administrative	(148)	(2,938)	(2,248)	(247)	(4,921)	(3,435)	(3,309)
Depreciation and amortization	(206)	(4,092)	(2,921)	(324)	(6,440)	(4,378)	(3,133)
Other income (expenses), net	(3)	(50)	(3)	2	37	(55)	(35)
	(422)	(8,381)	(6,270)	(685)	(13,631)	(9,680)	(8,387)
Operating profit (loss)	**77**	**1,541**	**221**	**44**	**895**	**1,081**	**(206)**
Financial cost:							
Accrued interest income	1	21	18	2	45	56	19
Change in fair value of financial instruments	—	—	—	—	—	(1)	—
Accrued interest expense							
Financial debt	(47)	(935)	(388)	(54)	(1,071)	(284)	(411)
Leases	(12)	(237)	(125)	(19)	(370)	(136)	—
Other financial expense	(6)	(123)	(46)	(7)	(135)	(54)	(103)
Foreign exchange gain (loss), net	5	94	(375)	—	1	100	176
	(59)	(1,180)	(916)	(78)	(1,530)	(319)	(319)
Income (loss) before income tax provisions	**18**	**361**	**(695)**	**(34)**	**(635)**	**762**	**(525)**
Income tax provisions	(1)	(17)	(13)	4	88	(99)	291
Net income (loss)	**17**	**344**	**(709)**	**(30)**	**(547)**	**663**	**(234)**
Other comprehensive income:							
Fair value of intangibles	—	—	—	—	—	790	—
Hedge fair value	(5)	(92)	24	1	26	(4)	7
Actuarial losses	—	—	—	(1)	(23)	(2)	(3)
Result from foreign subsidiary translation	—	—	(16)	—	(4)	3	—
	(5)	(92)	8	—	(1)	787	4
Net comprehensive income (loss)	**12**	**252**	**(701)**	**(30)**	**(548)**	**1,450**	**(230)**

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

	As of June 30,			As of December 31,			
	2021[(1)]	2021	2020	2020[(1)]	2020	2019	2018
	(U.S.$)	(Ps.)	(Ps.)	(U.S.$)	(Ps.)	(Ps.)	(Ps.)
		(unaudited)					
	(in millions except for Operating Information, percentages and ratios)						
Statements of financial position							
Current Assets:							
Cash and cash equivalents	57	1,130	130	90	1,787	227	47
Restricted cash / Fiduciary rights	54	1,081	1,597	64	1,272	947	657
Accounts receivable:							
Customers - net	143	2,840	2,318	119	2,376	2,156	1,242
Other receivables	3	61	46	2	41	40	—
Recoverable taxes	190	3,783	2,443	166	3,311	1,968	1,165
Related parties	4	81	68	2	36	101	—
Inventories	76	1,518	1,396	81	1,621	1,260	954
Other	19	372	524	20	407	146	243
Total current assets	**546**	**10,866**	**8,522**	**544**	**10,851**	**6,845**	**4,308**
Non-current Assets:							
Property, plant and equipment - net	1,898	37,797	27,122	1,646	32,756	22,605	18,299
Rights-of-use assets - net	210	4,174	3,619	208	4,142	3,621	—
Trademarks and other assets	54	1,065	1,090	53	1,058	1,065	177
Deferred income tax asset	22	439	321	22	439	321	391
Total non-current assets	**2,184**	**43,475**	**32,152**	**1,929**	**38,395**	**27,612**	**18,867**
Total assets	**2,730**	**54,341**	**40,674**	**2,473**	**49,246**	**34,457**	**23,175**
Liabilities:							
Short-term:							
Short-term portion of long-term debt	62	1,230	1,727	22	443	1,395	2,323
Derivative financial instruments	7	137	—	11	214	—	—
Lease liabilities	76	1,515	1,367	84	1,681	1,453	—
Trade payables	349	6,953	7,320	337	6,714	3,547	4,219
Reverse factoring	76	1,503	1,120	81	1,622	965	1,856
Related parties	23	451	421	12	234	245	241
Other short-term liabilities	104	2,068	1,488	78	1,543	1,075	1,058
Total short-term liabilities	**697**	**13,857**	**13,443**	**625**	**12,451**	**8,680**	**9,697**
Long-term liabilities:							
Long-term debt	1,451	28,891	16,570	1,294	25,750	13,726	9,774
Lease liabilities	154	3,061	2,353	138	2,749	2,934	—
Trade payables	1	20	69	1	14	75	414
Reverse factoring	—	—	—	—	—	—	714
Other long-term liabilities	4	81	214	5	103	314	299
Total long-term liabilities	**1,610**	**32,053**	**19,206**	**1,438**	**28,616**	**17,049**	**11,201**
Total liabilities	**2,307**	**45,910**	**32,649**	**2,063**	**41,067**	**25,729**	**20,898**
Stockholders' equity:							
Capital stock	117	2,337	2,337	117	2,337	2,337	2,337
Paid-in capital	77	1,539	1,539	77	1,539	1,539	1,539
Contributions for future capital stock increases	251	5,000	5,000	251	5,000	5,000	—
Retained earnings (losses)	(104)	(2,068)	(2,574)	(121)	(2,412)	(1,864)	(2,528)
Other comprehensive income	82	1,623	1,723	86	1,715	1,716	929
Total stockholders' equity	**423**	**8,431**	**8,025**	**410**	**8,179**	**8,728**	**2,277**
Total liabilities and stockholders' equity	**2,730**	**54,341**	**40,674**	**2,473**	**49,246**	**34,457**	**23,175**

	As of June 30,			As of December 31,			
	2021(1)	2021	2020	2020(1)	2020	2019	2018
	(U.S.$)	(Ps.)	(Ps.)	(U.S.$)	(Ps.)	(Ps.)	(Ps.)
		(unaudited)					
		(in millions except for Operating Information, percentages and ratios)					
(B) OPERATING INFORMATION:							
Subscribers:							
Number of subscribers at period-end		2,929,329	1,879,232		2,444,458	1,484,615	1,119,668
Net additions		484,871	394,617		959,843	364,947	331,560
Churn (%)		1.1%	1.4%		1.2%	1.6%	1.9%
Penetration		22.2%	15.8%		19.9%	14.4%	12.0%
Number of cities serviced		57	52		54	39	23
Number of employees		9,547	16,407		20,044	13,130	13,760
(C) OTHER OPERATING, FINANCIAL AND PRO FORMA FINANCIAL INFORMATION:							
EBITDA(2)	285	5,683	3,145	367	7,298	5,514	2,962
Total Debt(3)	1,743	34,697	22,017	1,538	30,623	19,508	12,097
Pro forma Total Debt(4)	2,117	42,127					
Net Debt(5)	1,686	33,567	21,887	1,448	28,836	19,281	12,050
Pro forma Net Debt(6)	1,686	33,567					
Consolidated L2QA EBITDA(2)(7)	571	11,366	6,290				
Consolidated LTM 2Q21 EBITDA(2)(8)	494	9,836					
Cash flow information:							
Net cash flows from operating activities	277	5,519	5,848	416	8,274	2,529	3,996
Net cash flows from investing activities	(401)	(7,980)	(6,236)	(711)	(14,149)	(7,939)	(6,546)
Net cash flows from financing activities	91	1,804	292	374	7,435	5,590	2,540
Ratios:							
EBITDA margin		43%	35%		37%	39%	28%
Total Debt / EBITDA		3.53	3.52		4.20	3.54	4.08
Net Debt/ EBITDA		3.41	3.50		3.95	3.50	4.07
Total Debt / Consolidated LTM 2Q21 EBITDA(3)(8)		3.5x	3.5x				
Total Debt / Consolidated L2QA EBITDA(3)(7)		3.1x	3.5x				
Pro forma Total Debt / Consolidated LTM 2Q21 EBITDA(4)(8)		4.3x					
Net Debt / Consolidated LTM 2Q21 EBITDA(5)(6)(8)		3.4x					
Pro forma Net Debt / Consolidated LTM 2Q21 EBITDA(5)(6)(8)		3.4x					
Net Debt / Consolidated L2QA EBITDA(5)(6)(7)		3.0x					
Pro forma Net Debt / Consolidated L2QA EBITDA(5)(6)(7)		3.0x					
Net Secured Debt / Consolidated L2QA EBITDA(9)(7)		1.7x					
Pro forma Net Secured Debt / Consolidated L2QA EBITDA(10)(7)		0.9x					
Ratios pursuant to Indentures(11):							
Consolidated Net Leverage Ratio(12)		4.5x					
Consolidated Secured Net Leverage Ratio(13)		3.0x					

(1) Solely for the convenience of the reader, peso amounts as of June 30, 2021 and as of December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

(2) EBITDA is a supplemental measure of our financial and operating performance that is not required by or prepared in accordance with IFRS. Our management uses EBITDA because we believe it provides a view of our recurring operating performance that is unaffected by our capital structure and because it enables management to evaluate operating trends and identify strategies to improve operating performance. In addition, we believe EBITDA assists potential investors and analysts in comparing our performance across reporting

periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. You are encouraged to evaluate those adjustments and the reasons we consider them appropriate for supplemental analysis. We define EBITDA as gross profit less network-related and selling and administrative general expenses, which is different to Consolidated EBITDA as defined in the indenture. See "Description of the Notes." In evaluating our EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Our EBITDA is not comparable to similarly-titled measures used by other companies. We encourage you to review our financial information in its entirety and to not rely on a single financial measure in making an investment decision. See "Presentation of Financial and Other Information—Non-IFRS Financial Measures" for an explanation of our definition of EBITDA and certain limitations to the use of EBITDA.

EBITDA reconciliation:

	Total Play Telecomunicaciones, S.A. de C.V. and subsidiaries						
	Six Months Ended June 30,			**Year Ended December 31,**			
	2021	**2021**	**2020**	**2020**	**2020**	**2019**	**2018**
	(U.S.$)[(1)]	**(Ps.)**	**(Ps.)**	**(U.S.$)[(1)]**	**(Ps.)**	**(Ps.)**	**(Ps.)**
				(in millions)			
		(unaudited)					
EBITDA Reconciliation:							
Gross profit	498	9,922	6,491	730	14,526	10,761	8,181
Less:							
General expenses							
Network-related	(65)	(1,301)	(1,098)	(116)	(2,307)	(1,812)	(1,910)
Selling and administrative	(148)	(2,938)	(2,248)	(247)	(4,921)	(3,435)	(3,309)
EBITDA	**285**	**5,683**	**3,145**	**367**	**7,298**	**5,514**	**2,962**

(3) Total Debt Reconciliation:

	Six Months Ended June 30,			**Year Ended December 31,**			
	2021	**2021**	**2020**	**2019**	**2020**	**2019**	**2018**
	(U.S.$)[(1)]	**(Ps.)**	**(Ps.)**	**(U.S.$)[(1)]**	**(Ps.)**	**(Ps.)**	**(Ps.)**
				(in millions)			
		(unaudited)					
Short-term portion of long-term debt	62	1,230	1,727	22	443	1,395	2,323
Lease liabilities (short-term)	76	1,515	1,367	84	1,681	1,453	—
Long-term debt	1,451	28,891	16,570	1,294	25,750	13,726	9,774
Lease liabilities (long-term)	154	3,061	2,353	138	2,749	2,934	—
Total debt	**1,743**	**34,697**	**22,017**	**1,538**	**30,623**	**19,508**	**12,097**

(4) Pro forma Total Debt consists of Ps.34,697 (U.S.$1,743 million) Total Debt at June 30,2021 minus Ps.4,215 (U.S.$212 million) of indebtedness prepaid with the net proceeds of the Notes offered hereby plus (ii) Ps.11,944 million (U.S.$600 million) of Notes offered hereby minus Ps.299 (U.S.$15 million) of amortized costs equals Ps.42,127 million (U.S.$2,117 million).

(5) Net Debt Reconciliation:

	Six Months Ended June 30,			**Year Ended December 31,**			
	2021	**2021**	**2020**	**2020**	**2020**	**2019**	**2018**
	(U.S.$)[(1)]	**(Ps.)**	**(Ps.)**	**(U.S.$)[(1)]**	**(Ps.)**	**(Ps.)**	**(Ps.)**
				(in millions)			
		(unaudited)					
Total debt	1,743	34,697	22,017	1,538	30,623	19,508	12,097
Cash and cash equivalents	(57)	(1,130)	(130)	(90)	(1,787)	(227)	(47)
Net Debt	**1,686**	**33,567**	**21,887**	**1,448**	**28,836**	**19,281**	**12,050**

(6) Net Debt is equal to our total debt minus cash and cash equivalents. Pro forma Net Debt as of June 30, 2021 is calculated by giving *pro forma* effect to the issuance of the Notes and the repayment of debt with the net proceeds thereof. Pro forma Net Debt of Ps.33,567 (U.S.$1,686 million) at June 30, 2021 is equal to (i) Ps.34,697 million (U.S.$1,743 million) total debt at June 30, 2021 minus Ps.4,215 (U.S.$212 million) of indebtedness prepaid with the net proceeds of the Notes offered hereby plus (ii) Ps.11,944 million (U.S.$600

million) of Notes offered hereby minus Ps.299 million (U.S.$15 million) of amortized costs, minus Ps.8,560 million (U.S.$430 million) of cash and cash equivalents (Ps.7,430 million (U.S.$373 million) of cash remaining from the proceeds of the Notes offered hereby plus Ps.1,130 million (U.S.$57 million) of cash and cash equivalents as of June 30, 2021).

(7) For purposes of this Offering Memorandum, we define Consolidated L2QA EBITDA as EBITDA for the most recently ended two consecutive fiscal quarters for which internal financial statements are available immediately preceding any calculation date, multiplied by two. For a reconciliation of EBITDA to gross profit for these periods, see footnote (2).

(8) EBITDA for the six months ended June 30, 2021 was calculated by adding EBITDA for the six months ended December 31, 2020 to EBITDA for the six months ended June 30, 2021.

(9) Net Secured Debt consists of Net Debt as of June 30, 2021 that was secured by collateral. As of June 30, 2021, Net Secured Debt was Ps.19,031 million (U.S.$956 million).

(10) Pro forma Net Secured Debt consists of all pro forma Total Debt as of June 30, 2021 that was secured by collateral. As of June 30, 2021 pro forma Net Secured Debt was Ps.10,180 million (U.S.$511 million).

(11) Ratios included in the indenture pursuant to which our 7.500% Senior Notes due 2025 have been issued and in the Indenture pursuant to which Notes offered hereby will be issued.

(12) The definition of Consolidated Net Leverage Ratio is the same in the indenture pursuant to which our 7.500% Senior Notes due 2025 have been issued and in the Indenture pursuant to which Notes offered hereby will be issued.

(13) The definition of Consolidated Secured Net Leverage Ratio is the same in the indenture pursuant to which our 7.500% Senior Notes due 2025 have been issued and in the Indenture pursuant to which Notes offered hereby will be issued.

Summary of Key Performance Indicators:

	Six Months Ended June 30,		Year Ended December 31,		
	2021	**2020**	**2020**	**2019**	**2018**
ARPU (in Ps.)					
Triple Play	668	669	665	675	688
Data / Voice	520	513	509	458	480
Data / TV	554	534	522	557	511
Blended Average	615	615	610	602	600
RGU (in millions)					
Video	1.9	1.3	1.6	1.1	0.8
Data	2.9	1.9	2.4	1.5	1.1
Voice	2.9	1.8	2.4	1.4	1.0
Total	**7.7**	**5.0**	**6.4**	**3.9**	**2.9**
Churn Rate[(1)]					
Triple Play	1.0%	1.4%	1.2%	1.5%	1.6%
Data/Voice	1.2%	1.5%	1.2%	1.7%	2.0%
Data/TV	0.9%	1.4%	1.4%	2.1%	2.7%
Blended Average	1.1%	1.4%	1.2%	1.6%	1.9%
Total debt/subscriber (in Ps.)	11,845	11,715	12,527	13,140	10,804
Capital expenditures (in millions of Ps.)	7,994	6,230	14,201	7,896	6,561
Revenue (in millions of Ps.)	13,195	8,878	19,557	14,267	10,569
Subscribers (in millions)	2.9	1.9	2.4	1.5	1.1
Capital expenditures as percent of revenue	60.6%	70.2%	72.6%	55.3%	62.1%
Homes passed (in millions)	13.2	11.9	12.3	10.3	9.4

(1) With an average monthly churn rate of 1.1%, the average life of Totalplay Residential subscriber base is 91 months (calculated by dividing 1/1.1).

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

The following discussion should be read in conjunction with our Annual Audited Consolidated Financial Statements and our Interim Consolidated Financial Statements and related notes thereto included elsewhere in this Offering Memorandum and should also be read in conjunction with the "Presentation of Financial Information and Other Information," "Selected Historical Financial and Operating Data" and other financial information contained in this Offering Memorandum.

Our consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB, and require our management to make certain estimates and assumptions to determine the valuation of certain items included in our financial statements and to make appropriate disclosures therein. Although the actual results may differ from such estimates, our management believes that the estimates and assumptions used were adequate under the circumstances.

Overview

We are a leading, high-growth, Mexican telecommunications company dedicated to providing broadband, entertainment and productivity services over one of the largest fiber-only networks in Mexico. We offer world-class (i) Double-Play (fixed telephony and broadband internet services or pay-TV and broadband internet services) and Triple-Play (fixed telephony, pay-TV and broadband internet services) packages for residential customers and (ii) industry leading telecommunications and managed services for business customers, as well as federal and state government agencies and entities. We offer these services direct-to-home through a proprietary fiber optic (FTTH) network that, as of June 30, 2021 spanned more than 95,000 kilometers and included 693 GPON (*Gigabit Passive Optical Network*) OLTs and 1,068 access nodes. The network features broadband speed up to 1 Gb and was ranked #1 in internet speed in Mexico according to Netflix's monthly ISP (Internet Service Provider) index from October 2016 until February 2020 (when publication temporarily ceased) and again from January to July 2021 (upon resumption of publication).

Through our *Totalplay Empresarial* business unit, we offer private and publicly-listed companies and federal and state government agencies and entities industry-leading telecommunications and managed services including broadband internet access, encrypted private networks (SDWAN & MPLS), video surveillance, broadband interfaces, videoconferencing, cloud-based productivity suites, computing services, next-generation WiFi, and IT solutions. We were also the world's first adopter of addressable advertising, partnering with Google Ads to enable Mexican advertisers to target customers using our state-of-the-art ad insertion technology and behavioral analytics. As of June 30, 2021, *Totalplay Empresarial* served customers located in 173 cities in all 32 states of Mexico and provided services at more than 111,000 locations (including multiple locations for the same customer) comprised of 104,394 locations of private and publicly-listed companies and 7,464 locations of federal and state government agencies and entities. As of June 30, 2021, approximately 58% of our *Totalplay Empresarial* revenues came from private and publicly-listed companies and approximately 42% from federal and state government agencies and entities.

We have reduced our ratio of total debt to EBITDA from 23.1x at December 31, 2016 to 3.5x at June 30, 2021, in each case based on the applicable last 12 months of EBITDA. We have experienced high growth by reinvesting cash flow into expanding our network. For the six months ended June 30, 2021, we had revenues of Ps.13,195 million (U.S.$663 million) and net comprehensive income of Ps.252 million (U.S.$12 million) compared to revenues of Ps.8,878 million (U.S.$446 million) and net comprehensive loss of Ps.701 million (U.S.$35 million) for the comparable period in 2020. For the year ended December 31, 2020, we had revenues of Ps.19,557 million (U.S.$982 million) and net comprehensive loss of Ps.548 million (U.S.$28 million) compared to revenues of Ps.14,267 million (U.S.$717 million) and net comprehensive income of Ps.1,450 million (U.S.$73 million) for 2019. Our residential segment accounted for 72.1% of our revenues in 2020. Our revenues and EBITDA have grown at a compound annual growth rate of 23% and 35%, respectively, in the period 2018-2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

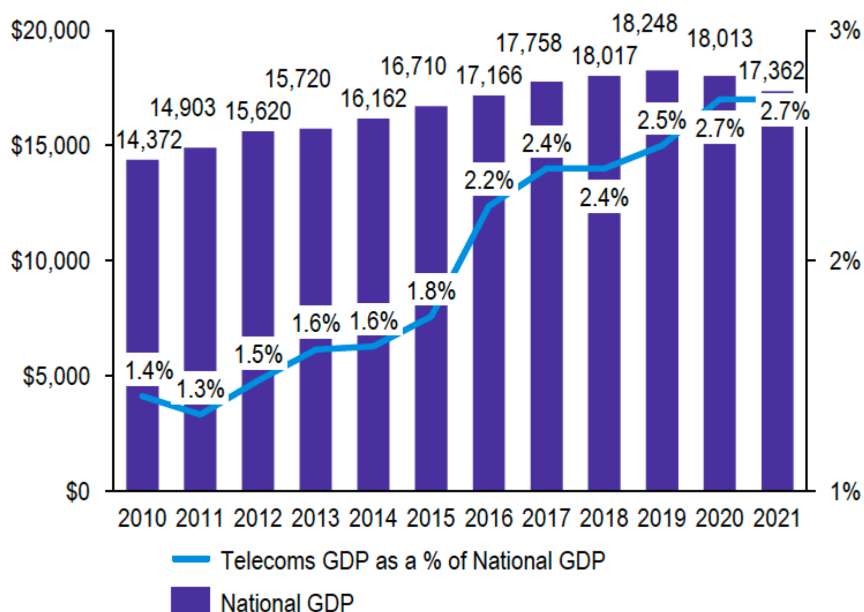
The following table sets forth certain financial data by market segment:

	Six Months Ended June 30,			Year Ended December 31,			
	2021	**2021**	**2020**	**2020**	**2020**	**2019**	**2018**
	(U.S.$)	**(Ps.)**	**(Ps.)**	**(U.S.$)**	**(Ps.)**	**(Ps.)**	**(Ps.)**
		(in millions)			**(in millions)**		
		(unaudited)					
Totalplay Residential							
Revenue from services	505	10,047	6,123	708	14,091	9,576	6,888
Cost of services	(116)	(2,306)	(1,548)	(174)	(3,462)	(2,351)	(1,859)
Operating expenses	(179)	(3,573)	(2,792)	(303)	(6,040)	(4,217)	(4,056)
Depreciation and amortization, financial cost and other	(259)	(5,162)	(3,769)	(384)	(7,636)	(4,605)	(3,137)
Net income (loss)	**(49)**	**(994)**	**(1,986)**	**(153)**	**(3,047)**	**(1,597)**	**(2,164)**
Customers	45	901	838	41	813	537	356
Property, plant and equipment – net	1,446	28,779	18,714	1,186	23,607	15,172	11,925
Right-of-use assets – net	160	3,178	2,497	150	2,985	2,430	—
Totalplay Empresarial							
Revenue from services	158	3,148	2,755	275	5,466	4,691	3,681
Cost of services	(49)	(967)	(839)	(79)	(1,569)	(1,155)	(529)
Operating expenses	(33)	(666)	(557)	(60)	(1,188)	(1,030)	(1,163)
Depreciation and amortization, financial cost and other	(9)	(177)	(85)	(10)	(209)	(246)	(59)
Net income (loss)	**67**	**1,338**	**1,277**	**126**	**2,500**	**2,260**	**1,930**
Customers	97	1,939	1,480	79	1,563	1,619	886
Property, plant and equipment – net	453	9,018	8,408	460	9,149	7,433	6,374
Right-of-use assets – net	50	996	1,122	58	1,157	1,191	—
Consolidated							
Revenue from services	663	13,195	8,878	982	19,557	14,267	10,569
Cost of services	(164)	(3,273)	(2,387)	(253)	(5,031)	(3,506)	(2,388)
Operating expenses	(213)	(4,239)	(3,346)	(363)	(7,228)	(5,247)	(5,219)
Depreciation and amortization, financial cost and other	(269)	(5,339)	(3,854)	(396)	(7,845)	(4,851)	(3,196)
Net income (loss)	**17**	**344**	**(709)**	**(30)**	**(547)**	**663**	**(234)**
Customers	143	2,840	2,318	119	2,376	2,156	1,242
Property, plant and equipment – net	1,899	37,797	27,122	1,646	32,756	22,605	18,299
Right-of-use assets – net	210	4,174	3,619	208	4,142	3,621	—

Telecommunications Market in Mexico

Contribution to GDP

The telecommunications industry's contribution to Mexican GDP has been on average approximately 1.9% over the last decade, with an increasing participation in the last three years to average 2.5% per year.



Source: 2021 KPMG Report

Penetration of Telecommunication Services in Mexico

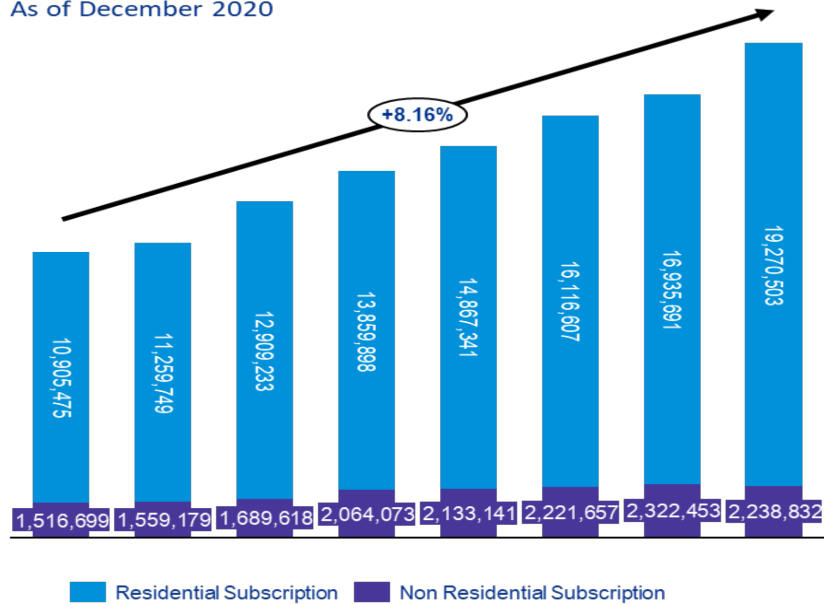
Fixed internet, landline, and pay-TV access penetration in Mexico remains substantially below other countries in the region, including the United States, Canada and Argentina.

	Fixed Internet	Pay-TV	Fixed Telephony
		(%)	
Mexico	58	58	65
Argentina	64	68	54
Canada	104	68	88
Chile	57	57	54
United States	91	71	80

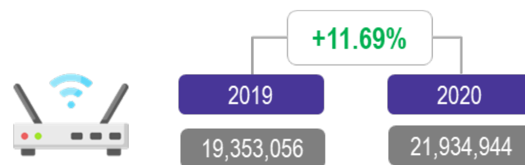
Source: IFT Quarterly Statistical Report for the Second Quarter of 2020.

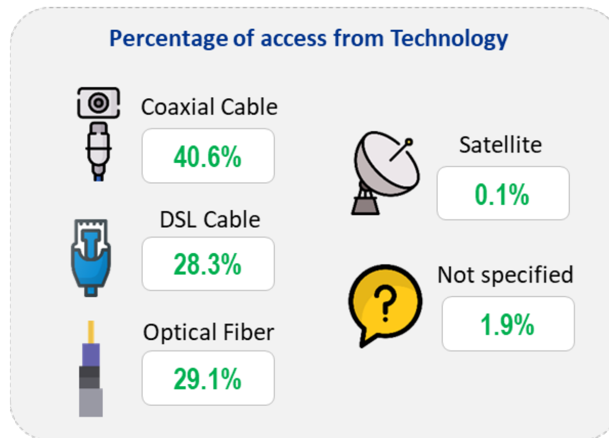
Penetration of Internet Services

The total penetration of fixed internet access in Mexico is 58 homes per 100, of which 89.6% is residential according to the IFT. When compared to other countries, Mexico's internet penetration remains low. This represents an important opportunity for us. We believe internet penetration in Mexico will increase as routine daily activities increasingly require the use of the internet. The following tables show the number of fixed internet subscriptions in Mexico as of December 2020 and the type of technology used to provide access to fixed internet:



Source: 2021 KPMG Report





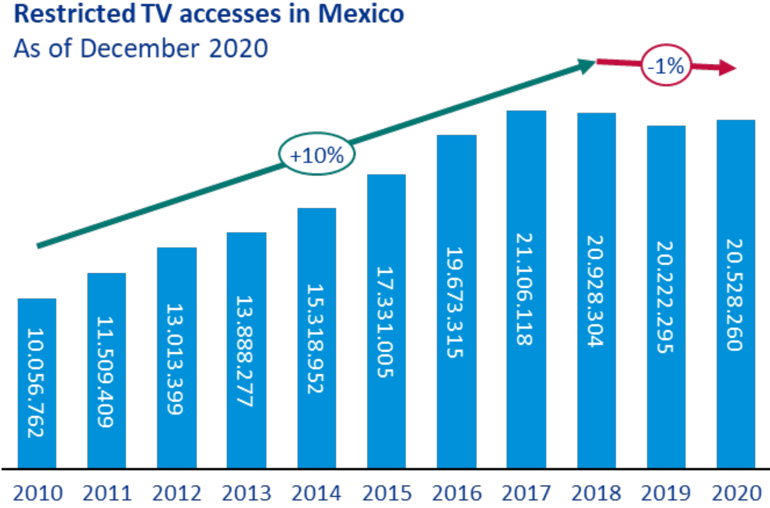
Source: 2021 KPMG Report

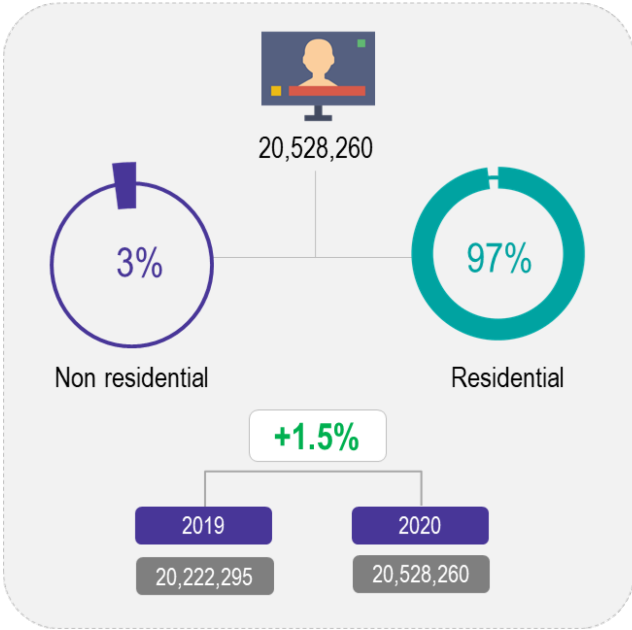
Penetration of Cable TV Services

According to data published by the Federal Institute of Telecommunications, the number of restricted television access points increased at a compound annual growth rate of 9.6% from 2010 to December 2018 while it decreased by 1.0% from January 2019 to December 2020.

We believe there is an opportunity to increase penetration of cable TV services in Mexico similar to other countries, including the U.S., Canada and certain comparable Latin American countries that have experienced rapid

growth rates. Moreover, since our pay-TV service includes services like streaming and popular apps, management believes that penetration growth rates in Mexico will continue to accelerate.

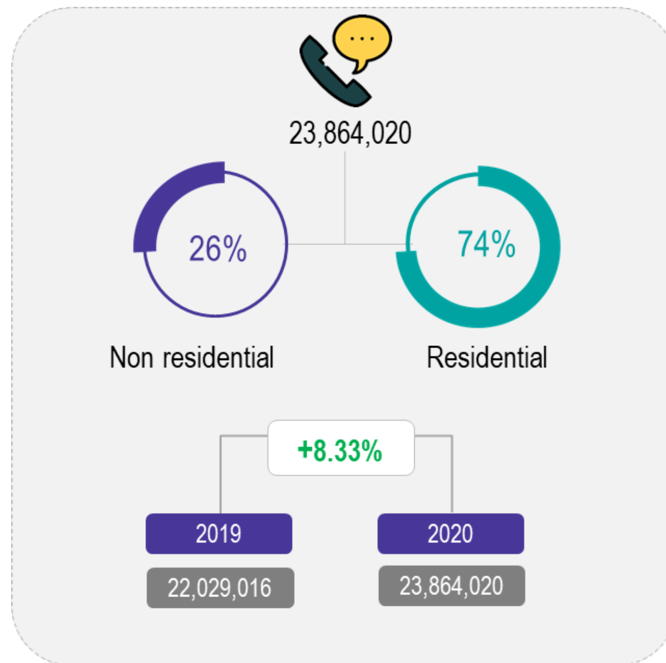


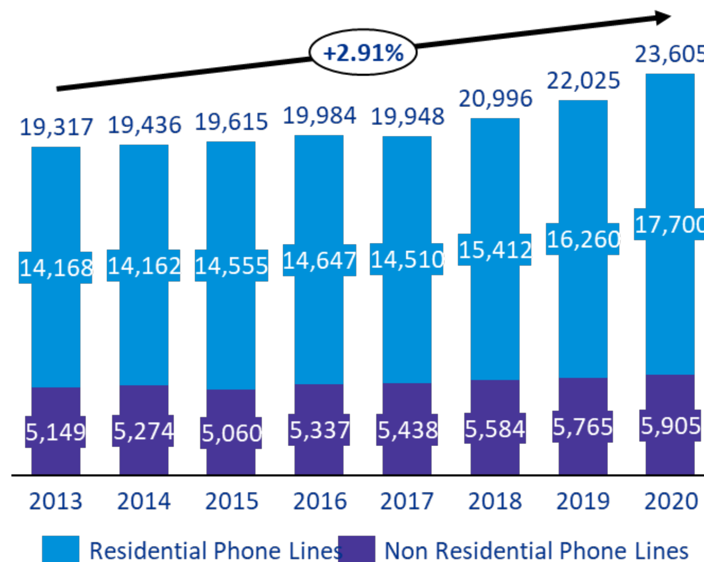


Source: 2021 KPMG Report

Penetration of Telephony Services

According to the Federal Institute of Telecommunications, total penetration of fixed telephone lines is 65 lines per 100 homes as of the second quarter of 2020, which is higher than those in Argentina and Chile. Even though fixed telephony is considered a commodity, we believe this service will continue to grow at similar trends as in other global markets. Our fixed telephony services offer a clear differentiator with an IP Phone that includes our phone app that can be used anywhere in the world where there is an internet connection.





Source: 2021 KPMG Report

Barriers to Entry

In the current market environment, there are three double-play and triple-play telecommunications companies in addition to us, namely América Móvil, Izzi and Megacable, that control the overall market share and that have been in operations for more than 10 years creating a high barrier to entry for new players. Moreover, due to its competitive landscape, potential new entrants would face substantial technological development barriers in order to differentiate

themselves among competitors and require significant capital requirements as the telecommunications industry requires significant capital expenditures in order to upgrade the network and develop product offerings to meet customer demands. Even if our competitors were to transition to a full fiber-optic network, it would take a significant investment of time and capital to upgrade their existing networks to fiber-optic technology. Regarding government policies, recent reforms opened up the sector to competition in Mexico in order to reduce América Móvil's market concentration.

Factors Affecting our Consolidated Results of Operations

Mexican Economic Environment

During the second quarter of 2021, Mexican GDP grew by 19.6% compared to the same period of 2020 according to data released by INEGI. When compared to the end of the prior quarter, the Mexican economy grew by 1.5%. observing data from by INEGI. This trend reflects a smooth recovery from the negative COVID-19 outbreak effects in 2020, mainly boosted by the services sector, increasing 2.1% quarter over quarter. External conditions also boosted GDP in Mexico, particularly in the United States as the vaccine campaigns enhanced consumption, increasing remittances to Mexico. It is also important to consider that the elevated annual growth reported in the second quarter 2021, is a result of the collapse in economic activity reported a year ago, which magnifies the low GDP generated by the lockdown and closing of businesses, leading to a low base of comparison.

Primary activities grew 0.6% quarterly and 6.8% annually. This segment is mainly composed of agriculture fishing, and hunting, among others. During the first quarter of 2021, these activities represented 3.4% of Mexico's GDP.

Secondary activity reported the most favorable growth during the second quarter of 2021, increasing 28.2% annually and 0.4% quarterly. During the first quarter of 2021, these activities accounted for 28.8% of Mexico's GDP and as of the fourth quarter 2020, they accounted for 28.9%. This category of GDP includes industries like mining, electric energy, gas, water, construction and manufacturing.

Tertiary activity also showed solid dynamism during the second quarter of 2021, increasing 16.9% annually and 2.0% quarterly. This category is composed by commerce, transport, storage, media, financial services, professional services, education, leasing, and culture, among others. During the first quarter of 2021, these activities represented 63.6% of Mexico's GDP.

According to a Central Bank survey, analysts have estimated that on average Mexico's GDP could grow 6.1% in 2021 and 2.8% in 2022.

On March 26, 2020, S&P downgraded Mexico's long-term foreign currency and local currency ratings to BBB (from BBB+) and to BBB+ (from A+), respectively, reflecting the combined impact of the COVID-19 pandemic in Mexico and the U.S. and lower global oil prices. As a result of Mexico's weakening economic resilience, S&P took various ratings actions on financial institutions. Our Mexican debt securities (*certificados bursátiles*, or "*Cebures"*) issued on February 24, 2020 were rated AA by HR Ratings and Verum and our corporate rating determined by HR Ratings, Verum and Fitch Ratings remained at A-.

Fitch Ratings downgraded Mexico's sovereign debt on April 15, 2020, reflecting an assessment of the overall financial capacity of the Mexican government to pay its obligations as they become due. In addition, Moody's downgraded Mexico's sovereign credit rating on April 17, 2020, from A3 to Baa1, maintaining a negative outlook. On the same date, Fitch Ratings also revised the outlook of PEMEX from stable to negative, citing insufficient investment to restore declining production. These downgrades could adversely affect the Mexican economy and, consequently, our ratings as well as our business, financial condition and results of operations.

COVID-19 Pandemic

On March 11, 2020, COVID-19 was categorized as a pandemic by the World Health Organization. On March 30, 2020, the Mexican Government declared a public health emergency as a result of the COVID-19 pandemic, announcing the implementation of several protective measures, including the suspension of any and all non-essential activities and a voluntary shelter in place order. These measures, as well as other measures implemented across the world, including border closures and travel restrictions, have led to a suspension or a material decrease of a significant number of commercial activities, including international flights, operation of hotels, restaurants, retail stores and other establishments, disruption of supply chains worldwide and falls in production and demand, among others, causing unprecedented commercial disruption in a number of jurisdictions, including Mexico.

In Mexico, several industries and sectors to which we have exposure have been particularly impacted by the COVID-19 pandemic and related economic disruption, including, but not limited to, retail, hospitality and services such as restaurants and education. The impact on *Totalplay Empresarial* was to delay revenues due to failure to comply with new connections and installation orders and to delay new orders. Notwithstanding this disruption, for the six months ended June 30, 2021, our revenues increased 49% compared to the six months ended June 30, 2020.

Initially in 2020, the effects of the lockdown benefited our Totalplay Residential segment revenues as a result of higher demand for high quality internet services, leading to an increase in subscribers from 1.7 million in April 2020 to 1.9 million in June 2020. We have observed that well into 2021, this positive trend has continued: as of June 2021, we reported 2.9 million subscribers, 233,000 more than the 2.7 million subscribers reported as of March 31, 2021, and 485,000 more than in December 2020 (2.4 million subscribers) confirming the positive COVID trends for the Company are long term, and not just pandemic effects.

Despite vaccination campaigns, the impact of the COVID-19 outbreak (including the Delta variant) continues developing as of the date of this Offering Memorandum. In consequence, it is uncertain the full magnitude the pandemic will have on our financial condition, liquidity and future operating results. Our management is actively monitoring our financial condition, liquidity, operations, suppliers, the industry and our personnel. Given the daily evolution of the COVID-19 outbreak and the global response to contain its dissemination, Management does not have the elements to estimate the effects in 2021 and future years on our financial situation, results of operation, or liquidity.

Despite the gained economic dynamism observed in 2021, the COVID-19 outbreak could continue to have an adverse prolonged impact on economic and market conditions in Mexico and could trigger a period of global economic slowdown, which could affect the value of our assets, such as our intangible assets.

Sources of Revenue and Costs

We generate revenue mainly from fees associated with communication, entertainment, data, and information services that we provide to our customers, including: monthly subscription fees, revenue sharing with content providers, broadband internet, fixed telephony, pay-TV and other services and sales and rentals of equipment, cloud and ICT. We generally seek to increase our revenue through the growth of our customer base and the introduction of new products and value-added services. We principally generate our revenues from monthly fees charged to our subscribers that are payable in pesos. We generally seek to increase our revenues through the growth of our customer base and through the introduction of value-added services and products aimed at different customer needs. Further, we expect to increase our revenue through new product launches and the expansion of our broadband customer base. Our results of operations are therefore dependent on our customer base and the number of services that each customer uses.

Our costs consist primarily of marketing, digital campaigns, POP (point of purchase) material, tools and uniforms for the sales force, control desk and sales call center (telemarketing), base salary and commissions, point of sale rentals, office rentals and payments to indirect sales channels.

Our cost of services consists primarily of content licensing, cost of equipment sold, rent for telecommunications links, interconnection fees, connection fees, receivables' impairment reserve and commissions, among others. For the six months ended June 30, 2021 and 2020, and the years ended December 31, 2020, 2019 and 2018, the percentages of our U.S. dollar-denominated costs were 21%, 37%, 32%, 37% and 38%, respectively. The portion of costs that are U.S. dollar-denominated is mainly comprised of content licensing, rent for telecommunications links and software licenses, among others.

Overall revenue and costs are also affected by the mix of services we provide, with broadband generally being associated with higher margins than pay television. We expect that during the following years, the broadband subscriptions' percentage share of our revenues will continue to increase. The following table sets forth the composition of our revenues.

	Six Months Ended June 30,		**Year Ended December 31,**		
	2021	**2020**	**2020**	**2019**	**2018**
	(unaudited)		**(%)**		
Restricted TV and audio, fixed telephony and internet services	74	67	70	66	63
Business-oriented services	24	31	28	32	35

	Six Months Ended June 30,		Year Ended December 31,		
	2021	2020	2020	2019	2018
	(unaudited)		(%)		
Memberships / subscriptions to streaming services……………………………………….	1	—	—	—	—
Advertising..	1	1	1	1	1
Other..	—	1	1	1	1
Total	100	100	100	100	100

Drivers of Revenue Growth; Capital expenditures to expand and improve our network and increase our footprint

We are expanding our state-of-the-art fiber optic and connecting homes and businesses to our infrastructure to deliver products and services for our Totalplay Residential and *Totalplay Empresarial* segments. We consistently seek to improve the quality and increase the coverage of our fiber optic network, which requires investing in new infrastructure. Capital expenditures ultimately increase our revenue and operating profit, but also decrease our investing cash flows, the carrying value of property, plant and equipment and intangible assets, and increase depreciation and amortization expense. In addition, as customers increase their utilization of our network, we incur higher operating expenses, including interconnection charges, network operation and maintenance costs, employee costs and selling, general and administrative expenses.

Capital expenditures during the six months ended June 30, 2021, and during the years ended December 31, 2020, 2019 and 2018 were Ps.7,994 million (U.S.$402 million), Ps.14,201 million (U.S.$713 million), Ps.7,896 million (U.S.$397 million) and Ps.6,561 million (U.S.$330 million), respectively, resulting in improvements in the quality of our network and increased capacity and coverage, which attracted additional customers. Our investments remain directed towards the network and infrastructure that underpins the future growth.

Effects of Inflation

Inflation in Mexico has historically been higher than that of more developed economies. According to Central Bank, the annual rate of inflation was 4.83%, 2.83% and 3.15% for the years ended December 31, 2018, 2019 and 2020, respectively; for the six months ended June 30, 2021, the annualized rate of inflation was 5.88%. A general increase in prices due to inflation could have a negative effect on our Totalplay Residential and *Totalplay Empresarial* segments. Our customers' purchasing power could be adversely affected, thereby reducing spending and demand for our services.

According to the Central Bank's July 2021 Survey, inflation is expected to be 5.94% for 2021 and 3.70% for 2022.

Effects of Fluctuations in Exchange Rates between the Peso and the U.S. Dollar

The exchange rate for the peso fluctuates in relation to the U.S. dollar and such fluctuations may, from time to time, have a material adverse effect on our earnings, assets, liability valuation and cash flows. Moreover, currency movements can also affect our financial leverage, as some of our debt is denominated in U.S. dollars. See "Risk Factors—Risks Related to Mexico and Other Global Risks—Depreciation of the peso relative to the U.S. dollar could adversely affect our financial condition, our ability to repay debt and other obligations and results of operations."

After the offering, a significant portion of our indebtedness will continue to be denominated in U.S. dollars and therefore fluctuations in the U.S. dollar/peso exchange rate will continue to have a larger impact on our results of operation and financial position.

The peso/U.S. dollar exchange rate moved slightly from Ps.19.9087 to U.S.$1.00 as of December 31, 2020 to Ps.19.9062 to U.S.$1.00 as of June 30, 2021. This change in the exchange rate had an impact on our Net Comprehensive Income for the six months ended June 30, 2021, resulting in a foreign exchange gain of Ps.94 million (U.S.$5 million)

Competitive and regulatory pressures on pricing

The market in which we operate is highly competitive, and we expect competition will remain robust. Telecommunications operators compete for customers principally on the basis of price, services offered, advertising and brand image, quality and reliability of service and coverage area. We seek to sustain our market leadership by

providing innovative services on fast and reliable networks, and by leading with significant positive initiatives that reflect our commitment to sustainability. According to publicly available information on the Mexican Stock Exchange, Total Play is the third largest enterprise solutions carrier in Mexico based on revenues as of June 30, 2021.

Market Consolidation Trend

The Mexican enterprise carrier segment is experiencing major consolidation in 2021. Our management believes that this will create new business opportunities for *Totalplay Empresarial*.

Axtel/Alestra's parent company, Grupo Alfa, has publicly announced its intent to sell the company in parts or its entirety before year-end and their decision to no longer invest in the company's infrastructure for the remainder of 2020. Furthermore, they have withdrawn Axtel from government bids. Since they are one of our main competitors in the enterprise and government sector, this represents an opportunity for *Totalplay Empresarial* to increase market share.

Televisa/Bestel eliminated their Telum brand in 2020, which was focused on the medium and large corporates segment. Instead, they merged it into Bestel's brand and renamed it Bestel Empresas. We believe we will increase our market share because Bestel is not recognized in this market segment. Moreover, Bestel does not have the coverage we have with fiber to effectively compete.

Mobile operator, Telefonica, recently stopped operating its own network and became an MVNO, using AT&T's network. This has created an opportunity for *Totalplay Empresarial* to capture part of Telefonica's fixed network corporate customers.

Increased Competition in Internet Broadband Access

Dedicated and broadband Internet access are facing strong price-based competition from a host of new players entering the Mexican market following enactment of the telecommunications reform enacted in 2013. These new competitors are mobile carriers, such as AT&T and ALTAN. Given their relatively large investments in fiber optics networks, they are able to offer very low prices in their coverage areas which may require us to reduce our prices to remain competitive and adversely affect our revenues.

Government Spend Reduction

Since 2019, the government market segment has experienced reductions in spending in several sectors including telecommunications. Moreover, the government has launched an initiative to consolidate purchases by the Ministry of Finance (*Secretaría de Hacienda*) which will cause price erosions on connectivity projects.

As of June 30, 2021, we were participating in bidding on more than 200 large government contracts, which creates an opportunity for *Totalplay Empresarial* to increase its market share.

Technological Investments

Network infrastructure investment encompasses multiple layers, ranging from customer-premise equipment (ONTs, STBs, and WiFi extenders) to core network transmission equipment and network operations management systems. The main components of our core network infrastructure are:

- Outside Plant infrastructure, including fiber optic cables and splitters
- Custom outdoor cabinets providing housing, power, and cooling to access network equipment
- Access network equipment, including GPON FTTX devices, MetroEthernet switches and microwaves
- Core network equipment, including MetroEthernet switches, MPLS collectors, content caches, BNG concentrators and servers including antispam, DNS, DHCP and NTP
- Long Haul equipment including MetroEthernet switches, routers and DWDM transmission shelves
- Internet connectivity equipment, including carrier-grade NAT appliances, PoP Internet routers and performance probes
- Telephony infrastructure, including IMS and SBC infrastructure along with provisioning and mediation infrastructure

- IPTV signal distribution infrastructure, including satellite receivers for signal acquisition, physical and virtual encoding appliances, and quality of service probes
- Network management and ticketing systems, both COTS and in-house developed

The foregoing investments we have made will result in developing more and better products and services and generating an increase in our subscriber base, thereby increasing ARPU and reducing customer churn.

Critical Accounting Policies

Preparation of our consolidated financial statements in conformity with IFRS requires our management to make estimates and judgments that affect the assets and liabilities reported in our Annual Audited Consolidated Financial Statements. Actual results may differ from those we have estimated. Our Annual Audited Consolidated Financial Statements were prepared at historical cost of acquisition base and, where applicable, at fair value. The main estimates and judgments that have been identified are the following:

- *Inventory and receivables allowances*. We use estimates to determine inventory and receivables impairment allowances. Some of the factors considered for calculating the inventory allowance are the installations volume and the demand trends of certain products. Some of the factors considered in determining impairment of the receivables' allowance are the risks related to a customer's financial condition, unsecured accounts and the portfolio aging in accordance with the relevant credit conditions. See Notes 4 and 6 to our Annual Audited Consolidated Financial Statements.
- *Property, plant and equipment*. We review the estimated useful life of property, plant and equipment at the end of each fiscal year. The depreciation and useful lives of the assets are determined in accordance with technical studies prepared by specialized internal staff but external specialists may also participate. The degree of uncertainty of the useful lives' estimates is related to the changes in the market and the usage of the assets. Similarly, we estimate the recovered equipment value when a user cancels the service.
- *Capitalization of cost of loans*. We use our judgment in order to determine: (1) the qualifying assets in which the cost of loans will be capitalized; (2) the starting, suspension and ending periods of the capitalization; and (3) the foreign exchange losses that may be capitalized.
- *Impairment of long-lived assets*. When performing the asset impairment tests, we estimate the value of use allocated to our property, plant and equipment, trademarks, and to cash generating units (CGU) in the case of certain assets. Calculations of the value of use require us to determine the future cash flows that should proceed from the CGUs and the adequate discount rate to calculate the present value. We use the revenue cash flow projections using estimates of the market conditions, prices, market share and volume of installations.
- *Leases*. At the time we register our lease contracts under IFRS 16, Leases ("*IFRS 16*"), we use certain estimates for: (1) possible contract renewals; (2) the discount rate to determine their present value; and (3) the application of allowed exceptions.
- *Employee benefits*. Measurement of employee benefits liability is performed by third-party specialists based on actuarial calculations. Some of the assumptions that may have an important impact, among others, are: (1) discount rates; (2) salary increases; and (3) rotation and mortality rates based on recognized tables. A change in the economic, labor or tax conditions could materially modify the estimates.
- *Deferred taxes*. We have tax loss carry forwards and certain temporary differences, which can be used in subsequent years. Based on our projected revenue and taxable profit that we expect to generate in future years, we have considered that a portion of current tax loss carry forwards and temporary differences will be used before their expiration date and, therefore, it was considered appropriate to account a deferred tax asset from those tax losses and temporary differences.
- *Contingencies*. We are subject to legal proceedings as to which the possibility of loss requiring a payment is assessed. The legal situation as of the date of the estimate and the opinion of our legal advisors are also considered. Such assessments are periodically reviewed and in case the payment obligation becomes probable, the corresponding liability is accounted for.

- *Revenue from contracts with customers*. In the process of applying our accounting policies, we have made the following judgments that have had the most significant effects on the balances recognized in our financial statements: (1) determination of performance obligations; (2) revenue recognition based on the fulfillment of performance obligations; (3) the average time required to install equipment; (4) percentage of customer cancellations; and (5) registration of commissions as agent and revenues and costs as principal.

There are no new accounting standards, pronouncements or interpretations to be applied on or after January 1, 2021, which may have a significant effect on our financial information as presented in our Audited Consolidated Financial Statements.

Results of Operations

Six Months Ended June 30, 2021 Compared with Six Months Ended June 30, 2020

Revenue from Services

Our revenue for the six months ended June 30, 2021 increased by 49% to Ps.13,195 million (U.S.$663 million) from Ps.8,878 million (U.S.$446 million) for the comparable period in 2020.

The 64% increase in revenue of our Totalplay Residential segment during the period to Ps.10,047 million (U.S.$505 million) from Ps.6,123 million (U.S.$308 million) in the comparable period in 2020 was primarily due to the expansion of our network coverage, resulting in an increase in new customers and higher ARPU and to an increase in our fees.

The 14% increase in revenue of our *Totalplay Empresarial* segment to Ps.3,148 million (U.S.$158 million) from Ps.2,755 million (U.S.$138 million) for the comparable period in 2020 was primarily due to a new maintenance contract for Smart City in Mexico City and a separate process to install a fiber optic network in Jalisco.

Cost of Services

Our cost of services for the six months ended June 30, 2021 increased by 37% to Ps.3,273 million (U.S.$164 million) from Ps.2,387 million (U.S.$120 million)for the comparable period in 2020, primarily due to increases in (i) content licensing cost of Ps.344 million (U.S.$17 million); (ii) the cost of sale of equipment and licenses of Ps.179 million (U.S.$9 million); (iii) membership/subscriptions paid to streaming platforms of Ps.137 million (U.S.$7 million); (iv) commissions paid of Ps.111 million (U.S.$6 million) due to higher sales; (v) lease expense of telecommunications links of Ps.75 million (U.S.$4 million); and (vi) reserves for doubtful accounts of Ps.55 million (U.S.$3 million) due to higher revenues.

Costs for our Totalplay Residential segment during the period increased by 49% to Ps.2,306 million (U.S.$116 million) from Ps.1,548 million (U.S.$78 million) for the comparable period in 2020, primarily due to the increase in new residential subscribers, resulting from the expansion of the network into new coverage areas.

Costs for our *Totalplay Empresarial* segment increased by 15% to Ps.967 million (U.S.$49 million) from Ps.839 million (U.S.$42 million) for the comparable period in 2020, primarily due to the cost of equipment related to the new projects for Smart City in Mexico City and the fiber optic network in Jalisco.

General Expenses

Our general expenses increased by 27% to Ps.4,239 million (U.S.$213 million) from Ps.3,346 million (U.S.$168 million) for the comparable period in 2020, primarily due to an increase of expenses associated with: (i) salaries of personnel of Ps.248 million (U.S.$12 million); (ii) maintenance of Ps.180 million (U.S.$9 million); (iii) advertising and promotion of Ps.142 million (U.S.$7 million); (iv) call center services of Ps.111 million (U.S.$6 million); and (iv) professional fees of Ps.58 million (U.S.$3 million).

Depreciation and Amortization

Our depreciation and amortization expense for the six months ended June 30, 2021 increased by 40% to Ps.4,092 million (U.S.$206 million) from Ps.2,921 million (U.S.$147 million) for the comparable period in 2020. This increase was primarily due to increases in: (i) depreciation of subscriber acquisition costs of Ps.882 million (U.S.$44 million) due to the increase in our subscriber base, which grew to 2.9 million subscribers as of June 30, 2021, from 1.9 million as of June 30, 2020; (ii) depreciation of other fixed assets of Ps.247 million (U.S.$12 million) due to higher investments in our network and infrastructure; and (iii) depreciation of rights of use of Ps.42 million (U.S.$2 million).

Other Income (Expenses), Net

Our other expenses, net for the six months ended June 30, 2021 totaled Ps.50 million (U.S.$3 million) compared to Ps.3 million (U.S.$0.2 million) in the comparable period in 2020. This change is mainly due to higher bank commissions and fees.

Operating Profit

As a result of the foregoing, profit from operations increased to Ps.1,541 million (U.S.$77 million) for the six months ended June 30, 2021 from Ps.221 million (U.S.$11 million) in the comparable period in 2020.

Financial Cost

Our financial costs for the six months ended June 30, 2021 totaled Ps.1,180 million (U.S.$59 million) compared to financial costs for the comparable period in 2020 of Ps.917 million (U.S.$46 million). This increase was mainly due to (i) a 141% increase in our interest expense, derived from higher outstanding indebtedness: (ii) a 90% increase in our interest expenses from lease liabilities, derived from a higher number of outstanding leasing contracts; and (iii) a foreign exchange gain of Ps.94 million (U.S.$5 million) for the six months ended June 30, 2021 as compared to a foreign exchange loss of Ps.375 million (U.S.$19 million) for the comparable period in 2020.

Income Tax Provisions

For the six months ended June 30, 2021, our results resulted in an income tax provision of Ps.17 million (U.S.$0.9 million), compared to an income tax provision of Ps.13 million (U.S.$0.6 million) for the comparable period in 2020.

Net (Loss) Income for the Period

As a result of the foregoing, our net income for the six months ended June 30, 2021 was Ps.344 million (U.S.$17 million) compared to a loss of Ps.709 million (U.S.$36 million) for the comparable period in 2020.

Other Comprehensive Income (Loss) for the Period

Our other comprehensive loss for the six months ended June 30, 2021 was Ps.92 million (U.S.$5 million) compared to other comprehensive income of Ps.8 million (U.S.$0.4 million) for the comparable period in 2020. This increase was primarily due to the net effect between the recognition of a Ps.92 million (U.S.$5 million) loss in the valuation of our hedging instruments for the six months ended June 30, 2021 from a gain of Ps.24 million (U.S.$1 million) for the comparable period in 2020, and such gain was partially offset by the negative result from the translation of the financial statements of our foreign subsidiary due to the depreciation of the peso against the U.S. dollar which depreciated during the first half of 2020.

Net Comprehensive Income (Loss) for the Period

Our net comprehensive income for the six months ended June 30, 2021 was Ps.252 million (U.S.$12 million) compared to our net comprehensive loss of Ps.701 million (U.S.$35 million) for the comparable period in 2020.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Revenue from Services

Our revenue for the year ended December 31, 2020 increased by 37% to Ps.19,557 million (U.S.$982 million) from Ps.14,267 million (U.S.$717 million) in 2019.

The 47% increase in revenue of our Totalplay Residential segment during the year to Ps.14,091 million (U.S.$708 million) in 2020 from Ps.9,576 million (U.S.$481 million) in 2019 was primarily due to the expansion of our network coverage, resulting in an increase in new customers and higher ARPU.

The 17% increase in revenue of our *Totalplay Empresarial* segment during the year to Ps.5,466 million (U.S.$275 million) in 2020 from Ps.4,691 million (U.S.$236 million) in 2019 was primarily due to a new maintenance contract for Smart City in Mexico City and a separate process to install a fiber optic network in Jalisco.

Costs of Services

Our cost of services for the year ended December 31, 2020 increased by 43% to Ps.5,031 million (U.S.$253 million) from Ps.3,506 million (U.S.$176 million) in 2019, primarily due to increases in (i) content licensing costs of

Ps.598 million (U.S.$30 million); (ii) cost of equipment and licenses sold to corporate and government clients of Ps.523 million (U.S.$26 million); (iii) reserves for doubtful accounts of Ps.228 million (U.S.$11 million) derived from higher revenues; (iv) commissions paid to our sales force of Ps.105 million (U.S.$5 million); and (v) lease expense of telecommunications links of Ps.60 million (U.S.$3 million).

Costs for our Totalplay Residential segment during the year increased by 47% to Ps.3,462 million (U.S.$174 million) in 2020 from Ps.2,351 million (U.S.$118 million) in 2019, primarily due to the increase in new subscribers, resulting from the expansion of the network into new coverage areas.

Costs for our *Totalplay Empresarial* segment during the year increased by 36%, to Ps.1,569 million (U.S.$79 million) in 2020 from Ps.1,155 million (U.S.$58 million) in 2019, primarily due to the cost of equipment related to the new projects for Smart City in Mexico City.

General Expenses

Our general expenses increased by 38% to Ps.7,228 million (U.S.$363 million) in 2020, from Ps.5,247 million (U.S.$264 million) in 2019, primarily due to the net effect of (i) a Ps.833 million (U.S.$42 million) increase in employee salaries and compensation expenses; (ii) a Ps.313 million (U.S.$16 million) increase in advertising expenses; (iii) a Ps.197 million (U.S.$10 million) increase in professional fees; (iv) a Ps.163 million (U.S.$8 million) increase in maintenance; (v) a Ps.100 million (U.S.$5 million) increase in lease expense; and (vi) a Ps.100 million (U.S.$5 million) increase of administrative services.

Depreciation and Amortization

Our depreciation and amortization expense for the year ended December 31, 2020 increased by 47% to Ps.6,440 million (U.S.$324 million) from Ps.4,378 million (U.S.$220 million) in 2019. This increase was primarily due to increases in: (i) depreciation of subscriber acquisition costs of Ps.1,378 million (U.S.$69 million) due to the increase in our subscriber base, which grew to 2.4 million subscribers as of December 31, 2020, from 1.5 million as of December 31, 2019; (ii) depreciation of other fixed assets of Ps.322 million (U.S.$16 million) derived from higher investments in our network and infrastructure; and (iii) depreciation of rights of use of Ps.362 million (U.S.$18 million).

Other Income (Expenses), Net

Our other income, net for the year ended December 31, 2020 totaled Ps.37 million (U.S.$2 million) compared to Ps.55 million (U.S.$3 million) in 2019. This change is mainly due to an increase in penalties charged to distributors, partially offset by higher bank commissions and fees.

Operating Profit (Loss)

As a result of the foregoing, profit from operations decreased to a profit of Ps.895 million (U.S.$45 million) for the year ended December 31, 2020 from a Ps.1,081 million (U.S.$54 million) for the year ended December 31, 2019.

Financial Cost

Our financial cost for the year ended December 31, 2020 totaled Ps.1,530 million (U.S.$77 million) which was a Ps.1,211 million (U.S.$61 million) increase compared to a financial cost in 2019 of Ps.319 million (U.S.$16 million). This increase was mainly due to the net effect of: (i) an increase of our interest expense from financial debt of Ps.787 million (U.S.$40 million) due to higher average outstanding indebtedness in 2020; (ii) a Ps.234 million (U.S.$12 million) increase in interest expense from leases; (iii) a Ps.99 million (U.S.$5 million) decrease in our foreign exchange gain; and (iv) an increase in our other financial expenses by Ps.81 million (U.S.$4 million).

Income Tax Provisions

For the year ended December 31, 2020, we recorded an income tax benefit of Ps.88 million (U.S.$4 million), compared to an income tax expense of Ps.99 million (U.S.$5 million) in 2019.

Net Income (Loss)

As a result of the foregoing, our net loss in 2020 was Ps.547 million (U.S.$27 million) compared to a profit of Ps.663 million (U.S.$33 million) in 2019.

Other Comprehensive Income (Loss)

Our other comprehensive loss for the year ended December 31, 2020 was Ps.1 million (U.S.$0.05 million) compared to other comprehensive income of Ps.787 million (U.S.$40 million) in 2019. This increase was primarily due to the recognition of a fair value gain in our intangibles (trademarks) in 2019, which did not occur in 2020.

Net Comprehensive Income (Loss) for the Year

Our net comprehensive loss for the year ended December 31, 2020 was Ps.548 million (U.S.$28 million) compared to our net comprehensive income of Ps.1,450 million (U.S.$73 million) in 2019.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Revenue from Services

Our revenue for the year ended December 31, 2019 increased by 35% to Ps.14,267 million (U.S.$717 million) from Ps.10,569 million (U.S.$531 million) in 2018.

The 39% increase in revenue of our Totalplay Residential segment during the year to Ps.9,576 million (U.S.$481 million) in 2019 from Ps.6,888 million (U.S.$346 million) in 2018 was primarily due to the expansion of our network coverage, resulting in an increase in new customers and higher ARPU.

The 27% increase in revenue of our *Totalplay Empresarial* segment during the year to Ps.4,691 million (U.S.$236 million) in 2019 from Ps.3,681 million (U.S.$185 million) in 2018 was primarily due to our successful bid for Smart City in Mexico City and Quintana Roo.

Costs of Services

Our cost of services for the year ended December 31, 2019 increased by 47% to Ps.3,506 million (U.S.$176 million) from Ps.2,388 million (U.S.$120 million) in 2018, primarily due to (i) an increase in content licensing costs of Ps.500 million (U.S.$25 million); (ii) the recognition in 2019 of Ps.363 million (U.S.$18 million) of cost of equipment sold to corporate and government clients; (iii) an increase of Ps.153 million (U.S.$8 million) of commissions paid to our sales force; (iv) the recognition in 2019 of Ps.136 million (U.S.$7 million) of monitoring costs; and (v) an increase in the cost of licenses of Ps.126 million (U.S.$6 million). The increases were partially offset by a decrease in lease expense of telecommunications links of Ps.68 million (U.S.$3 million).

Costs for our Totalplay Residential segment during the year increased by 26% to Ps.2,351 million (U.S.$118 million) in 2019 from Ps.1,859 million (U.S.$93 million) in 2018, primarily due to the increase in new subscribers, resulting from the expansion of our network into new coverage areas.

Costs for our *Totalplay Empresarial* segment during the year increased by 118%, to Ps.1,155 million (U.S.$58 million) in 2019 from Ps.529 million (U.S.$27 million) in 2018, primarily due to the cost of equipment related to the new projects for Smart City in Mexico City.

General Expenses

Our general expenses increased by 0.5% to Ps.5,247 million (U.S.$264 million) in 2019, from Ps.5,219 million (U.S.$262 million) in 2018, primarily due to the net effect of (i) a Ps.238 million (U.S.$12 million) decrease in our leasing expense due to the adoption of IFRS 16 in 2019; (ii) a Ps.126 million (U.S.$6 million) increase in professional fees; (iii) a Ps.123 million (U.S.$6 million) increase in administrative services expenses; (iv) a Ps.61 million (U.S.$3 million) increase in employee salaries and compensation expenses; and (v) a Ps.22 million (U.S.$1 million) decrease in maintenance expenses.

Depreciation and Amortization

Our depreciation and amortization expense for the year ended December 31, 2019 increased by 40% to Ps.4,378 million (U.S.$220 million) from Ps.3,133 million (U.S.$157 million) in 2018. This increase was primarily due to: (i) a 42% increase in our depreciation of subscriber acquisition costs for the year ended December 31, 2019, to Ps.2,604 million (U.S.$131 million) from Ps.1,836 million (U.S.$92 million) in 2018, primarily due to the increase in our subscriber base, which grew to 1.5 million subscribers as of December 31, 2019, from 1.1 million as of December 31, 2018; (ii) an increase in depreciation and amortization expenses of Ps.435 million (U.S.$22 million) as a result of the adoption of IFRS 16 in 2019; and (iii) a Ps.42 million (U.S.$2 million) increase in the depreciation of our other fixed assets, derived from higher investments in our network and infrastructure.

Other Income (Expenses), Net

Our other expenses, net for the year ended December 31, 2019 totaled Ps.55 million (U.S.$3 million) compared to Ps.35 million (U.S.$2 million) in 2018. This change is mainly due to donations made and an increase in bank commissions and fees.

Operating Profit (Loss)

As a result of the foregoing, profit from operations increased to a profit of Ps.1,081 million (U.S.$54 million) for the year ended December 31, 2019 from a loss of Ps.206 million (U.S.$10 million) for the year ended December 31, 2018.

Financial Cost

Our financial cost for the year ended December 31, 2019 totaled Ps.319 million (U.S.$16 million) which was substantially unchanged from our financial cost in 2018. However, there were differences in the components of our financial cost for the year ended December 31, 2019 as compared to the year ended December 31, 2018, including: (i) a decrease in 2019 of our foreign exchange gain of Ps.76 million (U.S.$4 million); (ii) a decrease in our interest expense from financial debt of Ps.127 million (U.S.$6 million) due to lower average outstanding indebtedness in 2019; and (iii) an increase of Ps.136 million (U.S.$7 million) in interest expense from leases as a result of the adoption of IFRS 16 in 2019.

Income Tax Provisions

For the year ended December 31, 2019, we recorded an income tax provision of Ps.99 million (U.S.$5 million), compared to an income tax benefit of Ps.291 million (U.S.$15 million) in 2018.

Net Income (Loss)

As a result of the foregoing, our profit in 2019 increased to Ps.663 million (U.S.$33 million) compared to a loss of Ps.234 million (U.S.$12 million) in 2018.

Other Comprehensive Income

Our other comprehensive income for the year ended December 31, 2019 was Ps.787 million (U.S.$40 million) compared to other comprehensive income of Ps.4 million (U.S.$0.2 million) in 2018. This increase was primarily due to the recognition of a fair value gain in our intangibles (trademarks) in 2020, which did not occur in 2019.

Net Comprehensive Income (Loss) for the Year

Our net comprehensive income for the year ended December 31, 2019 was Ps.1,450 million (U.S.$73 million) compared to our net comprehensive loss of Ps.230 million (U.S.$12 million) in 2018.

Liquidity and Capital Resources

We established appropriate policies to mitigate our liquidity risk through: (i) the review of working capital; (ii) the review of our actual and projected cash flows; and (iii) the reconciliation of maturities of our financial assets and liabilities. These actions allow our management to manage short and long-term financing requirements by maintaining cash reserves or credit facilities available.

Factors that may influence the levels liquidity and capital resources include:

- our ability to generate sufficient free cash flow;
- factors that affect the results of operations, including general economic conditions in the markets where we operate and elsewhere, interest rates and the depreciation of the peso;
- demand for our products and services, the competitive environment, demographic changes in its market areas and regulation;
- factors that affect our access to bank financing and the capital markets, including interest rate fluctuations, availability of credit and operational risks of our Totalplay Residential and *Totalplay Empresarial* segments; and

- unexpected changes in our suppliers' prices.

Our principal sources of liquidity include cash from operations and debt, including commercial loans, stock exchange certificates, including but not limited to *Cebures,* and lease financings, both denominated in pesos and in foreign currencies, and we contemplate continuing to use those sources in the future, including after the offering of the Notes.

Working Capital

Our net working capital as of June 30, 2021 was negative Ps.2,992 million (U.S.$150 million) compared to negative Ps.4,921 million (U.S.$247 million) as of June 30, 2020. The decrease in our working capital deficit was primarily due to: (i) and increase of Ps.1,000 million (U.S.$5 million) in cash and cash equivalents; (ii) an increase in in our receivables from customers of Ps.522 million (U.S.$26 million); (ii) a 55% increase in our recoverable taxes of Ps.1,340 million (U.S.$67 million); (iii) a 9% increase in our inventories of Ps.122 million (U.S.$6 million); (iv) an increase of 34% in our reverse factoring payables of Ps.383 million (U.S.$19 million; and (v) a 30% increase of Ps.453 million (U.S.$23 million) in other short-term liabilities.

Our net working capital as of December 31, 2020 was negative Ps.1,600 million (U.S.$80 million) compared to negative Ps.1,835 million (U.S.$92 million) as of December 31, 2019. The decrease in our net working capital deficit was primarily due to: (i) a Ps.1,560 million (U.S.$78 million) increase in cash and cash equivalents; (ii) a 68% increase in our recoverable taxes of Ps.1,343 million (U.S.$67 million); (iii) a 89% increase in our trade payables of Ps.3,167 million (U.S.$159 million); (iv) a 68% increase in our reverse factoring liabilities of PS.657 million (U.S.$33 million); and (iv) a 44% increase in our other short-term liabilities of Ps.468 million (U.S.$24 million).

Our net working capital as of December 31, 2019 was negative Ps.1,835 million (U.S.$92 million) compared to negative Ps.5,389 million (U.S.$271 million) as of December 31, 2018. The decrease in our net working capital deficit was primarily due to: (i) a 74% increase in our customer balances of Ps.914 million (U.S.$46 million); (ii) a 69% increase in our recoverable taxes of Ps.803 million (U.S.$40 million); (iii) a 16% reduction in our trade payables of Ps.672 million (U.S.$34 million); and (iv) a 48% reduction in our reverse factoring of Ps.891 million (U.S.$45 million).

Net Cash Flows

The following chart sets forth our generation and application of cash for the periods indicated:

	Six Months Ended June 30,			Year Ended December 31,			
	2021		2020	2020		2019	2018
	(U.S.$)	(Ps.)	(Ps.)	(U.S.$)	(Ps.)	(Ps.)	(Ps.)
				(in millions)			
		(unaudited)					
Net cash flows from operating activities	277	5,519	5,848	416	8,274	2,529	3,996
Net cash flows from investing activities	(401)	(7,980)	(6,236)	(711)	(14,149)	(7,939)	(6,546)
Net cash flows from financing activities	91	1,804	292	374	7,435	5,590	2,540
Cash and cash equivalents at end of period	57	1,130	130	90	1,787	227	47

Net Cash Flows from Operating Activities

For the six months ended June 30, 2021, net cash flows from operating activities decreased by 6% to Ps.5,519 million (U.S.$277 million) from Ps.5,848 million (U.S.$294 million) for the six months ended June 30, 2020. This change was primarily due to higher accounts receivable from customers and higher recoverable taxes, partially offset by higher trade payables and other short-term liabilities.

For the year ended December 31, 2020, net cash flows from operating activities increased by 227% to Ps.8,274 million (U.S.$416 million) from Ps.2,529 million (U.S.$127 million) for the year ended December 31, 2019. This change was primarily due to higher trade payables to suppliers and higher customer receivables.

For the year ended December 31, 2019, net cash flows from operating activities decreased by 37% to Ps.2,529 million (U.S.$127 million) from Ps.3,996 million (U.S.$201 million) for the year ended December 31, 2018. This change was primarily due to higher trade payables to suppliers partially offset by collections of customer receivables.

Net Cash Flows from Investing Activities

For the six months ended June 30, 2021, net cash flows from investing activities decreased by 28% to negative Ps.7,980 million (U.S.$401 million) from negative Ps.6,236 million (U.S.$313 million) for the comparable period in 2020. This change was mainly due to higher investments in our network and infrastructure, resulting from our expansion to more cities in Mexico.

For the year ended December 31, 2020, net cash flows from investing activities decreased by 78% to negative Ps.14,149 million (U.S.$711 million) from negative Ps.7,939 million (U.S.$399 million) for the year ended December 31, 2019. This change was primarily due to higher investments in our network and infrastructure, resulting from our expansion to more cities in Mexico.

For the year ended December 31, 2019, net cash flows from investing activities decreased by 21% to negative Ps.7,939 million (U.S.$399 million) from negative Ps.6,546 million (U.S.$329 million) for the year ended December 31, 2018. This change was primarily due to higher investments in our network and infrastructure, resulting from our expansion to more cities in Mexico.

Net Cash Flows from Financing Activities

For the six months ended June 30, 2021, net cash flows from financing activities increased by 518% to Ps.1,804 million (U.S.$91 million) from Ps.292 million (U.S.$15 million) for the six months ended June 30, 2020. This change was mainly due to the net effect from: (i) the receipt of funds from our Senior Notes due 2025 issued in November 2020, and (ii) a higher amount of interest paid during the six months ended June 30, 2020.

For the year ended December 31, 2020, net cash flows from financing activities increased by 33% to Ps.7,435 million (U.S.$374 million) from Ps.5,590 million (U.S.$281 million) for the year ended December 31, 2019. This change was primarily due to the net effect from: (i) the receipt of funds from our Senior Notes due 2025 issued in November 2020, and (ii) a higher amount of interest paid for the year ended December 31, 2020; and (iii) a higher amount of lease financings for the year ended December 31, 2019.

For the year ended December 31, 2019, net cash flows from financing activities increased by 120% to Ps.5,590 million (U.S.$281 million) from Ps.2,540 million (U.S.$128 million) for the year ended December 31, 2018. This change was primarily due to the net effect from: (i) the receipt of funds for future capital increases for the year ended December 31, 2019; (ii) a higher amount of interest paid for the year ended December 31, 2019; and (iii) a higher amount of lease financings for the year ended December 31, 2019.

See our Consolidated Financial Statements for more information.

Indebtedness

The following chart sets forth our debt facilities, debt certificates and other indebtedness outstanding as of June 30, 2021:

	As of June 30, 2021	
	U.S.$	**Ps.**
	(in millions)	
Non-bank loans	585	11,650
Senior Notes due 2025	575	11,446
Bank loans	250	4,981
Short and long-term leases	230	4,576
Cebures	126	2,500
Amortized transaction costs	(23)	(456)
Total financial indebtedness valued at amortized cost	**1,743**	**34,697**

On February 24, 2020, Total Play, Banco Azteca, as trustee of irrevocable administration master trust number F/1136, as amended and restated on November 8, 2019 (the "*Master Trust*"), and CIBanco, S.A. established a *Cebures* program for up to an amount of Ps.5,000 million (U.S.$251 million) pursuant to which the Master Trust irrevocably conveyed certain Accounts Receivable Collection Rights to an issuing trust for the *Cebures* program. The first issuance of *Cebures* under this program was in the principal amount of Ps.2,500 million (U U.S.$126 million) at an annual interest rate of the Mexican interbank offered rate (*Tasa de Interés Interbancaria de Equilibrio*, or "*TIIE*") plus 240

basis points. The funds from the first issuance were used to refinance debt and for working capital. The *Cebures* are traded on the Bolsa Institucional de Valores, S.A. de C.V. (the Mexican Institutional Stock Exchange, or "*BIVA*").

On June 29, 2020, Total Play entered into a Financing Facility Agreement with the Export and Import Bank of China, Shenzhen Branch in the amount of up to CNY1,050,000,000 (U.S.$163 million) at a fixed interest rate 5.5% per annum, to finance certain goods and services related to the expansion project of +2 M HP that took place during the last eighteen months ending June 30, 2020. The facility has a 7-year maturity and 5-year amortization period, and is secured by a guarantee agreement and a securities pledge agreement (*contrato de prenda bursátil*) executed by Corporación RBS.

On November 12, 2020, Total Play issued U.S.$575.0 million in aggregate principal amount of our Senior Notes due 2025 pursuant to the exemptions from registration provided by Rule 144A and Regulation S of the Securities Act. Our Senior Notes due 2025 accrue interest at an annual interest rate of 7.500% and the net proceeds therefrom were used to repay outstanding debt and for capital expenditures and working capital.

Financial Liabilities

Our financial liabilities include financial debt, suppliers, related parties and other accounts payable. Financial liabilities are measured initially at fair value and, as applicable, are adjusted for transaction costs, unless we would have designated a financial liability at fair value with changes in results.

Subsequently, financial liabilities are measured at amortized cost by using the effective interest rate method, except for financial liabilities held for trading or that have been designated at fair value through profit or loss, which are kept in the books at fair value with gains or losses recognized in profit or loss (that are not derivative financial instruments designated and effective as hedging instruments).

All the charges related with interest and, if applicable, any change in fair value of an instrument is reported in income and are included under "interest expense."

Tabular Disclosure of Contractual Obligations.

The following table sets forth our material expected obligations and commitments as of June 30, 2021:

	As of June 30, 2021				
	Total	**Less Than 1 year**	**1-3 years**	**3-5 years**	**More Than 5 years**
Financial liabilities[1]	**30,121**	1,230	6,015	13,835	9,041
Lease obligations[2]	**4,576**	1,515	1,916	448	697
Purchase commitments	**—**	—	—	—	—
Staff severance indemnities	**81**	—	—	—	81
Total contractual obligations and commitments	**34,778**	**2,745**	**7,931**	**14,283**	**9,819**

(1) Non-bank loans of Ps.11,650 million (U.S.$585 million) with private entities. 97% of the non-bank loans mature after 2021 and, collectively, they represent 25.4% of our total liabilities. The principal terms and covenants include: (i) terms that range from 1 to 153 months; (ii) annual interest rate from TIIE+375 basis points to TIIE+550 basis points, bearing monthly interest; (iii) compliance with laws; (iv) compliance with periodical reports of financial information; (v) maintenance of licenses, authorizations, concessions and permits; (vi) submission of reports and notices of any litigation, proceedings, including labor conflicts that may have a material adverse effect; (vii) submission of notices of any, merger, material acquisition or corporate restructuring; and (viii) payment of taxes. First issuance of *Cebures* through an issuing trust for Ps.2,500 million (U.S.$126 million) represents 5.5% of our total liabilities. The principal terms and covenants include: (i) monthly interest at an annual rate of TIIE+240 basis points for a 5-year term; (ii) maturity date on February 11, 2025; (iii) compliance with laws; (iv) compliance with reports and notices to CNBV and BIVA; (v) maintenance of licenses, authorizations, concessions and permits; and (vi) submission of reports and notices of any event of default or event of early repayment (each as defined therein). Bank loans of Ps.4,981 million (U.S.$250 million) with Mexican financial institutions and with the Export and Import Bank of China. Bank loans have an average life of more than 3.3 years and represent 10.8% of our total liabilities. The principal terms and covenants include: (i) terms that range from 3 to 84 months; (ii) annual interest rates from TIIE+200 basis points to TIIE+480 basis points, bearing monthly interest, (iii) compliance with laws; (iv) compliance with periodical reports of financial information; (v) maintenance of licenses, authorizations, concessions and permits; (vi) submission of reports and notices of any litigation, proceedings, including labor conflicts that may have a material adverse effect; (vii) submission of notices of any, merger, material acquisition or corporate restructuring; and (viii) payment of taxes. See "– Indebtedness."

(2) Lease agreements in an aggregate principal amount of Ps.4,576 million (U.S.$230 million) represent 10% of our total liabilities. Lease financial agreements terms range from 3 to 4 years and are related to decoders, cars, computers and communication equipment. Operating leases comprise contracts for offices, sites, warehouses with terms ranging from 1 to 5 years, and the corporate offices building with a term of 8 years. Lease agreements have an average term of 48 months, with fixed payments (that already include

financial cost, and residual value). The average cost of leases is approximately 13% annually. The majority of the assets leased are ONT's and Set-top boxes.

Based on the pro forma issuance of the Notes offered hereby, the weighted average life of our debt profile will be extended from approximately 6.3 years to approximately 7.2 years and 40% of our indebtedness for borrowed money will be secured and 60% of our indebtedness for borrowed money will be unsecured (as compared to 59% secured indebtedness for borrowed money and 41% unsecured indebtedness for borrowed money as of June 30, 2021).

Internal Controls

We have a series of internal control systems and procedures in all the critical areas of our operations, among them:

- Sales, billing, collection and aging of our accounts receivable;
- Cash management;
- Inventory management (equipment reception, transfers, installations and refurbish);
- Fixed asset management (additions, reductions, physical inventories, etc.);
- Payroll (workforce personnel monitoring, processing and payment of wages and compensation, etc.);
- Operating expenses (avoid waste and ensure austerity);
- Customer service and call center services; and
- Leases of points of sale, headquarters, sites, equipment, etc.

The aforementioned internal controls rely heavily on systems, such as SAP S/4 HANA (accounting, treasury, fixed assets, payroll, leases, procurement, human resources), BRM (billing and revenue management), among others. Likewise, we have a specialized audit administration system "ADA Web" that allows us to manage the audit process and electronic work papers, decrease execution times, give punctual follow-up and have the audit result of the "real time."

The internal control procedures are jointly designed by the Methods and Procedures department, mainly; this way, we can evaluate, elaborate, translate and disseminate the policies that best adhere to our operation, the applicable regulations, as well as our values, vision and mission.

Finally, our Internal Audit Department promotes and supervises compliance with institutional and regulatory standards, the correct use of our resources, the veracity and sufficiency of our operations reports, the security of information; and if necessary, we implement changes to the policies, control system, monitoring, etc.

Disclosure Controls

Our disclosure controls are designed with the aim of ensuring that information is compiled and communicated to our executive officers, including the chief executive officer ("*CEO*") and the chief financial officer ("*CFO*"). This information must be submitted in a manner suitable for opportune decision-making regarding disclosure of required information. Internal procedures and controls for financial reports are designed with the aim of providing reasonable certainty that:

- transactions are duly authorized;
- assets are protected against inappropriate or unauthorized use; and
- transactions are duly documented and reported.

Limitations of the Validity of Controls

We do not expect, nor can we assure you that our Disclosure Controls and Internal Controls prevent all errors and fraud. A control system, regardless of how well conceived and operated can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource limitations, and the benefits of controls must be considered in relation to their costs. Due to the limitations inherent in all control systems, no evaluation of controls can provide the absolute guarantee that all

control matters and cases of fraud, if any, within our company have been detected. These inherent limitations include the reality that judgments in decision-making can be incomplete, and failures can occur from simple mistakes or errors. Additionally, controls may be surrounded by individual acts of some people, by collusion of two or more people or by ignoring the control. The design of any control system is also based in part on certain actions about the probability of future events, and there can be no assurance that any control will succeed in achieving its goals under all possible future conditions. Over time, a control may become inadequate due to changes in conditions, or the degree of compliance with the policies or procedures related to the control may deteriorate. Due to the limitations inherent in an effective cost control system, false statements due to errors or fraud may occur and go undetected.

Ethics, Integrity and Compliance Program

We are convinced that it is possible to conduct business in an ethical, honest, responsible manner, and in compliance with applicable laws.

In this regard, we are subject to the Code of Ethics of Total Play, among other policies forming part of our current Ethics, Integrity and Compliance Program (EICP). The EICP includes critical policy statements such as those with respect to: prohibition of corruption and bribery, conflict of interest, treatment of gifts, entertainment, travel and improper payments (including with respect to government officials), relationships with third parties, training and education, fair competition and antitrust and reporting and retaliation.

THE TOTAL PLAY GROUP

Overview

We are a leading, high-growth, Mexican telecommunications company dedicated to providing broadband, entertainment and productivity services over one of the largest fiber-only networks in Mexico. We offer world-class (i) Double-Play (fixed telephony and broadband internet services or pay-TV and broadband internet services) and Triple-Play (fixed telephony, pay-TV and broadband internet services) packages for residential customers and (ii) industry leading telecommunications and managed services for business customers, as well as federal and state government agencies and entities. We offer these services direct-to-home through a proprietary fiber optic (FTTH) network that, as of June 30, 2021, spanned more than 95,000 kilometers and included 693 GPON (*Gigabit Passive Optical Network*) OLTs and 1,068 access nodes. The network features broadband speed up to 1 Gb and was ranked #1 in internet speed in Mexico according to Netflix's monthly ISP (Internet Service Provider) index from October 2016 until February 2020 (when publication temporarily ceased) and again from January to July 2021 (upon resumption of publication).

Our internet services are world-class, optimizing the user experience for popular video streaming services, such as Netflix, YouTube, Amazon Prime Video, Instagram TV and Facebook Live. Our unique in-house developed IPTV system allows us to deliver 4K linear TV programming along with AnytimeTV, creating a non-linear customer experience. Embedded applications, such as HBOGo, Amazon Prime Video, and Netflix, are accessible directly from our set-top boxes and available on our system, providing a fully integrated entertainment center interface. Customer experience is further enhanced by our proprietary mobile app, which gives subscribers the ability to enjoy their favorite content with optimal streaming quality anywhere in the country. We were the world's first adopter of addressable advertising, partnering with Google Ads to enable Mexican advertisers to target customers using our state-of-the-art ad insertion technology and behavioral analytics. As of June 30, 2021, in our residential business unit, Totalplay Residential, our network reached 57 cities in 24 Mexican states with 13.2 million homes passed and 2.9 million subscribers, representing 22.2% of our homes passed. As of June 30, 2021, approximately 64% of our 2.9 million Totalplay Residential customers had Triple-Play packages and approximately 36% had Double-Play packages.

Through our *Totalplay Empresarial* business unit, we offer private and publicly-listed companies and federal and state government agencies and entities industry-leading telecommunications and managed services including broadband internet access, encrypted private networks (SDWAN & MPLS), video surveillance, broadband interfaces, videoconferencing, cloud-based productivity suites, computing services, next-generation WiFi, and IT solutions. As of June 30, 2021, *Totalplay Empresarial* served customers located in 173 cities in all 32 states of Mexico and provided services at more than 111,000 locations (including multiple locations for the same customer) comprised of 104,394 locations of private and publicly-listed companies and 7,464 locations of federal and state government agencies and entities. As of June 30, 2021, approximately 58% of our *Totalplay Empresarial* revenues came from private and publicly-listed companies and approximately 42% from federal and state government agencies and entities.

Our fiber optic network is designed to offer greater capacity and reliability that is less dependent on the power grid than traditional technologies. In contrast, the hybrid copper-based and fiber optic networks used by some of our principal competitors provide inconsistent service offerings, speeds and user experience results that vary depending on the different regions and cities in which they operate. Our network has also been designed to be adaptable to future technological developments including 8K or HDR television content and to keep pace with bandwidth demand requirements as major content providers launch "over-the-top" video streaming applications requiring higher bandwidth.

Mexico has a relatively low penetration rate in the services we offer as compared to certain other countries in the hemisphere. The following table shows recent penetration rates (per each 100 homes) in fixed internet, pay-TV and fixed telephony access in Mexico as compared to certain other countries:

	Fixed Internet	Pay-TV	Fixed Telephony
		(%)	
Mexico	58	58	65
Argentina	64	68	54
Canada	104	68	88
Chile	57	57	54
United States	91	71	80

Source: IFT Quarterly Statistical Report for the Second Quarter of 2020.

In addition, despite the contraction of Mexico's *GDP* by 8.2% during fiscal year 2020 as compared with fiscal year 2019, the telecommunications industry in Mexico has increased its contribution to Mexico's national GDP to 2.7% of GDP as of December 31, 2020, compared to 2.5% of GDP as of 2019 and 2.4% of GDP as of 2018. Accordingly, we believe the Mexican telecommunications sector has high growth potential (22% penetration), and we believe we are well-positioned to take advantage of that growth to increase our market share by leveraging our extensive and high-capacity fiber optic network, strong brand and high-quality services and content.

Data published by Bloomberg Market Intelligence estimates that fiber optic technology in Mexico will experience the highest growth in revenues in the period from 2021 to 2025 as compared to other technologies. We believe our technology and infrastructure gives us a significant advantage to exploit this growth opportunity without significant additional capital investment. In addition to our uniquely developed infrastructure, we also have a proven ability to market new or additional offerings to our current customers, through a data pool that provides us with detailed information on each customer's demographics, characteristics, content preferences and consumption behavior, allowing us to quickly and effectively segment our customers and offer them the most relevant products.

We have reduced our ratio of total debt to EBITDA from 23.1x at December 31, 2016 to 3.5x at June 30, 2021, in each case based on the applicable last 12 months of EBITDA. We have experienced high growth by reinvesting cash flow into expanding our network. For the six months ended June 30, 2021, we had revenues of Ps.13,195 million (U.S.$663 million) and net comprehensive income of Ps.252 million (U.S.$12 million) compared to revenues of Ps.8,878 million (U.S.$446 million) and net comprehensive loss of Ps.701 million (U.S.$35 million) for the comparable period in 2020. For the year ended December 31, 2020, we had revenues of Ps.19,557 million (U.S.$982 million) and net comprehensive loss of Ps.548 million (U.S.$28 million) compared to revenues of Ps.14,267 million (U.S.$717 million) and net comprehensive income of Ps.1,450 million (U.S.$73 million) for 2019. Our residential segment accounted for 72.1% of our revenues in 2020. Our revenues and EBITDA have grown at a compound annual growth rate of 23% and 35%, respectively, in the period 2018-2020. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our vision is to be the most innovative and best-in-class telecommunications company, information technology provider and digital entertainment provider, widely recognized as a market leader in Mexico. The work philosophy we apply to achieve this vision is based on the following strategic pillars:

- Be the leader in providing the most innovative telecommunications solutions by deploying the most advanced infrastructure to offer the fastest and highest-quality service while continuously developing cutting-edge products, such as AnytimeTV, 4K linear TV programming, addressable advertising, unparalleled streaming services and our own Totalplay mobile app.
- Provide exceptional customer service through our fast response times and by using our customer profiles and customization capabilities to tailor our response to each customer's needs.
- Increase product offerings to drive ARPU and RGU growth in both the Totalplay Residential and *Totalplay Empresarial* segments by providing differentiated quality service and content and positioning us to command premium pricing while simultaneously increasing our market share.
- Maximize profitability through a focus on (i) increased market penetration, (ii) increased lifetime value of each customer and (iii) controlling operating expenses. In particular, we have a low penetration rate in comparison to our already-deployed infrastructure and already-invested capital. Our current infrastructure with state-of-the-art technology is able to provide coverage to up to 13.2 million households allowing us to provide the fastest internet speed in Mexico, offer innovative products in

bundle packages and provide high-quality customer service while at the same time positioning us to increase customer numbers without additional costs.

- Create the ideal workplace with a focus on professional development, including through technical training and courses on financial education offered through the "*Aprende y Crece*" (Learn and Grow) program offered by Banco Azteca, a Grupo Salinas company. In addition, we intend to continue to participate in and expand on initiatives of Grupo Salinas that promote a culture of environmental responsibility, such as "*Un Nuevo Bosque*" (A New Forest). For the fourth consecutive year, we received the Socially Responsible Company (ESR) award from the Mexican Center for Philanthropy (CEMEFI).

Business Strengths

We believe the following core strengths have enabled us to capitalize on growth opportunities in the Mexican market and will allow us to execute our business strategy to continue expanding our customer base and consolidate our market share in the residential and business segments of the Mexican market and capitalize on expected fiber-optic technology growth in Mexico of 14% per year from 2021 through 2025:

Extensive network and infrastructure provides us with a superior and value-add platform. We are a leading telecommunications company in Mexico offering direct-to-home internet service and content on a network that is completely fiber optic. We believe that the size and reach of our fiber optic network positions us well to take advantage of projected growth in the media and telecommunications markets in Mexico. Our 100% fiber optic network delivers the fastest internet speed in Mexico and is designed to seamlessly accommodate new technology. In the period from 2015 to June 30, 2021, we invested an aggregate of Ps.51,697 million (U.S.$2.6 billion) in order to ensure that our infrastructure became and remains one of the most advanced in Mexico.

- We offer Double-Play and Triple-Play services which include broadband internet access, pay-TV and fixed telephony services for residential, business and government customers. In addition, our fiber optic network is designed to offer greater capacity and reliability and is less dependent on the electrical grid than traditional technologies. By comparison, the hybrid copper-based and fiber optic networks used by some of our principal competitors provide inconsistent service offerings, speeds and user experience results that vary by region.
    - Our network also has been designed to be adaptable to future technological developments without significant additional capital expenditures (such as its ability to provide IPV6 internet protocol or 8K and HDR television content formatting and the ability to keep pace with bandwidth demand as major content providers launch "over-the-top" video streaming applications requiring higher bandwidth), which strongly positions us to meet our customers' evolving demands and to provide innovative product offerings, a feature that is not available to our competitors that do not have a completely fiber-optic network.
    - Our unique proprietary IPTV system offers 4K linear TV programming along with AnytimeTV, creating a non-linear experience for our pay-TV customers. Along with SD and HD, we believe we offer the best quality in video and audio available in Mexico.
- We believe we will be able to further penetrate the broadband services as we continue to expand service offerings to our existing customers by leveraging our data technology to target customized services to individual customers. Our advanced fiber optic network, its configuration and equipment allow us to provide a differentiated customer experience for the consumption of streaming content and other high-value services that can generate incremental revenue. We plan to continue to build and own our nationwide network which allows us to offer the same services, speed and experience in every town, city and region in Mexico in which we operate.
- Our principal competitors include Grupo Televisa, Megacable and América Móvil which offer hybrid copper-based and fiber optic networks. Other market competitors, such as Dish, Telefónica (Movistar), AT&T and Telcel, provide low-speed wireless or internet offerings. Even if our competitors were to transition to a full fiber-optic network, it is likely that such an effort would take a significant investment of time and capital to upgrade their existing networks to fiber-optic technology. We can continue to enhance our own offerings and retain our technological advantage while increasing our market share by continuing to nurture and enhance the loyalty of our customer base.

High-growth opportunities in an underpenetrated and underserved market. We believe we have enormous potential to increase our subscriber base within our current coverage region. Our market share in each of the broadband internet, pay-TV and fixed telephony segments has been steadily growing since 2013. Broadband access remains dominated by DSL (28%) and coaxial cable (41%) technologies, which are unable to deliver the high-capacity services the market currently demands. There is the potential for 13 million broadband customers to switch to FTTH technology based on our current homes passed without requiring additional capital expenditures. Our competitors principally offer less reliable copper-based networks and are still in the process of deploying FTTH technology over certain segments of their network, which requires an enormous expenditure of capital that we have already made. In addition, Mexico continues to have a relatively low penetration rate in the services we offer (fixed internet, pay-TV and fixed telephony) as compared to certain other countries in the hemisphere, such as Argentina, which we believe also provides an opportunity for growth.

We have strong brand positioning and offer high-quality services. We believe the "*Totalplay*" brand is widely recognized for network reliability and high-quality customer care. Over the four quarters ended June 30, 2021, we had a customer net promoter score of 57.8%, compared to 23.6% over the same time period which is the average of our principal competitors' scores, reflecting the number of customers who are satisfied with our services and are brand promoters. In our Totalplay Residential business unit, we have contracts with linear, non-linear and streaming video applications which allow us to provide the most complete, attractive and best quality offering available in Mexico. Our on-demand content is updated continuously and we have access to all sports content (except exclusive content held by Sky). In addition, we have a proprietary mobile app developed in-house which enhances our customer experience by offering a seamless connection to the customer's set-top box and allows customers to watch their favorite content (linear or video-on-demand) from this mobile app, handle WiFi setup and manage their account remotely, refer friends and family and place phone calls, among other things.

- In both our Totalplay Residential and *Totalplay Empresarial* business units, we believe that the higher quality and reliability of our broadband service, as well as the superior speed of our offerings provide customers differentiated value that distinguishes us from our competitors. We were ranked #1 in internet speed in Mexico according to Netflix's monthly ISP (Internet Service Provider) index from October 2016 until February 2020 (when publication temporarily ceased) and again from January to July 2021 (upon resumption of publication), due to the high accessibility and speed of our network to manage its contents. We offer 1 Gb of browsing speed for our residential and SMB services.
- We offer dedicated internet access, LAN-to-LAN and MPLS (multiprotocol label switching) using SDWAN technology. This enables us to deliver services in less than five days "on-network." This solution is integrated with a PMP back-up link in the coverage area.
- Through *Totalplay Empresarial*, we provide IPTV solutions for the hospitality industry (hotels and hospitals) offering:
  - ➢ *Fully interactive solution*: We leverage the Totalplay Residential IPTV offering which is customized for the hospitality industry and includes best-in-class dedicated internet access. This solution allows for integration to a hotel's PMS (property management system) solution for check-in/check-out and connectivity with hotel services (restaurants, spa, etc.)
  - ➢ *"Distributed Video" solution*: We are able to reuse existing coaxial infrastructure for customers that do not want to change their existing infrastructure.
- Our customer base in our Totalplay Residential business unit represents a unique opportunity to up-sell and cross-sell additional digital and broadband products and services. Our Double-Play and Triple-Play services, our established "*Totalplay*" brand, the general trend towards digitalization and our increased broadband penetration position us to sell additional products and services to current customers. Our ability to market new and additional products to these customers is enhanced by our access to each customer's preferences and consumption behavior that allows us to effectively customize and target product offerings. Since our targeted customers are generally from higher socioeconomic segments of the population, they are better candidates for up-selling. Brand promoters also highlight the quality of our internet capabilities, our superior customer service and technical support.

Superior subscriber lifetime value. We have an attractive subscriber lifetime value compared to our competitors. As of June 30, 2021, our average revenue per user was Ps.615.00 per month, compared to Ps.413.00 for

Megacable. Izzi, which only publishes average revenue per user annually, had an average revenue per user of Ps.555.00 per month as of December 31, 2020. In addition, as of June 30, 2021, our monthly churn rate was 1.1% (with a *Totalplay Empresarial* churn rate of only 0.9%), compared to Megacable's average monthly churn rate of 2.2%. Izzi, which only publishes annualized churn rate information had an annual churn rate of 18.3% as of December 31, 2020, representing an average monthly churn rate of 1.5%. Based on data from our BRM system, our churn rate has decreased consistently since 2016, and we expect that we will be able to maintain this trend given that, according to a 2020 KPMG market study, our value versus price rating at 7.9 and our Customer Experience Excellence rating at 8.2 are the highest ratings among our principal competitors (Izzi, Megacable and Telmex (América Móvil)). We maintain our subscribers by providing fast and helpful IT and customer service. In our Totalplay Residential business unit, our target to install service after the order is placed by the customer is within 48 hours. We also employ a targeted sales strategy that focuses on the full customer life cycle, including customer retention through our excellent customer service. Our Totalplay Residential customers do not have fixed contract terms, but the average subscription life of our Totalplay Residential customers is 91 months based on a churn rate of 1.1% as of June 30, 2021 as compared to 71 months based on a churn rate of 1.4% as of June 30, 2020. Our *Totalplay Empresarial* customers have an average subscription life of 117 months based on a churn rate of 0.9% as of June 30, 2021 as compared to 143 months based on a churn rate of 0.7% as of June 30, 2020.

Our financial management is strong and conservative. We have a proven track record of high growth in the residential and business segments. In the period from 2015 to 2020, revenue in both our Totalplay Residential and *Totalplay Empresarial* segments increased at a compound annual growth rate of 39%, and the number of our subscribers grew at a compound annual growth rate of 53%. We believe we will be able to meet capital expenditure needs to face increased competition and adapt to an evolving regulatory and technological environment. We have experienced high growth by reinvesting cash flow in expanding our network, resulting in compound annual growth rate of 38% in our revenues from 2017 to 2020 and a reduced ratio of total debt to EBITDA from 23.1x at December 31, 2016 to 3.5x at June 30, 2021, in each case based on the applicable last 12 months of EBITDA.

Experienced management and committed shareholders. We have a highly experienced management team with deep industry knowledge. Each member of our senior management team has at least 15 years of industry experience. Our top management is supported by a broad base of experienced second-level managers in each of Totalplay Residential and *Totalplay Empresarial*. In addition, our principal shareholder has been extremely committed to us from the start, with a proven track record of committing to management's business and growth strategy plans. This was demonstrated most recently by equity injections in March 2017 through capitalization of a Ps.1,990 million debt owed to the principal shareholder and a Ps.5,000 million capital contribution in 2019. In both cases, the funds were used for refinancing debt, capital expenditures and working capital.

Our Business Strategy

Our long-term business strategy focuses on the continued expansion of our network and increasing our broadband penetration in the residential and business segments. The key elements of our long-term strategy include:

Maintain, expand and increase focus on network and infrastructure. Our 100% fiber optic network delivers the fastest internet speed in Mexico and is designed to seamlessly accommodate new technology. We will continue to make investments in our network and infrastructure and commit resources to maintain our business on the cutting edge of technological innovation with our foremost goal being to maximize return of capital in the infrastructure we have already invested in. However, we will continue expanding our network into new markets while controlling our capital and operating expenditures. Moreover, because of our competitive technological advantages, we believe we will continue to increase our market share in existing markets, including working to provide coverage to up to 17 million households. We aim to reach approximately 6.5 million residential subscribers and a penetration rate in the services we offer of 37.5% by 2028, while growing our small-medium- and large-business portfolio.

Increase our internet bandwidth penetration and expand our internet bandwidth services. We will continue growing broadband internet subscribers in both Totalplay Residential and *Totalplay Empresarial* by emphasizing our bandwidth capabilities, superior product offering and compelling value offer. We will focus on growing our existing Totalplay Residential and *Totalplay Empresarial* subscriber base to reach a higher penetration of our existing network by adding new customers, while leveraging cross-selling opportunities to existing ones.

Increase our internet protocol television (IPTV) penetration by offering digital TV and other premium digital TV services. We seek to grow our IPTV subscriber base by providing innovative premium digital services with our unique in-house developed system that creates a linear and non-linear customer experience. We will continue to offer existing and future television platforms, such as HBOGo, Amazon Prime Video, Netflix and others, in our services to fully integrate our entertainment center interface.

Maintain focus on customer satisfaction as a key element to the development and growth of our "Totalplay" brand. We continuously monitor our customers' perception of the quality of our services and seek to improve their customer experience through world-class customer service. We closely monitor key performance indicators to assess our operational processes, sales and marketing efficiency and the reliability of our infrastructure. To enhance customer loyalty, we provide training and development programs for our sales force and call center personnel.

Maintain focus on individual customers. We recognize that each individual in any household or business has a unique set of needs and preferences. As a result, we will continue to provide a tailored and targeted offering to our customers in their individual capacities, rather than focusing on household units or businesses in a generalized manner. Since single households and businesses have varied needs and preferences, we will seek to tailor our programming and services to each individual customer's requirements.

Increase focus on innovative products and services. Our team's innovative drive is a main component in our long-term business plan as we continue improving the user experience by:

- Making new streaming services available on our platform directly from our system, providing a fully integrated entertainment center interface for our entire customer base;
- Continuing to enhance the capabilities and features of our mobile app;
- Introducing new products for our residential and business customers to meet future needs, such as cloud-based services and next generation WiFi, and anticipating new service offerings for our customers, including through strategic business partnerships, such as our current alliance with Google; and
- Making available ad insertion technology and behavioral analytics so advertisers are able to target customers more effectively.

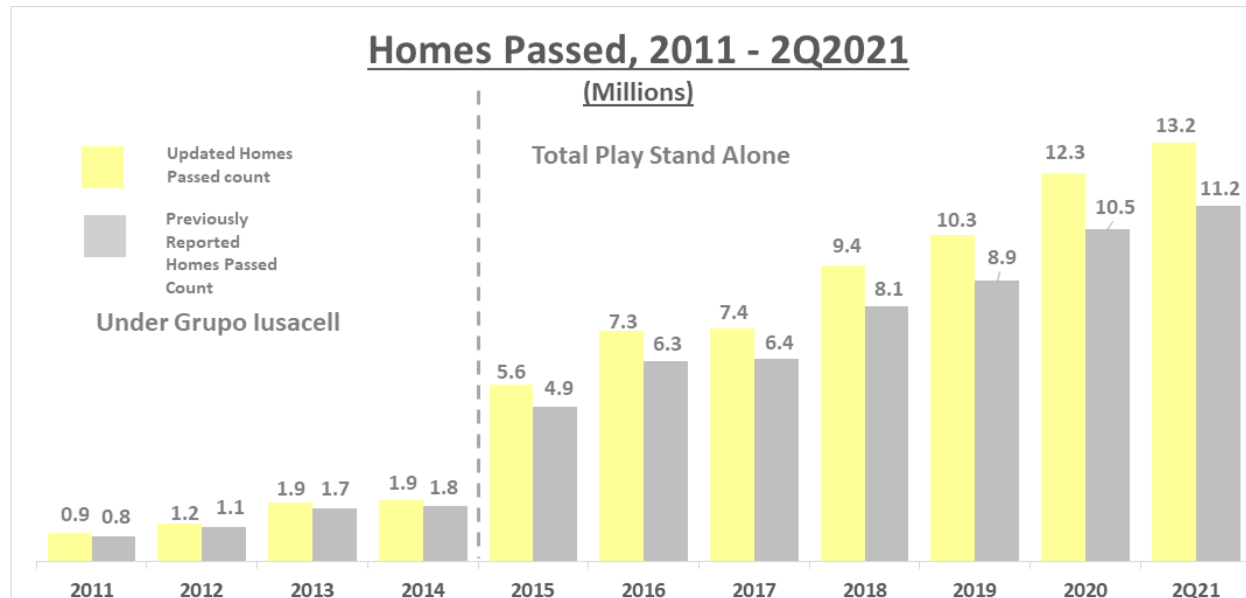
Increase focus on financial performance and efficiencies. Our strategy includes a focus on financial performance by controlling capital and operating expenditures while growing our residential and business subscriber base by increasing penetration in our current network and increasing our ARPU and RGU metrics through cross-selling new and innovative products and services to our existing customers. At the same time, we will create operating efficiencies across our business units by achieving economies of scale by leveraging our fixed overhead as we continue to increase our subscriber base.

Our History

- ➢ **In 2004**, we were established when Grupo Iusacell, one of the largest mobile companies in Mexico, decided to leverage its base stations in Mexico to serve the fixed market and began construction of fiber optic infrastructure within Mexico using state-of-the-art technology.
- ➢ **In 2008**, Grupo Iusacell completed its first fiber-to-the-home cluster in two neighborhoods in Mexico City.
- ➢ **In 2010**, taking advantage of the infrastructure of our parent company, Grupo Iusacell, we began offering broadband internet services, pay-TV, video-on-demand and fixed telephony.
- ➢ **In 2011**, our in-house developed IPTV system was completed, and we introduced our fiber optic infrastructure and broadband internet directly to households, differentiating us from our competitors. We also had a significant footprint in 1/3 of Mexico City's high-income areas and had built up our customer base with major business customers and government agencies and entities. Our Totalplay Residential coverage passed 913,171 homes, and we had 16,000 subscribers, representing 1.8% of our homes passed.
- ➢ **In 2012,** our Totalplay Residential coverage passed 1.2 million homes, and we had 36,000 subscribers, representing 3.0% of our homes passed.

- **In 2013,** our Totalplay Residential coverage passed 1.9 million homes, and we had 67,735 subscribers, representing 3.6% of our homes passed.
- **In 2014**, our network coverage reached a potential market of 1.9 million homes and served 150,000 active subscribers, representing 7.7% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 27,000 locations.
- **In 2015**, our operations were spun off from our parent company after the sale of Grupo Iusacell to AT&T and we remained a wholly-owned Grupo Salinas company. Our Totalplay Residential coverage passed 5.6 million homes, and we had 295,000 subscribers, representing 5.3% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 44,000 locations.
- **In 2016**, our network footprint included 7.3 million homes passed across 22 cities, with 534,000 active users in Totalplay Residential, representing 7.3% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 58,000 locations.
- **In 2017,** our Totalplay Residential coverage passed 7.4 million homes, and we had 788,000 subscribers, representing 10.7% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 66,000 locations.
- **From 2017-2019**, our revenues grew at a compound annual rate of 38%.
- **In 2018**, we were selected by Google as its first-ever partner worldwide to use non-linear programming to deliver addressable advertising, leveraging our innovative and flexible infrastructure and platforms to deploy Google's cutting-edge technology. We also joined the United Nations Global Compact. Our Totalplay Residential coverage passed 9.3 million homes, and we had 1.1 million subscribers, representing 12% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 81,000 locations.
- **In 2019,** our Totalplay Residential coverage passed 10.3 million homes, and we had 1.5 million subscribers, representing 14.4% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 82,000 locations.
- **As of June 30, 2020**, our network spanned more than 88,000 km. Our Totalplay Residential coverage passed 10.1 million homes in 52 cities, and we had 1.9 million subscribers.
- **On July 16, 2020**, we received the distinction of a "Socially Responsible Company" from the Mexican Center for Philanthropy for the third consecutive time and, as a part of Grupo Salinas, received the Social Inclusion Badge for the first time.
- **In November 2020,** we held a shareholders' meeting to elect the board of directors, comprised of nine members, four of whom are independent under the Securities Market Law.
- **In February 2021,** the board of directors approved the creation of the Audit and Corporate Practices Committee, comprised of the four independent members of the board of directors.
- **On May 19, 2021,** we received the distinction of a "Socially Responsible Company" from the Mexican Center for Philanthropy for the fourth consecutive time.
- **As of June 30, 2021**, our network spanned more than 95,000 km. Our Totalplay Residential coverage passed 13.2 million homes in 57 cities, and we had 2.9 million subscribers, representing 22.2% of our homes passed. In our *Totalplay Empresarial* business unit, we provided services at more than 111,000 locations.

The following table shows our historical fiber buildouts (both under Grupo Iusacell and as a standalone company) from 2010-2021:



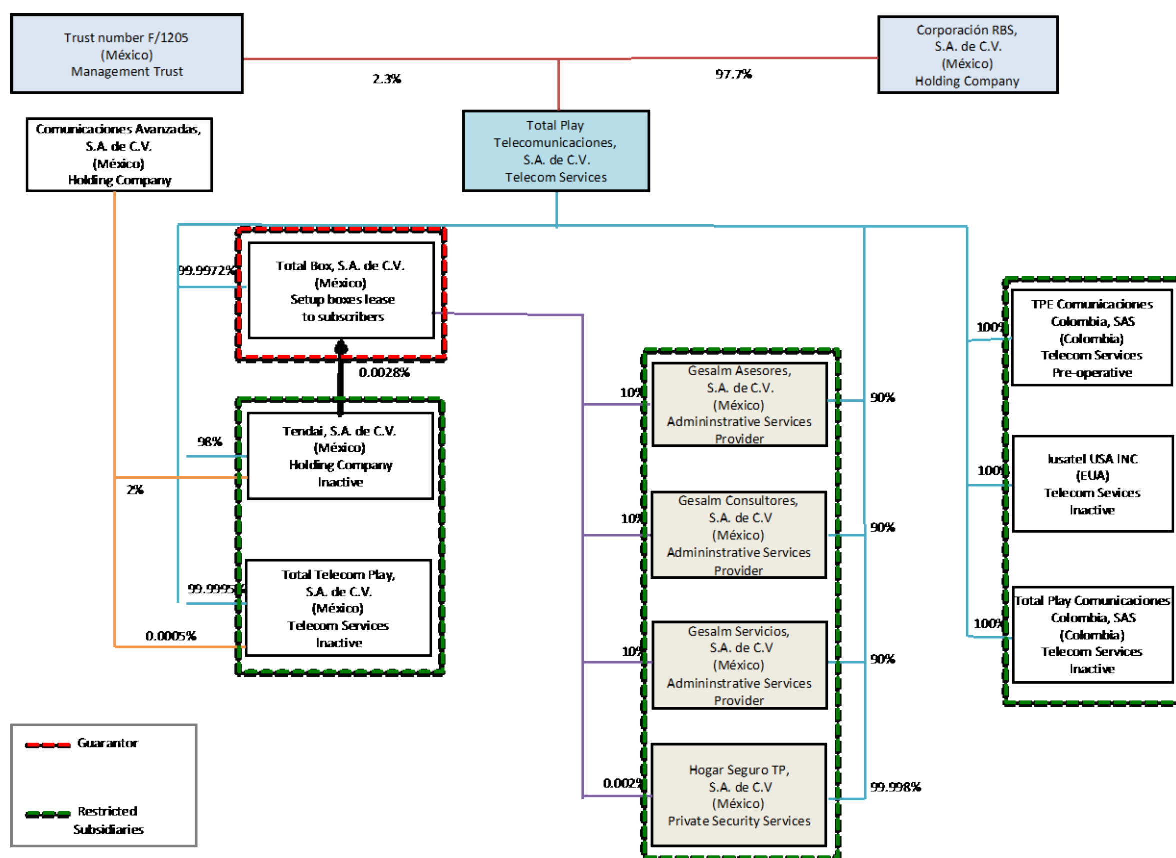
Principal Shareholders

As of the date of this Offering Memorandum, Corporación RBS, a Mexican corporation, 99.99% of the capital stock of which is owned by Mr. Ricardo B. Salinas Pliego, owns 97.70% of our voting stock and Banco Azteca, S.A., Institución de Banca Múltiple, Trust Direction as trustee of Trust F/1205 on behalf of María Laura Medina de Salinas, owns 2.30%.

Corporate Structure

We are a corporation *(sociedad anónima de capital variable)* organized and operating under the laws of Mexico. Our principal executive office and registered domicile is located at Avenida San Jerónimo number 252, Colonia La Otra Banda, Postal Code 04519, Alcaldía de Coyoacán, Mexico City, and our telephone number is 52-55-8870-7000. Our website is https://www.totalplay.com.mx/. Information posted on our website does not form part of this Offering Memorandum.

The following chart shows our general consolidated corporate structure:



Total Box

Total Box, S.A. de C.V. ("*Total Box*") was incorporated on March 4, 2014 under the laws of Mexico and is a subsidiary of Total Play. As of the date of this Offering Memorandum, the share capital of Total Box is distributed as follows: Total Play 99.9972% and Tendai, S.A. de C.V. 0.0028%. Total Box is mainly engaged in the purchase, import, export, distribution, installation, leasing and in general, the conduct of all kinds of business and contracting, related to telecommunications terminal equipment and devices. Total Box purchases terminal equipment for our operations in our Totalplay Residential business unit and leases the use of the equipment to subscribers. Subscribers payments for the equipment are deposited in our accounts. As of June 30, 2021, Total Box was a purely operational company and did not have its own employees, receiving personnel services from our affiliates. As a consequence of the Subcontracting Reform, Total Box is expected to hire approximately 2,400 employees.

Total Box is incorporated as a stock corporation with variable capital (*sociedad anónima de capital variable*) limited liability company in accordance with the General Law on Commercial Companies. The administration of Total Box is entrusted to a board of directors. The Directors are elected for one-year periods or until the person who replaces them takes office and may be re-elected. Currently, there are no independent directors. The address of each director is c/o Total Play, Av. San Jerónimo 252, Colonia La Otra Banda, Postal Code 04519, Alcaldía de Coyoacán, Mexico City, Mexico.

The following table sets forth the names of the current directors of Total Box, their ages as of June 30, 2021, and their positions and years of appointment:

Name	Age	Position	Director Since
Ricardo B. Salinas Pliego[(1)]	65	Chairman	2015
Pedro Padilla Longoria	54	Member	2015

Name	Age	Position	Director Since
Jorge Mendoza Garza	69	Member	2015
Benjamín F. Salinas Sada[(1)]	37	Alternate Member	2015

(1) Mr. Salinas Sada is Mr. Salinas Pliego's son.

For biographical information about the directors of Total Box, see "Management—Directors."

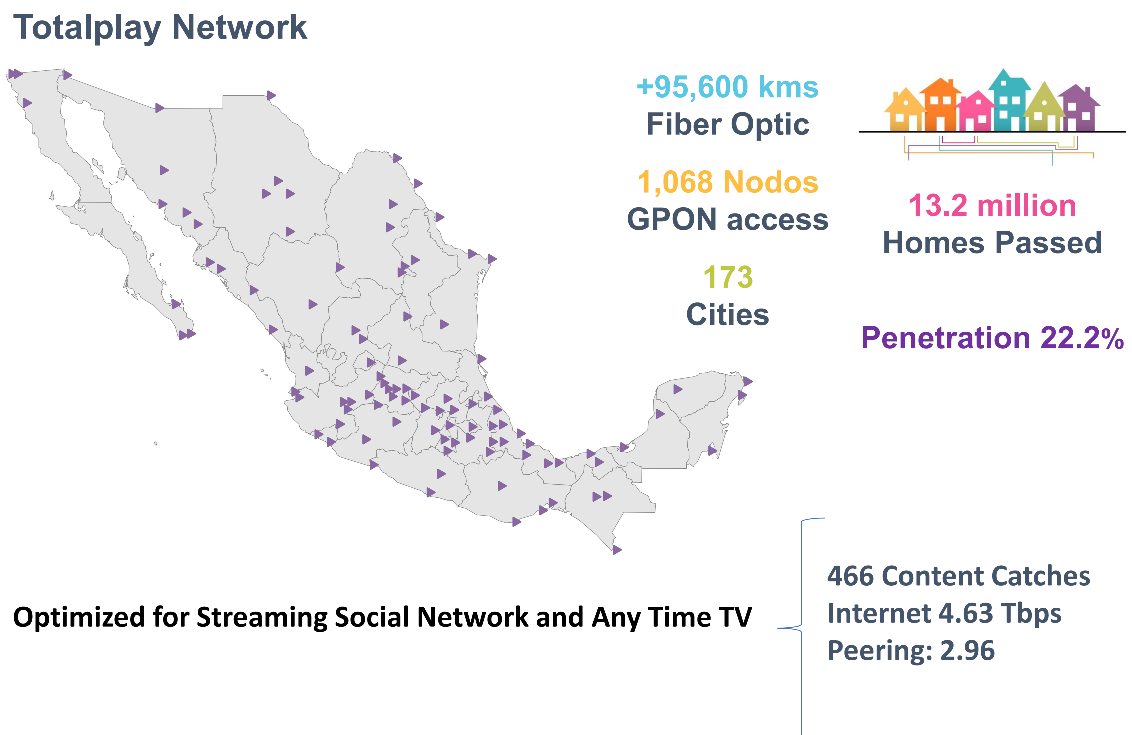
Total Box's assets are mainly decoders and installation expenses of terminal equipment which are amortized over five years, the estimated average life of each customer. As of June 30, 2021, these assets are equivalent to 15% and 20% of total fixed assets, respectively. The liabilities of Total Box are summarized on a consolidated basis with our liabilities.

Our Network and Operating Regions

As of June 30, 2021, we have a network infrastructure of more than 95,000 kilometers of fiber and 693 GPON (*Gigabit Passive Optical Network*) OLTs and 1,068 access nodes. Our fiber-optic network allows us to serve customers in 173 cities in Mexico. We are a leading telecommunications company in Mexico offering direct-to-home internet service and content on a network that is completely fiber optic, which allows us to offer innovative services in the industry. As of June 30, 2021, our investment in our fiber optic network was Ps 13,271 million (U.S.$667 million).

Our network uses next-generation GPON FTTH technology, microwave radio signals, DWDM transmission equipment, IP routers and switches and other types of infrastructure provided by industry-leading manufacturers. Our internet platform is based on geographically distributed routers providing highly redundant connectivity to Tier 1 Internet providers in the US across multiple, diverse border crossings. The combination of these components allows us to offer network reliability, which is superior to the network used by other providers. With the network of last mile fiber optic, we provide converged data, voice and video at speeds up to 1 Gb. This network infrastructure enables us to meet the needs of various market segments while pursuing investment efficiencies.

The following graphic represents an overview of our footprint for the Totalplay Residential and *Totalplay Empresarial* business units as of June 30, 2021:



Our network provides service to residential and business customers, through multiple and complementary infrastructure technologies and systems. Homes and businesses are connected to our access nodes using multi-strand fiber-optic cables, engineered and split for a highly efficient fiber to the x (FTTX) footprint that connects customer premises equipment to GPON access nodes (OLTs). The OLTs are housed in highly specialized, custom-built cabinets (Access Nodes) which also include microwave access technology as well as metro Ethernet routers and switches. Multiple metropolitan fiber rings interconnect the access nodes in a particular neighborhood or city, ultimately connecting to one or more core nodes for long-haul connectivity, content caches, access to our telephony and IPTV infrastructure, and our upstream Internet providers in the USA.

Totalplay Residential

As of June 30, 2021, in our residential business unit, Totalplay Residential, our network reached 57 cities in 24 Mexican states with 13.2 million homes passed. As of that date, we had 2.9 million Totalplay Residential subscribers, representing 22.2% of our homes passed. As of June 30, 2021, our network covered 25 cities each with over 100,000 homes passed (representing 88% of our total homes passed) as set forth in the table below:

As of June 30, 2021	
City	**Number of Homes Passed**
Ciudad De Mexico	4,279,728
Monterrey	1,097,091
Guadalajara	1,046,927
Tijuana	447,547
Puebla	445,530
Toluca	365,094
Ciudad Juarez	328,993
Leon	300,856
San Luis Potosi	292,231
Cuernavaca	260,900
Merida	225,093
Veracruz	223,518
Chihuahua	215,041
Aguascalientes	213,495
Queretaro	213,200
Saltillo	201, 671
Hermosillo	200,031
Xalapa	190,211
Torreon	184,938
Culiacan	177,953
Mexicali	172,420
Cancun	162,379
Morelia	149,413
Pachuca	132,161
Tuxtla	130,753

Totalplay Empresarial

As of June 30, 2021, *Totalplay Empresarial* served customers located in 173 cities in all 32 states of Mexico and provided services at more than 111,000 locations (including multiple locations for the same customer) comprised of 104,394 locations of private and publicly-listed companies and 7,464 locations of federal and state government agencies and entities. During the period from 2015 to 2020, our number of locations increased at a compound annual growth rate of 18%. As of June 30, 2021, approximately 42% of our *Totalplay Empresarial* revenues came from federal and state government agencies and entities and approximately 58% of our *Totalplay Empresarial* revenues came from private and publicly-listed companies. Within the public sector, 26% of our customers are federal government entities and 74% are state government entities.

The graphic set forth below shows the geographical coverage of our *Totalplay Empresarial* business unit as of June 30, 2021:

Totalplay Empresarial Geographical Coverage

100% redundancy of available traffic

+2 Tbps. Internet Tier 1

National and International Exchange Traffic Agreements with the most relevant content suppliers

100 Gbps. interface

173 cities

Connectivity to 8 major ISPs in the US at different locations.

Main Products and Services, Programming and Content

We offer our residential customers Double-Play and Triple-Play services including broadband internet access, pay-TV and fixed telephony services through our Totalplay Residential business unit. We offer private sector companies and public sector entities telecommunication services and IT solutions that improve operation and business processes, including broadband internet access, Flexnet SDWAN Corporate connectivity, fixed wireless access, cloud solutions, cybersecurity, managed WiFi services, surveillance and IT solutions through our *Totalplay Empresarial* business unit. In addition, Total Box, a subsidiary of Total Play, provides telecommunications terminal equipment and devices to Totalplay Residential customers.

The following table shows our revenues by type of service and as a percentage of total revenue for the six months ended June 30, 2021 and June 30, 2020:

	Six Months ended June 30,			
	2021		2020	
	(in millions of Ps., except percentages)			
Consolidated				
Pay television and audio, fixed telephony and internet access	9,559	72%	5,893	66%
Business-oriented services	3,148	24%	2,756	31%
Activation and installation fees	208	2%	94	1%
Advertising	103	1%	54	1%
Interconnection and long-distance fees	15	—	7	—
Other	162	1%	74	1%
Total	**13,195**	**100%**	**8,878**	**100%**

The following table shows our revenues by segment and as a percentage of total revenue for the six months ended June 30, 2021 and June 30, 2020:

	Six Months ended June 30,			
	2021		2020	
	(in millions of Ps., except percentages)			
Revenue from services				
Totalplay Residential	10,047	76%	6,123	69%
Totalplay Empresarial[1]	3,148	24%	2,755	31%
Total	**13,195**	**100%**	**8,878**	**100%**

(1) Ps.1,822 million and Ps.1,326 million were revenue from private and publicly-listed companies and federal and state government agencies and entities, respectively, as of June 30, 2021, compared to Ps.1,564 million and Ps.1,196 million, respectively, as of June 30, 2020.

Totalplay Residential

Totalplay Residential offers Double-Play and Triple-Play packages that feature high-quality content provided through a proprietary system that delivers a home entertainment experience that has been a point of reference in the Mexican and international markets for years. Our Double-Play offering consists of either fixed telephony and internet services or pay-TV and internet services, and our Triple-Play offering consists of fixed telephony, internet and pay-TV services. As of June 30, 2021, approximately 64% of the Totalplay Residential customer base had Triple-Play packages and approximately 36% had Double-Play packages. Totalplay Residential has just launched its newest set-top box for its Triple-Play packages, which includes WiFi-6 and 4K video. Additionally, to improve our customer experience, the new set-top box comes with Alexa and a speaker designed by Bang Olufsen, offering the highest technology in the market.

Our Totalplay Residential product portfolio focuses on offering the ideal connectivity and entertainment plan, customized to the specific, individual needs of our target customers. The portfolio of services for our Totalplay Residential business unit includes linear TV, internet, fixed telephony and our own Totalplay mobile app:

- Linear TV. Our customers have access to 4K set-top boxes that feature a WiFi range extender and a decoder with HD technology at no additional cost. We offer access to more than 300 channels, including 125 HD channels (the most complete high-definition offering in Mexico) and four 4K channels (the only offer of this type in Mexico). We also offer several additional services, such as video-on-demand and AnytimeTV (which provides more than 100 channels with up to a seven-day deferral), at no additional cost. Our unique in-house developed IPTV system allows us to provide 4K linear TV programming along with AnytimeTV, creating a non-linear experience for our customers. Embedded apps, such as HBOGo, Amazon Prime Video, and Netflix, are available directly from our system, providing a fully integrated entertainment center interface.

- Internet. Totalplay Residential's internet service differs from the competition in various important respects, including the following:

  - We have a direct-to-home FTTH (*fiber to the home*) network which means that we offer residential customers a 100% fiber optic network direct-to-home (multi gigabit backbone), which enables us to offer plans with speeds up to 1 Gb (and effectively deliver them).

  - Our network offers IPV6, 4K and 8K services with the same quality in all coverage locations.

  - We provide multiple internet connections with Tier One providers in the United States, such as CenturyLink, TATA and Verizon, to deliver the best user experience.

  - We provide hundreds of content delivery servers (caches) from Netflix, Facebook, Instagram, YouTube and Akamai, among others, to ensure a top quality streaming experience for our customers and efficiently transport content.

  - We have multiple peering connections to top content providers, such as Amazon, Apple, Microsoft and Verizon Edgecast, to ensure efficient direct delivery to our subscribers.

  - We were ranked #1 in internet speed in Mexico according to Netflix's monthly ISP (Internet Service Provider) index from October 2016 until February 2020 (when publication temporarily ceased) and again from January to July 2021 (upon resumption of publication).

  - We provide WiFi coverage through internet-repeating video STBs which can be enabled in the 5 GHz band.

  - We provide network extension equipment to extend WiFi coverage to ensure access to high-quality service.

- Application content. Totalplay Residential has developed its own user-friendly, graphic and intuitive TV interface that integrates popular apps, such as Netflix, YouTube, FOXplay, Prime Video, HBO Go, Google, Starz Play, Paramount, Nickelodeon play, MTV play, and others, offering customers the full complement of services available on these apps on a single platform. Customers can also subscribe to most of these third-party services from the platform and pay for services using our integrated billing available directly on our platform. Additionally, subscribers have access to all of these features on our

IOS and Android-compatible mobile app which offers Anytime video-on-demand, and payment and billing services.

- Telephony. In addition to traditional service, our Totalplay Residential mobile service customers receive worldwide coverage as if they were connecting on their land line (*Softphone* portability).
- Addressable advertising. We were chosen to partner with Google Ads as the world's first adopter of addressable television advertising, allowing Mexican advertisers to target customers using our advertisement insertion technology and behavioral analytics to optimize advertising investment.

In addition to our residential offerings, through Totalplay Residential we also offer a product portfolio for personal, micro and small businesses that focuses on offering ideal connectivity and productivity services to entrepreneurs and self-employed customers connecting from home. We have a double-play offering of high-speed internet (up to 1 Gb with WiFi range extender) and fixed telephony (including two fixed lines with local and international calling and *Softphone* capabilities) that also includes productivity services, such as e-invoicing, web page (hosting and domain), antivirus protection, concierge services, CRM/CRP (Saas) and e-commerce (Saas). This product also offers additional add-ons for increased productivity (Microsoft 365, Bitdefender and Google G Suite), additional devices (4K set-top box and additional WiFi extenders), pay-TV service or symmetric BB.

Totalplay Empresarial

Totalplay Empresarial offers telecommunications and IT solutions that solve connectivity requirements to improve operation and business processes. As of June 30, 2021, we provided services at more than 111,000 locations comprised of 104,394 locations of private and publicly-listed companies and 7,464 locations of federal and state government agencies and entities. As of June 30, 2021, approximately 58% of our *Totalplay Empresarial* revenues came from private and publicly-listed companies and approximately 42% from federal and state government agencies and entities. Within the public sector, 26% of our customers are federal government entities and 74% are state government entities. As of June 30, 2021, our market coverage potentially included approximately 3.3 million business establishments (or 61% of the total market), of which we had 43,189 business customers.

Our *Totalplay Empresarial* network leverages the extensive fiber optics deployment of our Totalplay Residential business unit. Furthermore, we have metro Ethernet rings for high-capacity broadband connections that support *Totalplay Empresarial*'s coverage. Additionally, we have a PMP (point-to-multipoint) microwave network (on the 2.4GHz unlicensed spectrum band) which includes more than 520 base stations with 1,500 sectors, serving customers located in 173 cities and allowing us to deliver higher bandwidth availability to our business customers.

This network overlays our FTTx (fiber-to-the-x) network and complements our coverage to provide connectivity in coverage areas where fiber optics is not available. Among the solutions we offer business customers are the following:

- Corporate Internet Broadband Access: High-capacity internet (symmetrical and asymmetrical), IP telephony, and value-added services (softphone, data backup, email marketing, G-suite, and online assistance, among others).
- Flexnet SDWAN Corporate Connectivity: We offer dedicated internet access, LAN-to-LAN (local area network) and MPLS (multiprotocol label switching) by using SDWAN (software-defined wide area network) as the underlying technology. This enables us to deliver services in less than five days "on-network." This solution is integrated with a PMP (point-to-multipoint) back-up link in the coverage area. Flexnet also offers a management portal for managing and monitoring business services. We also offer LAN to cloud services with main IaaS Cloud Service Providers (AWS, Google, Azure).
- Fixed Wireless Access with LTE: Through a partnership with Grupo Elektra's MVNO "*Oui*" and an agreement to resell wireless access from the wholesale wireless network sponsored by the Mexican government (ALTAN), we are able to offer back-up services when needed and/or complement coverage for specific customer locations where we cannot provide service using our own infrastructure.
- Cloud Solutions: Our cloud solutions include G-Suite, virtual servers, fleet management, Cloud PBX and secure web browsing. Cloud solutions allow our customers to save on equipment expenditures while offering multiple functionalities and/or applications that can be updated rapidly and remotely and offering secure, highly accessible, private and competitive cloud-based solutions.
- Hospitality Solutions: We provide IPTV solutions for the hospitality industry (hotels and hospitals) offering:
  - *Fully interactive solution*: We leverage the Totalplay Residential IPTV offering which is customized for the hospitality market and include our best in class dedicated internet access. This solution allows for integration to hotel's PMS (property management system) solution for check in/check out and interactivity with hotel services (restaurants, SPA, etc.)
  - *"Distributed Video" solution*: We can reuse existing coaxial infrastructure for customers that do not want to revamp their existing infrastructure.
- Managed WiFi services: We provide integrated and managed WiFi solutions that span the SMB (small- and medium-sized business) segment to large hotels and stadiums. Among our successful projects is our WiFi project for all the baseball stadiums of the *Liga Mexicana del Pacífico*.
- Video Surveillance: We offer a full complement of options for SMB and large customers. We recently added thermal video surveillance with analytics to help our customer with office access screening for COVID-19 infections. More than 30 contracts for such services have been awarded to our company to date.
- Remote Learning Solution: We launched the most comprehensive integration of best-in-class distance learning solutions to address this nascent post COVID-19 market.
- Systems Integration Division: This business unit was created in 2019 to offer design, provisioning, implementation, support, and management for non-standard IT solutions required by government and large customers where the requirements are not fully covered by our standard portfolio. Through this unit, we propose "a-la-carte" solutions for our customers organized into product units labelled *Smart IT* (providing: WiFi, security, collaboration, data center, desktop network services and IT managed service desks), *Smart City* (providing video surveillance (now also with thermal imaging and analytics), data base integration, intelligence unit, cyber police, command Center (C4, C5), IoT Sensors, and road access control gates. Our most recent public award is the Mexico City video surveillance and command center upgrade valued at more than Ps.1 million) and *Smart Branch* (providing LAN and WLAN managed services, data analytics, PoS (point-of-sale), security and monitoring).
- Logical and Cyber Security: Through our affiliated company, TotalSec, we offer a full complement of security solutions (including firewalls, endpoint security, DDoS (Distributed Denial of Service), UTM (Unified Threat Management), video surveillance, Content filtering and DNS (Domain Name Server)

protections), services (including SOC (Security Operation Center) services and ethical hacking) and PCI (Payment Card Industry) (including compliance audits and consulting and virtual security services for our secure internet service offering).

- Collaboration: We offer solutions to connect, communicate and collaborate safely and reliably for organization work teams, including IP telephony, unified communications, video conferences, mobile desk and virtual collaboration tools.
- Digital Transformation: We offer big data archiving, IOT, AI, cloud innovation, and robot process innovation.

Advertising

We have the right to insert advertisements, as a revenue source, in spots ranging from 10 seconds to 2 minutes during each hour of programming, on 28 channels of series, movies, sports, children, news, music and documentaries for marketing within the carrier.

We were the world's first adopter of addressable advertising, as the first company in the world to enter into an alliance with Google to use non-linear programming, to allow Mexican advertisers to target customers using our state-of-the-art ad insertion technology and behavioral analytics. This means that we can offer our clients the insertion of personalized spots or personalized advertising, segmenting the campaigns by socioeconomic level, geography, viewer behavior, form of payment, use of applications and demographic information, among other options.

Sales and Marketing

Totalplay Residential

Totalplay Residential uses various means of advertising to develop brand awareness in our Totalplay Residential business unit, including the following:

- "Above-the-line" marketing to a broad audience, through external paid media, out-of-home advertising, paid TV spots, radio advertising and print media as well as through our own media and addressable television spots and our barker channel.
- "Below-the-line" marketing through movie spots and point-of-purchase advertising in stores.
- Digital advertising through "Hero" advertising on YouTube, Facebook, Instagram, Twitter, Tik Tok and through influencers, "Hub" advertising through Google Search, YouTube, Gmail and Facebook and "Help" advertising through Google Search, YouTube, Facebook and WhatsApp.

We continuously measure our sales efficiency by reviewing the cost of acquiring new subscribers.

- Product and Marketing Strategy: We focus on improving our already-strong brand positioning by developing a clear identity and emphasizing customer satisfaction. Our marketing strategy also leverages the following strengths of our brand:
  - *Our state-of-the-art internet*. We offer a superior experience in internet and video services (linear, streaming, on demand) in Mexico, including access to the most popular apps.
  - *Our full connectivity, entertainment and communications platform*. Our platform integrates exceptional applications, 4K TV and TV e-commerce to provide an outstanding all-in-one experience.
  - *Our seamless connection with our mobile app*. Our mobile app provides a seamless experience with our set-top box allowing customers to watch their favorite content (linear or video-on-demand) from this mobile app, handle WiFi setup and manage their account, refer friends and family and place phone calls through our application.
- Sales Channels*:* Our sales are carried out through a variety of different portals, including: (i) sales through 16 national distributors, (ii) direct sales through our sales representatives, residential teams and micro-business teams, which include 7,437 representatives going door-to-door and 2,421 street "below-the-line" branding promoters, (iii) retail sales by our 1,872 sales representatives at our 953 points-of-sale, (iv) telemarketing done by 1,588 employees at our Mexico City call center and (v) digital sales through our own website or through digital distributor landing pages. Of 19,000 gross adds per week, 35.2% are a result of door-to-door sales, 24.8% are a result of call center sales, 22.0% are a result of

distributor sales, 13.3% are a result of point-of-sale retail sales and 4.7% are a result of digital sales. Our strategy segregates Mexico into seven regions with each regional director having at least 16 years of experience in the telecommunications industry. The regions are sub-divided into 85 geographic districts. Each district has commercial similarities which allows each team to have a deep understanding of local needs and create a commercial strategy to acquire more clients in the district. Our teams are comprised of local residents who live in and are familiar with their district and receive comprehensive training and competitive compensation and incentives. By managing sales on a district level, we are able to improve operating performance and reduce transfer and waiting times, targeting service installation within 48 hours of the order being placed by the customer.

Totalplay Empresarial

- Marketing Strategy: Our corporate marketing strategy is to become the most recognized and highest-rated brand in the telecommunications industry in Mexico through customized relationship marketing and some digital strategies. We carry out relationship marketing at events and seminars to build brand loyalty and strengthen links with current and prospective customers. We also give our current and future customers access to unique and personalized premium experiences. Through digital marketing, we seek to increase awareness about the Totalplay brand, educate customers and advertisers, and attract potential clients to our website.
- Sales Strategy: Our corporate sales strategy centers on the following key elements: (i) focus on obtaining the top 5,000 corporate and government entities in Mexico as customers, (ii) provide a broad telecommunications and IT portfolio, (iii) offer access to the top experts, technology and consultants, (iv) create strategic alliances with market leaders, (v) emphasize long-term customer relationships and (vi) offer a best-in-class SDWAN Network with Zero Touch Provisioning. We are particularly focused on re-directing sales and product development efforts toward new digital trends that represent higher growth, such as cybersecurity, managed networks, cloud and IT services, digital transformation and system integration and collaboration services.
- Sales Channels: We utilize the cell format to execute sales effectively as this ensures the best customer care from negotiation of the initial contract (pre-sale) to the actual sale, to delivery of services, billing and, ultimately, retention of our clients. Each commercial director is in charge of several cells that are organized by geographic zone or by sector. We target strategic companies in the services and hospitality, finance, industrial, retail and education sectors as well as federal and state governments. We also target medium and small companies in seven regions of Mexico.

Customer Service and Terms of Contracts

We provide reliable, responsive customer service. Our sales strategy focuses on the entire customer life cycle and our main objective is to ensure that we retain customers by providing the best customer service in the industry. Based on a study conducted by UPAX during 2021, we are perceived as the most innovative brand in the market with the fastest internet speeds and the latest available technologies, including unique, innovative, and differentiated products. Additionally, we rank the highest among key competitors when comparing value vs. price. As of June 30, 2021, we had a UPAX Customer Net Promoter Score of 57.8% (falling into the “Great” category) and benefits according to our promoters included our great customer service, while Izzy had a UPAX Customer Net Promoter Score of 26%, Telmex of 25%, Sky of 46% and Megacable of 6%. We have established a 24/7 customer service center staffed by highly trained personnel. To provide faster and more effective service and to make contacting us easier, we also provide customer service through WhatsApp and Chatbox. We have implemented a comprehensive training, testing and certification program for all staff that directly interacts with customers. We provide post-sales services through the following teams:

- Customer Service, which provides post-sales customer support ranging from general information to additions and changes resulting from billing inquires and technical support.
- Operator Service 24 hours a day, which includes emergency calls and assistance for placing domestic and international long-distance calls.
- Advanced Services Center, which is for customers with advanced services that require high availability. This is a monitoring center that proactively seeks to maintain optimal service for these customers.

- Repair Calls, consisting of service executives that address and manage customers' reports and provide on-line technical support and analysis.
- Local Testing, which analyzes and tests all reports that are not resolved on-line by repair calls.

For Totalplay Residential, we have 83 district-level teams consisting of 4,581 squads that carry out field operations, such as fast initial installation times (our target to install service after the order is placed by the customer is within 48 hours), technical support and add-on installation. These field employees are paid a flat salary rather than a per-appointment salary, to encourage spending adequate time with each customer to complete the job correctly. Our field employees receive a bonus for a certain number of positive customer reviews, encouraging good service. Customers can request assistance from field employees through an Uber-like application which provides a work order assignation in real time and typically offers installation and support services in less than two hours. Each customer's account profile includes information regarding past customer service calls for easy reference.

Our Totalplay Residential contracts do not have a specific term. Customers are able to cancel their contract at any time, although if they cancel within eight months of initiation of service they are required to pay for their initial installation costs. Our *Totalplay Empresarial* contracts have explicit start and end dates and contain penalties for early cancellations.

Billing and Subscriber Management

Totalplay Residential

Our customers receive invoices through electronic means only – via email, our mobile app or our website – within the first day following the end of the billing period. A payment reminder is sent ten, three, two and one day(s) before each payment due date. We have a specialized fraud detection team as well as an automatized system process that reviews invoice payments and flags any invoices that have not been paid. For any invoices flagged as unpaid, the system reaches out to the customer through a telephone call, text message, WhatsApp or Blaster.

The most common payment method for our Totalplay Residential's customers is to make a payment at OXXO, a Mexican convenience store chain, or from home by credit card or debit card. In addition, we have developed a number of payment reception channels to facilitate the reception of payments and make the payment process convenient for customers. These channels include convenience stores and banks as well as payment from home via our mobile app or on our website. These channels provide easy and convenient options for customers to select the most suitable alternative for a prompt payment.

We have implemented preventive collection procedures to encourage timely payment by Totalplay Residential's customers, such as payment reminders and late payment notifications. We also have an automated system that makes calls to delinquent Totalplay Residential's customers requesting payment of overdue invoices.

Once a Totalplay Residential customer goes past the grace period for payment, we commence collection procedures, including partial or total suspension of services and visits to customers. In parallel, accounts are turned over to external collection agencies 80 days after their due date, to exhaust all possible resources to negotiate payment.

With the goal of retaining the customer whenever possible, throughout the collection process our collections team provides customers guidance and proposes alternative solutions and payment programs, which may include reconnecting a customer's service under a prepayment scheme or agreeing to a payment schedule for the outstanding balance, or both.

Totalplay Empresarial

We have proactive billing care processes at our *Totalplay Empresarial* business unit, which ensures that customers receive an accurate and timely invoice. Every *Totalplay Empresarial* customer has an assigned biller who is responsible for providing a high-quality personalized service. The biller is responsible for reviewing billing requirements and ensuring that the customer receives the correct invoice in a timely manner, and to meet any other particular need the customer requires (for example, elaboration of customized service and billing reports).

Most of our *Totalplay Empresarial* customers pay by wire transfer. In addition, we have developed a number of payment channels to facilitate receipt of payments and make the payment process convenient for customers. These channels include convenience stores, banks, our internet webpage, our mobile app, automatic charges to credit cards (upon customer approval), automatic debits from checking accounts, and by telephone with customer service or self-service charged directly to the customer's credit card. These channels provide easy and fast options for customers to select the most suitable and convenient alternative for a prompt payment.

Market & Competition

Market

Since the 2013 reforms, the telecommunications industry (excluding the radio broadcasting sector) has grown at a compound annual rate of 7.9%, for a value of Ps.498 billion (U.S.$25 billion) at the end of 2020. From 2013-2020, the number of subscriptions in the industry grew 8.2% for fixed internet, 2.9% for fixed telephony and 5.7% for pay-TV. The penetration of the telecommunications sector in Mexico has also grown during the same period – by 55% for fixed internet, 9.7% for fixed telephony and 31.9% for pay-TV since these reforms – and we expect continued robust growth in fixed services to continue due to the relatively low penetration that persists in Mexico in the services that we offer as compared to certain other countries in the hemisphere.

The following table shows recent penetration rates (per each 100 homes) in fixed internet, pay-TV and fixed telephony access in Mexico as compared to certain other countries:

	Fixed Internet	Pay-TV	Fixed Telephony
		(%)	
Mexico	58	58	65
Argentina	64	68	54
Canada	104	68	88
Chile	57	57	54
United States	91	71	80

Source: IFT Quarterly Statistical Report for the Second Quarter of 2020.

In addition, despite the contraction of Mexico's GDP by 8.2% during fiscal year 2020 as compared with fiscal year 2019, the telecommunications industry in Mexico has increased its contribution to Mexico's national GDP to 2.7% of GDP as of December 31, 2020, compared to 2.5% of GDP as of 2019 and 2.4% of GDP as of 2018). Accordingly, we believe the Mexican telecommunications sector has high growth potential (22% penetration), and we believe we are well-positioned to take advantage of expected growth in the market and increase our market share by leveraging our extensive and high-capacity fiber optic network, strong brand recognition and high-quality services and content. Data published by Bloomberg Market Intelligence estimates that fiber optic technology in Mexico will experience the highest growth in revenues in the period from 2021 to 2025 as compared to other technologies. We believe our technology and infrastructure give us a significant advantage to exploit this growth opportunity without significant additional capital investment. In addition to our uniquely developed infrastructure, we also have a proven ability to market new or additional offerings to our current customers, through a data pool that provides us with detailed information on each customer's demographics, characteristics, content preferences and consumption behavior, allowing us to quickly and effectively segment our customers and offer them the most relevant products.

Fixed services include the following:

- Restricted or pay-TV television which, according to the Federal Institute of Telecommunications, reaches 58% of Mexican homes, with approximately 20.5 million connections as of December 2020. 97% of the approximately 20.5 million connections were residential. Restricted television access had been growing at a compound annual growth rate of 9.6% from 2010 to 2018 but access decreased by 1.0% from 2018 to 2020. Despite this decrease in access in the pay-TV market, our market share grew from 0.5% in 2013 to 8.0% in December 2020.Our compound annual growth rate with respect to the number of pay-TV lines we provide is 58% from 2013 (65,382 lines) to December 2020 with over 1.6 million lines.

- Fixed broadband internet which, according to the Federal Institute of Telecommunications, reaches 58% of Mexican homes, with approximately 21.9 million connections as of December 31, 2020 and 87.9% of the approximately 21.9 million connections were residential. The number of connections increased 11.7% from December 2019 to December 2020. In the broadband internet market, our market share has increased from 0.5% in 2013 to 11.6% in December 2020 reflecting a compound annual growth rate in our number of broadband subscribers of 55% over the same period.

- The internet speed companies can offer is a function of the sophistication of the technology they have at their disposal. In Mexico, 28% of offered technology operates through a digital subscriber line (DSL), 41% operates through a coaxial cable and only 29% operates through a fiber-optic cable, like ours. Data published by Bloomberg Market Intelligence estimates that fiber optic revenues in Mexico will experience the highest growth in the period from 2021 to 2025, growing 14.2% overall. We believe that the growth of modem and DSL will continue to decline during this period. Bloomberg Intelligence estimates that the number of broadband subscribers will grow at a compound annual growth rate of 3.2% between 2020 and 2024. These two projections taken together place us in a strategic position of growth within the industry.

- Fixed telephony which, according to the Federal Institute of Telecommunications, reaches 65% of Mexican homes, with approximately 23.6 million connections as of December 2020 and 74% of the approximately 23.6 million connections were residential. The number of connections increased 8.3% when compared from December 2019 to December 2020. Residential fixed telephone lines have increased by a compound annual rate of 3.2% from 2013 through the December 2020, while non-residential fixed telephone lines have grown by 2.0% over the same period. In the fixed telephony market, our market share has increased from 1.0% in 2013 to 11.3% in December 2020. Our compound annual growth rate with respect to number of fixed telephone lines we provide is 41.6% from 2013 (192,000 lines) to December 2020 (over 2.7 million lines).

Our Market Orientation

The most significant differentiator between us and our competitors is our technology and infrastructure. We have more than 95,000 kilometers of installed fiber-optic cable (with 693 GPON (*Gigabit Passive Optical Network*) OLTs and 1,068 access nodes). We are a leading telecommunications company in Mexico offering direct-to-home internet service and content on a network that is completely fiber optic, which allows us to offer faster, more reliable services to both our Totalplay Residential and *Totalplay Empresarial* customers. In contrast, the hybrid copper-based and fiber optic networks used by some of our principal competitors provide inconsistent service offerings, speeds and user experience results for the different regions and cities in which they operate, unlike our standardized high-quality offering. Our principal competitors, Grupo Televisa, Megacable and América Móvil, offer hybrid copper-based and fiber optic networks. Other market competitors, such as Sky, Dish, Telefónica (Movistar), AT&T and Telcel, provide low-speed wireless or internet offerings. Our competitors would need to make large capital investments to transition to a full fiber-optic network for their subscribers, which would be very challenging in the short term. New entrants would face substantial technological development difficulties in order to differentiate themselves from the current competitors.

In addition to our fiber-optic network, every system that we acquire and operate is ranked in the top three of global research and advisory firm Gartner, Inc.'s "Gartner Magic Quadrant," (a quadrant comparing vendors' strengths, weaknesses, vision and performance based on Gartner, Inc.'s standard criteria and methodology) ensuring that we maintain technology that is state-of-the-art. We also continuously update our systems to the most current version to ensure optimal performance, reliability and security. We have created in-house system developments which

are robust, scalable and innovative in terms of the processes and technologies they use, which gives us a competitive advantage against other market players by decreasing our time to market for new processes and technologies. Our systems also allow us to generate information in real time for quick decision making. Our expectation is that (i) customers will continue to demand increased bandwidth as a result of changes in customer behaviors due to COVID-19, including an increase in working from home and online education, (ii) television content will continue to evolve towards higher resolution signals, such as 8K or HDR television content, (iii) major content providers will continue to launch over-the-top video streaming applications requiring higher bandwidth and (iv) content viewing habits will continue to evolve to on-demand, anywhere, anytime, any-screen scenarios. Our network has been designed specifically to be adaptable to all of these and other future technological developments. We are also focused on fighting cord-cutting and competing with direct-to-consumer streaming video services by selling bundles with Netflix and Amazon Prime Video. In addition to pre-packaged bundle offerings, our customers will be able to design their own bundles, which may include faster Internet speed, more TV channels, premium services, home security, fixed telephony services depending on what each customer's individual preferences. By adapting to market trends, we are able to position ourselves more favorably in the market than our competitors.

According to a 2020 KPMG market study, our value versus price rating at 7.9 and our Customer Experience Excellence rating at 8.2 are the highest ratings among our principal competitors (Izzi, Megacable and Telmex (América Móvil)).

Totalplay Residential

Our FTTH network reaches 57 cities in 24 Mexican states with 13.2 million homes passed. Since 2015, we have grown our subscriber base from 295,000 to 2.9 million residential subscribers, capturing a significant market share in our coverage area of 22.2% of our homes passed.

The following are some of the key differences between our residential offering and that of our competitors:

- *Restricted (Pay) Television.* Unlike our competitors, we provide our customers with the 4K set-top boxes that feature a WiFi range extender and a decoder with HD technology at no additional cost. We offer over 300 channels, including 125 HD channels (the most complete high-definition offering in Mexico) and 4 4K channels (the only offer of this type in Mexico). We also offer several additional services, such as video-on-demand and AnytimeTV (which provides more than 100 channels with up to a seven-day deferral), at no additional cost. Our unique in-house developed IPTV system allows us to provide 4K linear TV programming along with AnytimeTV, creating a non-linear experience for our customers. Embedded apps, such as HBOGo, Amazon Prime Video, and Netflix, are available directly from our system, providing a fully integrated entertainment center interface.
- *Broadband Internet*. Our internet services are world-class, optimizing our user experience for popular video streaming services, such as Netflix, YouTube, Amazon Prime Video, Instagram TV and Facebook Live. We were ranked #1 in internet speed in Mexico according to Netflix's monthly ISP (Internet Service Provider) index from October 2016 until February 2020 (when publication temporarily ceased) and again from January to July 2021 (upon resumption of publication). In addition to being a telecommunications company in Mexico with a direct-to-home network (FTTH) that is completely fiber optic, with a multi-gigabit backbone, which allows us to market plans with speeds of up to 1 Gb (and effectively deliver them), we also offer IPV6, 4K and 8K services with the same quality in all locations where we provide coverage, provide internet connections with Tier One providers in the United States, unlike other market participants who combine connections with Tier One and Tier Two providers and offer direct caches from Netflix, Facebook, Instagram and similar companies while our competitors have to download content from those companies' servers.
- *Application and Application Content*. We have developed an in-house IOS and Android-supported mobile app to enhance our customer experience by offering a seamless connection to the customer's set-top box and allowing customers to watch their favorite content (linear or video-on-demand) from this mobile app. Customers can also use our mobile app to handle WiFi setup and manage their WiFi network, manage their account, including the ability to subscribe for additional services and add-ons, access and pay bills, refer friends and family and place phone calls. Our entertainment platform gives us a competitive advantage over our competitors who use older market technology that is not easily adapted or improved.

- *Fixed Telephony*. For our voice and data services, we maintain a 100% digital interconnection using IP protocol, which makes our operation more efficient compared to the analog protocol that was used for years in the industry and is still used by some competitors.
- *Equipment*. We and our subsidiary, Total Box, have strong relationships with various equipment suppliers that we have integrated into our network infrastructure, including fiber optics and terminal equipment, which also provides us with an advantage in a highly competitive market segment.

In order to maintain and potentially increase our ARPU, we focus on the following initiatives:

- Bundle offers and add-ons with video streaming services, such as Netflix, Amazon, Starzplay and Disney+.
- Focus on upselling efforts to promote current customer's purchase of more bandwidth and switch from Double-Play to Triple-Play
- Provide additional content (including more and premium channels)
- Provide more devices to improve customer's WiFi experience
- Launch new services (such as *Safe Home*)

Totalplay Empresarial

Due to our ability to improve the operations and business processes of both public sector entities and private sector companies, *Totalplay Empresarial* has grown at an accelerated pace by delivering automatized services with a top telecommunications/IT portfolio that includes a managed network, cybersecurity, unified communication, cloud solutions and digital transformation. As of June 30 2021, based on data from our BRM system, our monthly churn rate was 0.9%.

The following are some of the key differences between our business offering and that of our competitors:

- *Flexnet SDWAN Corporate connectivity.* We offer dedicated Internet access, LAN to LAN (local area network) and MPLS (multiprotocol label switching) by using SDWAN (software-defined wide area network) as the underlying technology. This enables us to deliver "on-network" services in less than 5 days. This solution comes integrated with a PMP (point-to-multipoint) back-up link when within the coverage area. Flexnet also offers a management portal for managing and monitoring of the business services.
- *Hospitality IPTV solutions*. We provide IPTV solutions for the hospitality industry (hotels and hospitals). We offer a fully interactive solution that leverages the Residential IPTV offering which is customized for the hospitality market and includes our best in class dedicated internet access. This solution allows for integration to hotel's PMS (property management system) solution for check in/check out and interactivity with hotel services (restaurants, spa, etc.). We also have a "Distributed Video" solution that allows us to re-purpose existing Coax infrastructure for customers that do not want to renew their existing infrastructure.
- *Managed WiFi Services*. We provide integrated and managed solutions of WiFi for customers ranging from small and medium-sized businesses to large hotels and stadiums. Among our successful projects is the WiFi project for all the baseball stadiums of the "*Liga Mexicana del Pacífico*" (Mexican Pacific League).
- *Video Surveillance*. We offer a full suite of options for small and medium-sized businesses and large business customers with next-generation WiFi. We have recently added thermal video surveillance with analytics to help our customers with office access screening for COVID-19, with over 30 contracts awarded to date.

Competition

Our main competitors in the pay-TV market segment are Grupo Televisa (including Cablevisión, Cablevisión Red, Cablemas and Cablecom (marketed together under the Izzi brand), Televisión Internacional, FTTH, and SKY), Dish-MVS Comunicaciones and Megacable-MCM. Our main competitors in broadband internet are América Móvil, Grupo Televisa and Megacable-MCM. Our main competitors in the fixed telephony market segment are América

Móvil, Grupo Televisa (including Cablevisión, Cablevisión Red, Cablemas and Cablecom, Televisión Internacional, FTTH, and Operbes (Bestel)), Megacable-MCM and Axtel.

There are a number of barriers to entry that prevent new players from entering the market. First, there are already a number of key players that control the overall market share and have been in operation for over 10 years. New market entrants would face substantial development in order to differentiate themselves from the current competitors. In addition, the industry is highly capital intensive with constant capital expenditures necessary in order to upgrade the overall network and product offerings to meet customer demands.

The following tables summarize our positioning within the Mexican telecommunications market as of December 31, 2020:

	Restricted Cable Pay-TV
	Market Share
Grupo Televisa	64%
Megacable	17%
Totalplay	8%
Others	11%

Source: IFT Quarterly Statistical Report for the Fourth Quarter of 2020

	Broadband Internet
	Market Share
América Móvil	46%
Grupo Televisa	25%
Megacable	16%
Totalplay	12%
Others	2%

Source: IFT Quarterly Statistical Report for the Fourth Quarter of 2020

	Fixed Telephony
	Market Share
América Móvil	48%
Grupo Televisa	24%
Megacable	13%
Totalplay	11%
Others(1)	4%

Source: IFT Quarterly Statistical Report for the Fourth Quarter of 2020
(1) Others include Axtel, Telefónica and Maxcom, among others

The following table summarizes the fixed Internet subscribers' evolution by type of technology as of December 31, 2020:

	Fixed Internet Subscribers' Evolution by Type of Technology
	Market Share
Cable	41%
DSL	28%
Fiber optic	29%
Others	2%

Source: IFT Quarterly Statistical Report for the Fourth Quarter of 2020

The following table summarizes the fiber optic subscribers' evolution by company as of December 31, 2020:

	Fiber Optic Subscribers Evolution
	Market Share
Other players	60%
Totalplay	40%

The following table summarizes our market share in major cities as of December 31, 2020:

	Market Share
Toluca	36%
Monterrey	23%
Puebla	22%
Tijuana	21%
Guadalajara	21%
Auascalientes	20%
Veracruz	19%
León	17%
Ciudad de Mexico	17%

Source: IFT Quarterly Statistical Report for the Second Quarter of 2020

América Móvil. América Móvil (which acquired Telmex, the former state-owned telecommunications monopoly) has the largest nationwide infrastructure and the full spectrum of the market (enterprise, government, residential, telecom, IT, OTT). Its revenues come mainly from the residential market. In March 2014, the IFT determined that the economic interest group composed by América Móvil, S.A.B. de C.V. and its operative subsidiaries (including Radiomóvil Dipsa, S.A. de C.V., known as Telcel, and Teléfonos de México, S.A.B. de C.V., known as Telmex), constitute a preponderant economic actor, given its market concentration and focus on providing local telephony and internet services. América Móvil does not currently have a license to provide pay-TV services and has a hybrid copper-based and fiber optic network.

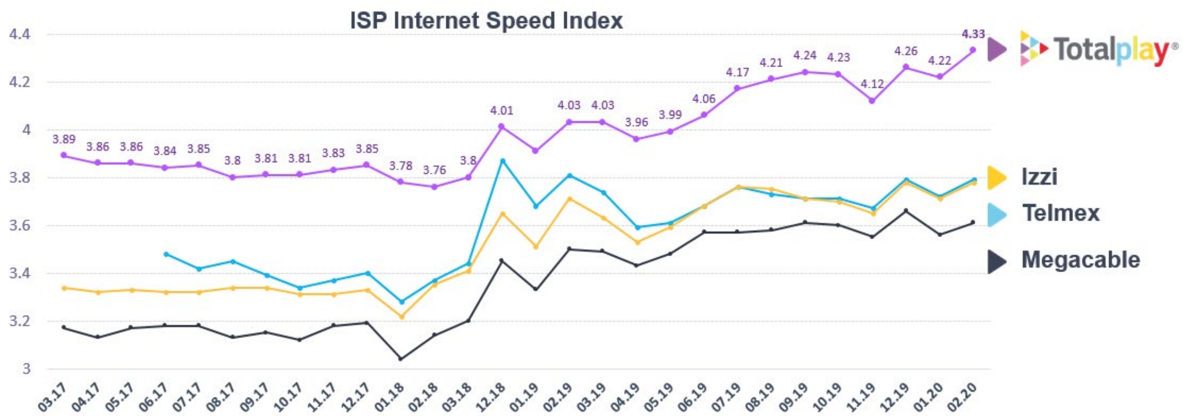
Grupo Televisa. Grupo Televisa, the largest Spanish-language media company in the world, is the majority owner of Cablevisión, Cablevisión Red, Televisión Internacional, Cablemás, Cablecom, FTTH and Operbes (Bestel). By leveraging its position in the media sector, as well as its strong capitalization, Grupo Televisa has entered the telecommunications industry and has quickly become the second most relevant operator in the consumer market. Grupo Televisa is also the majority owner of SKY, a direct-to-home television company and leader in pay-TV services in Mexico which offers exclusive sports content. Grupo Televisa offers CATV services, broadband internet and telephony services through double-play and triple-play packages. In November 2014, Grupo Televisa rebranded its cable service as: "Izzi Telecom." Grupo Televisa also currently offers "Blim" service, an OTT platform that competes with Claro Video and Netflix, and provides mostly domestic content. Grupo Televisa has a partial, complementary triple-play footprint with Megacable and a hybrid copper-based and fiber optic network.

Megacable. Megacable provides internet services, pay television and fixed telephony to the residential and business segments. In addition, it owns Metrocarrier, MCM, Hola and PCTV, providing value-added services that include managed services, equipment and content. Megacable has a triple-play footprint that is complementary to Grupo Televisa's triple-play footprint and a hybrid copper-based and fiber optic network.

Dish-MVS. Dish México operates a pay-TV satellite service in Mexico which was formed by MVS Comunicaciones in 2018 in partnership with Hispasat to offer a high-speed broadband satellite service through ON Internet. In 2020, they partnered with Amazon Prime to offer bundled over-the-top media services. Dish is also working on fixed internet access offerings through low-speed networks.

Axtel. Axtel offers telephone, broadband internet, and IPTV residential and SMB television services through FTTH in 10 cities in Mexico as well as information technology services. In 2018, Axtel partnered with Alestra S. de R.L. de C.V. to expand its business clients, but Axtel signed a binding agreement in each of 2018 and 2019 to divest its fiber-optic business to Megacable (small and medium business services) and Izzi (residential services).

The following graph shows historical internet speed for us and our competitors from March 2017 through February 2020. Since then, Netflix has modified its speed index methodology and instead of reflecting network performance indicators, it reflects end device performance.



The following table shows nPerf's network performance results for Mexico for 2020. Measurements are collected through the nPerf website, partner sites and on nPerf mobile apps. All tests are carried out directly by subscribers using the websites and applications. This ensures that the values are representative of the Internet network quality as experienced by the particular user.

The best fixed-line Internet performances in 2020

Mexico

No. 1 BROADBAND PERFORMANCE nPerf

The operator that provided its subscribers with the best fixed-line Internet access during 2020 was:

Totalplay

		Mb/s	Mb/s	ms	nPoints
1	Totalplay	52.85	19.50	66	98 372
2	Telmex	31.01	15.88	76	86 334
3	Megacable	30.49	7.40	81	79 318
4	izzi	28.50	4.00	85	72 995

The ranking is based on tests carried out on the nPerf.com website and partner sites from 01/01/2020 to 12/31/2020.
The ranking is based on the number of nPerf points. Other values are given for information purposes.

Mb/s Up : mega bits per second (upload)
Mb/s down : mega bits per second (download)
MS: delays measured in milliseconds
Npoints: benchmark scored calculated by Nperf methodology

ARPUs, Churn Rates, RGUs, Revenue Growth and EBITDA Growth

As of June 30, 2021, our average revenue per user was Ps.615.00 per month, compared to Ps.413.00 for Megacable. Izzi, which only publishes average revenue per user annually, had an average revenue per user of Ps.555.00 per month as of December 31, 2020. In addition, as of June 30, 2021, our monthly churn rate was 1.1% (with a *Totalplay Empresarial* churn rate of only 0.9%), compared to Megacable's average monthly churn rate of 2.2%. Izzi, which only publishes annualized churn rate information had an annual churn rate of 18.3% as of December 31, 2020, representing an average monthly churn rate of 1.5%. We have had an impressive growth rate as compared to our competitors. From 2018 through June 30, 2021, our average growth rate was above 49% as compared to 10.2% for Televisa and 11.0% for Megacable, respectively.

RGU growth, 2018 - 2020 YoY% change

	As of December 31,			
	2018	**2019**	**2020**	**As of June 30, 2021**
Totalplay	42.8%	35.9%	64.8%	56.3%
Televisa	17.2%	6.8%	10.7%	5.9%
Megacable	11.6%	6.2%	13.0%	13.2%

Source: Totalplay, Televisa and Megacable public filings

Revenue growth, June 30, 2021 YoY% change

	As of June 30, 2021
Totalplay	49%
Televisa	7%
Megacable	9%

Source: Totalplay, Televisa and Megacable public filings

EBITDA growth, June 30, 2021 YoY% change

	As of June 30, 2021
Totalplay	81%
Televisa	8%
Megacable	11%

Source: Totalplay, Televisa and Megacable public filings

Financial Commitments

The following is a description of our financial commitments on a consolidated basis as of June 30, 2021:

- *Cebures* issued through an issuing trust in the principal amount of Ps.2,500 million (U.S.$126 million) represents 5.5% of our total liabilities. The principal terms and covenants include: (i) monthly interest at an annual rate of TIIE+240 basis points for a 5-year term; (ii) maturity date on February 11, 2025; (iii) compliance with laws; (iv) compliance with reports and notices to CNBV and BIVA; (v) maintenance of licenses, authorizations, concessions and permits; and (vi) submission of reports and notices of any event of default or event of early repayment (each as defined therein).
- Lease agreements in the amount of Ps.4,576 million (U.S.$230 million) represent 10% of our total liabilities. The principal terms and covenants include: (i) terms that range from 36 to 48 months; (ii) compliance with laws; (iii) compliance with periodical reports of financial information; (iv) maintenance of licenses, authorizations, concessions and permits; (v) submission of reports and notices of any

litigation, proceedings, including labor conflicts that may have a material adverse effect; (vi) permit inspections by the lessors; and (vii) payment of taxes.

- Bank loans in the amount of Ps.4,981 million (U.S.$250 million) with financial institutions. Bank loans have an average life of more than 3.5 years and represent 10.8% of our total liabilities. The principal terms and covenants include: (i) terms that range from 3 to 60 months; (ii) annual interest rates from TIIE+200 basis points to TIIE+500 basis points, bearing monthly interest; (iii) compliance with laws; (iv) compliance with periodical reports of financial information; (v) maintenance of licenses, authorizations, concessions and permits; (vi) submission of reports and notices of any litigation, proceedings, including labor conflicts that may have a material adverse effect; (vii) submission of notices of any, merger, material acquisition or corporate restructuring; and (viii) payment of taxes.

- Non-bank loans in the amount of Ps.11,650 million (U.S.$585 million) with private entities. 98% of the non-bank loans mature after 2021 and, collectively, they represent 25.4% of our total liabilities. The principal terms and covenants include: (i) terms that range from 1 to 84 months; (ii) annual interest rate from TIIE+325 basis points to TIIE+400 basis points, bearing monthly interest; (iii) compliance with laws; (iv) compliance with periodical reports of financial information; (v) maintenance of licenses, authorizations, concessions and permits; (vi) submission of reports and notices of any litigation, proceedings, including labor conflicts that may have a material adverse effect; (vii) submission of notices of any, merger, material acquisition or corporate restructuring; and (viii) payment of taxes.

- Financing Facility Agreement with the Export and Import Bank of China, Shenzhen Branch in the amount of up to CNY1,050,000,000 (U.S.$149 million) at an interest rate of 5.5% per annum, to finance certain goods and services related to the expansion project of +2 M HP that took place during the last eighteen months ending June 30, 2020. The facility has a 7-year maturity period and 5-year amortization period and is secured by a guarantee agreement and a securities pledge agreement (*contrato de prenda bursátil*) executed by Corporación RBS.

- *Senior Notes due 2025* issued in a transaction exempt from the registration requirements of the Securities Act and guaranteed by Total Box, S.A. de C.V., in the principal amount of U.S.$575.0 million represents 24.9% of our total liabilities. Our Senior Notes due 2025 pay interest semi-annually at an annual interest rate of 7.500% and mature on November 12, 2025. The Indenture pursuant to which our Senior Notes due 2025 were issued restricts our ability to (i) make certain payments, including dividends or other distributions, (ii) incur or guarantee additional indebtedness and issue certain preferred stock, (iii) prepay or redeem subordinated debt or equity, (iv) make certain investments, (v) create or incur certain liens, (vi) create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to us, (vii) sell, lease or transfer certain assets, including the stock of restricted subsidiaries, (viii) with respect to the Issuer and the Guarantor only, consolidate or merge with other entities and (ix) engage in certain transactions with affiliates.

The sum of the above financial commitments totals Ps.34,697 million (U.S.$1,743 million), which includes transaction costs of Ps.456 million (U.S.$23 million).

Suppliers

We acquire content from more than 30 networks and major content providers, including: TV Azteca, Televisa Networks, Disney, ESPN, FOX Networks, HBO, Ole Distribution, AMC Networks, Discovery, Turner, Viacom, CBS, NFL Networks, Walt Disney Studios, 20th Century Studios, Sony Pictures, Paramount, Warner Bros, Universal Studios, Videocine, Blim and Starzplay.

We have executed contracts with content providers with terms between 12 and 36 months. Most of them include rates set in pesos while in others we have foreign exchange rate risk sharing clauses with the content provider. As of the date of this Offering Memorandum, some of those contracts have a rate per subscriber, but in other cases we have a monthly flat fee which allows us to reduce the effective rate per subscriber as the customer base grows.

We also provide our customers seamless access to on-demand content providers by allowing them to access applications, such as Netflix, Amazon Prime Video, YouTube, Starzplay, HBO, FOX, Noggin, Paramount+ and Blim TV, in one place on our platform.

Our main suppliers include Huawei Technologies de México, S.A. de C.V., Anixter, de México, S.A. de C.V., SAGEMCOM México, S.A. de C.V., Fox Latin American Channel, Inc., Televisa, S.A.B. de C.V., Fibras Ópticas de México, S.A. de C.V., YOFC International Mexico, S.A. de C.V., Operbes, S.A. de C.V., Wuhan Fiberhome International de Mexico, S.A. de C.V., Red Comercial Empresarial, S.A. de C.V., Crossopt México, S. de R.L. de C.V., and MATC Digital, S. de R.L. de C.V., among others. If any of our suppliers fail to provide services, technologies and/or equipment necessary for our operations, and no alternate supplier is available, our ability to make the necessary deployments in order to have the penetration and coverage we seek would be adversely affected, which could adversely affect our results of operations.

Every system that we acquire and operate is ranked in the top three of Gartner, Inc.'s "Gartner Magic Quadrant" to ensure that we are using state-of-the-art technology. We also update each of our systems to the latest version to ensure optimal performance, reliability and security.

Technological Awards and Certifications

Our services and infrastructure have been ISO/IEC 20000 certified since 2016. Our Security Operation Center is certified under international standards, such as IS0-27001, ISO-9000 and ISO-20,0000, for personal data protection. Our Information Security Team has international certificates, such as CEH, CISA, CISM, CRISC, CGEIT, CCNA, CDPSE, ECSP, ECHI, CHFI, Lead Auditor IS027001 and Lead Auditor ISO20000.

Seasonality

Our operations and revenues are not significantly affected by seasonal or cyclical patterns, although there are periods of lower revenue, including vacation periods (from Good Friday to Easter Sunday, the northern hemisphere summer months, the second half of the months of December and first half of January), official holidays (Independence Day, Revolution Day, etc.) and *El Buen Fin* period. Lower revenues at these times occur because clients are not at home, are traveling, are saving up funds, have extra expenses, or are waiting to purchase services at a discounted rate.

Concessions, Licenses and Intellectual Property

We do not possess any material patents and do not believe that patents play a material role in our business. We do not operate through franchises.

Trademarks

We own approximately 790 registered trademarks that are registered with the Mexican Institute of Industrial Property. Our main and best positioned trademark, "*Totalplay*," protects our brand in the market and is used in the commercialization of our main services and products.

In addition to "*Totalplay*," we hold the following related and material trademarks as of the date of this Offering Memorandum:

Trademark	Registry Number[(1)]	Expiration
TOTALPLAY	1145181	February 2, 2030
TOTALPLAY EMPRESARIAL	1825212	June 06, 2027
TOTALPLAY NEGOCIO	1881264	February 26, 2028
TOTALZONE	1908570	March 21, 2028
TOTALSTORE	1156116	April 15, 2030
VIVE LA EXPERIENCIA TOTALPLAY	98925	December 7, 2026
TOTAL PLAY DONDE SEA	1753132	April 22, 2025
ANYTIME TV	1270906	September 21, 2021 (under renewal)

(1) Only one registry per trademark is included; however, each trademark has several registrations with respect to different logos and classes.

Government Licenses and Concessions

We hold a concession granted by the Mexican government, which had an initial duration of 30 years and the renewal of which was confirmed to us by IFT notification on March 20, 2020 (extending the life of the concession until 2055). Our concession allows the installation, operation and exploitation of a public telecommunications network at a national level and was originally granted on October 16, 1995, with a validity of 30 years, and allowed us to provide national and international long distance telephony service and to operate in the resale of capacity acquired

from other telecommunications networks. Over time, the concession has been amended to allow us to provide a wider range of services, as follows: local telephony and data transmission services, including Internet access (per a December 19, 2005 amendment) and restricted television/audio services (pay-TV) (per a November 6, 2009 amendment). As a result of these modifications and additions, in 2011 our "Triple Play" concept was implemented. As part of this regulatory evolution, on January 27, 2021, the IFT notified us that our original concession had transitioned to a "single concession" (*concesión única*), that allows us to provide any sort of public telecommunications or broadcast services.

Our concession, as a provider of public telecommunications services, is subject to our compliance with various general regulations, as well as to the requirement that we provide our services with registered rates and in a non-discriminatory manner to a committed coverage area, whether with its own or with rented infrastructure.

Non-Government Licenses

We acquire content from more than 30 networks and major content providers, including: TV Azteca, Televisa Networks, Disney, ESPN, FOX Networks, HBO, Ole Distribution, AMC Networks, Discovery, Turner, Viacom, CBS, NFL Networks, Walt Disney Studios, 20th Century Studios, Sony Pictures, Paramount, Warner Bros, Universal Studios, Videocine, Blim and Starzplay.

We have executed contracts with content providers with terms ranging between 12 to 36 months. Most of them include rates set in pesos while in others we have foreign exchange rate risk sharing clauses with the content provider. As of the date of this Offering Memorandum, some of those contracts provide for a rate per subscriber, but in other cases we pay a flat monthly fee which allows us to reduce the effective rate per subscriber as the customer base grows.

Total Play has entered into material systems contracts with: (a) Huawei Technologies de México, S.A. de C.V., (b) Rt4 México, S.A. de C.V., (c) Lightech México, S.A. de C.V., (d) Veriopoint México, S.A. de C.V., (e) Salesforce COM. INC., (f) Oracle de México, S.A. de C.V., (g) Condor Innovation & Solutions, Rubio Ruiz y Compañía, S. en N.C., (h) Apoyo Remoto de México, S.A.P.I de C.V., (i) Sixsigma Networks México, S.A. de C.V. and (j) Cloud Technologies Consulting, S.A. de CV. The principal terms of these contracts include: (i) a term of one to five years, depending on the type of software, hardware, use of platform and/or distribution of services acquired for the operational development of the company, (ii) variable rent depending on the purchase orders, services acquired or the type of licensing and (iii) main terms of the contracts established according to the operations of the company and the needs of telecommunications services.

Insurance Coverage

Our risk insurance policies are issued by our affiliate, Seguros Inbursa. They cover risks associated with our operations and employees that are associated with physical or material damage. Our material damages insurance policy covers terrorism, sabotage, fire, earthquake, volcanic eruption and hydro-meteorological risks to electronic equipment, machinery, money, assets, securities and content. The total insured amount is U.S.$430 million. The policies have an expiration date of April 30, 2022, automatically renewed annually.

Our liability insurance policy is issued by Seguros Inbursa and covers all types of activities and properties. The total insured amount is U.S.$10 million. The policy has an expiration date of April 30, 2022 and is automatically renewed annually.

Our medical expenses insurance policy is issued by BUPA and MetLife and covers major medical expenses from a minimum amount of U.S.$29,000 to a maximum amount of U.S.$927,000, depending on the employee's corporate level. The policy has an expiration date of February 1, 2022, and is automatically renewed annually. Our life insurance policy is issued by Seguros Mapfre and covers life insurance for all employees with individual coverage depending on the employee's salary level. The total insured amount is 40 months of such employee's salary. The policy has an expiration date of September 1, 2022, and is automatically renewed annually.

Our commercial fleet insurance policy is issued by Chubb Seguro and covers property damage and total theft, with a coverage totaling the commercial value of the car. The policy has an expiration date of April 1, 2022, and is automatically renewed annually. Our liability for third party assets and individual insurance policies provide for coverage of U.S.$129,000 and U.S.$4,000, respectively. The policies have an expiration date of April 1, 2022, automatically renewed annually.

In our view, the insured amounts, the limits of liability, the deductibles and the scope of coverage in our policies are satisfactory and suitable for companies acting in the telecommunications sector. We do not anticipate any

difficulties in renewing any of our insurance policies. However, we cannot guarantee that no losses will be incurred or that no claims will be filed against us which go beyond the type and scope of the existing insurance coverage.

Employees

As of June 30, 2021, we hire our personnel directly or through affiliated or third party personnel service companies. Total Play, Gesalm Asesores, S.A. de C.V., Gesalm Consultores, S.A. de C.V and Gesalm Servicios, S.A. de C.V. had 9,547 full-time employees (including outsourced personnel), less than 1% of which are members of unions under collective bargaining agreements. These agreements are reviewed annually with respect to salaries, and every two years with respect to benefits, including rankings for productivity, individual and group variable compensation, bonuses, bonuses for results, holidays and vacation bonuses, and training and development. Our labor relations are good.

Our employees work in the following areas:

- Commercial: 39%;
- Operational: 34%;
- Administrative: 12%;
- Contact Center: 11%; and
- Engineering: 4%.

As a consequence of the Subcontracting Reform, Total Play is expected to hire approximately 800 employees.

ESG

Leadership

In 2018, together with all of the Grupo Salinas companies, we joined the United Nations Global Compact, the largest global initiative promoting corporate sustainability through the implementation of 10 principles that encourage respect for human rights, the establishment of decent working practices, the protection of the environment and the rejection of corruption.

In April 2021, together with all of the Grupo Salinas companies, we renewed our commitment to the guidelines of the United Nations Global Compact, an initiative that seeks to strengthen actions in favor of Human Rights, Labor Standards, the Environment, Anti-Corruption and other Sustainable Development Goals and to promote the 2030 Agenda.

Environmental Policies

We confirm our commitment to the environment with our corporate LEED (Leadership in Energy and Environment Design) Certification, a green building rating that measures the efficient use of energy, water, materials and waste management.

We also participate each year in initiatives of Grupo Salinas that promote a culture of environmental responsibility and that benefit our families and the environment as a whole, such as “Un Nuevo Bosque” (A New Forest), the national reforestation day.

In August 2021, Grupo Salinas reaffirmed its commitment to the protection of the environment by promoting one more year through Fundación Azteca, the reforestation initiative, in which our employees participate. The objective of this national reforestation day was to plant 16,000 trees in our country. This campaign was carried out year after year in the 32 states of the country, directly benefiting deforested areas near the capitals of each state. This ecological work also helps cities because parks, ridges, sports centers and affected green areas are reforested. Over 19 years, more than 623 reforestations have occurred, with more than 7 million trees planted, and 49,000 hectares restored throughout our country.

Social Policies

For the fourth consecutive year, we received the Socially Responsible Company (ESR) award from the Mexican Center for Philanthropy (CEMEFI).

In March 2021, Total Play signed an agreement with the National Chamber of the Transformation Industry (*Canacintra*), the city of Torreón, Coahuila and Cemex, pursuant to which we brought free Internet to four neighborhoods of Torreón. We sought to reach the maximum users possible to provide access to remote classes virtually earlier this year due to the pandemic. The free Internet service was placed in four parks in the Aviación, Las Brisas-Julietas, Rincón La Merced and Las Etnias neighborhoods.

Governance

In November 2020, our shareholders elected new members to our board of directors. See "Management."

At a board of directors meeting held on February 23, 2021, the board approved the EICP. The design and implementation of the EICP is based on organic, procedural and normative elements provided by Mexican law (*i.e.*, the National Code of Criminal Procedures, Federal Criminal Code and the General Law of Administrative Responsibilities), as well as certain principles and guidelines contained in the best national and international practices.

We intend to implement an environmental, social and corporate governance strategy. To that objective, we will retain a third-party to perform a business materiality study, identify any issues and recommend initiatives that will generate a positive impact on society and the environment, with policies, procedures and commitments in each identified environmental, social and corporate governance aspect.

Legal and Administrative Proceedings

In the ordinary course of business, we are involved in various legal proceedings (such as litigations, arbitrations and administrative proceedings relating to our business, including, without limitation, regulatory compliance matters, contractual disputes, labor lawsuits and clients' lawsuits, among other matters). While the results of any such proceedings cannot be predicted with certainty, we do not believe 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 affect our business, financial condition or results of operations, except as set forth below.

Tax Proceedings

We are involved in one material pending tax claim, as described below:

On December 3, 2015, the Mexican Tax Administration Service (*Servicio de Administración Tributaria*, or the "*SAT*") issued Notification No. 900-04-05-2015-52432 in connection with a tax claim in the amount of Ps.646 million (U.S.$28 million) corresponding to income tax purportedly due for the 2011 tax year, plus inflation-restatement, surcharges and penalties. The SAT (i) noted that we had not proved that certain commissions and advances from commercializing telecommunications services were strictly indispensable and (ii) rejected the deduction for tax purposes of travel expenses, administrative services, and uncollectable receivables related to a reorganization.

On January 19, 2016, we appealed the SAT's assessment to the Administration of Large Taxpayer Disputes and, during April and May 2016, we provided additional evidence in support of our position. On June 16, 2016, the appeal was resolved, the tax was imposed and on August 19, 2016 we filed a claim of nullity, which was admitted on September 6, 2017 by the Federal Court of Tax and Administrative Justice.

On November 28, 2017, we filed a direct *amparo* trial that is pending resolution from the Mexican tax authorities. The resolution received from the *amparo* trial will nullify the Federal Court of Tax and Administrative Justice's ruling.

In a court hearing held on February 7, 2020, the judges of the Sixth Collegiate Court decided to withdraw the sentencing, and remit the claim to the Second Chamber of the Supreme Court of Justice, since the Ministry of Finance and Public Credit asked the Supreme Court of Justice to assert jurisdiction when appraising that the matter is important and of general impact and interpretation. On September 23, 2020, the Second Chamber of the Supreme Court of Justice of the Nation asserted jurisdiction over this matter.

The amount in dispute, plus inflation-restatement, surcharges and penalties, calculated as of June 30, 2021, is Ps.869 million (U.S.$44 million). This amount is guaranteed through the administrative attachment (*embargo administrativo*) of specific segments of our fiber-optic network.

Environmental Matters

We are subject to a variety of laws and regulations relating to land use, environmental protection and health and safety in connection with our ownership of real property and other operations. We believe we substantially comply with the applicable requirements of such laws and regulations and follow standardized procedures to manage environmental risks and no claims have been made against us in respect of environmental matters. Given our activities and our current property, plant and equipment, we believe that there are no environmental factors likely to have a significant impact on the use of our current property, plant and equipment, other than as disclosed herein in "Risk Factors—Risks Related to Our Business—Our operations are subject to the general risks of litigation."

REGULATION

We are incorporated as a private Mexican corporation with variable capital (*sociedad anónima de capital variable*), as are our principal subsidiaries. Together with our Mexican subsidiaries we are subject to the Commercial Companies Law (*Ley General de Sociedades Mercantiles*), the Mexican Commercial Code (*Código de Comercio*) and other applicable laws of Mexico.

The Commercial Companies Law governs the incorporation, business activities, corporate governance and dissolution of Mexican companies. It also regulates the payment of dividends, profit distribution, reserve funds, shareholders' rights and obligations, shareholders' meetings, disclosure requirements and establishes sanctions in case of infringements.

In addition, as a corporation primarily engaged in telecommunications, we are subject to an array of telecommunications, consumer, data privacy and other regulatory requirements under Mexican laws, including a comprehensive statutory and regulatory regime that governs our activities and those of our subsidiaries.

We operate a telecommunications network under a concession, and our telecommunications services are characterized by the Mexican constitution as a public service of public interest. The Mexican government has the constitutional obligation to secure access to telecommunications services, including specifically, broadband internet.

Our concession allows the installation, operation and exploitation of a nationwide public communications network. Such concession was originally granted for international and national long-distance telephone service on October 16, 1995, for a 30-year term until 2025 and which renewal was notified by IFT to us on March 20, 2020 for an equal term until 2055. The concession (originally granted under our former name, Iusatel, S.A. de C.V.) has been supplemented to grant us a broader scope of services, including local telephony service, data transmission, resell of acquired capacity in other networks, access to the Internet and services of restricted or pay television.

Some of these legal and regulatory requirements are described below.

Applicable Telecommunications Regulations

The legal framework for the regulation of the telecommunications and radiobroadcasting industries in Mexico is comprised of amendments to the Mexican Constitution, enacted in June 2013, the LFTR, enacted in July 2014, and the Federal Economic Competition Law (*Ley Federal de Competencia Económica*, the "*LFCE*"), enacted in May 2014. The LFTR and the LFCE, which amended the Mexican Constitution, were intended to modernize the legal framework of the industry and grant the IFT broad regulatory surveillance and enforcement authority in both the telecommunications and radio broadcasting sectors.

The IFT is an autonomous public entity governed by a plenary body comprised of seven commissioners. Each commissioner is proposed by the president of Mexico and ratified by the Senate, from a short list of candidates previously assessed by an evaluation committee. The IFT is the highest authority in the industry, has ample regulatory authority on policy, anti-trust, administrative and operating matters in the sector, and is bound to exercise its powers to encourage competition and efficiency within the industry.

The statutory powers of the IFT include authority with respect to concessions, authorizations and permits (including granting, assigning, terminating, requisitioning, extending, enforcing, exercise rights, or revoking concessions, authorizations and permits). The IFT has broad policy-making and surveillance authority with respect to all technical matters related to a public telecommunications network (*red pública de telecomunicaciones,* the "*PTN*"), the exploitation of PTNs, broadcasting and telecommunication services, the radioelectric spectrum (including satellite communications), and also has authority to regulate access to active and passive infrastructure and other essential resources.

The Ministry of Communications and Transport (*Secretaría de Comunicaciones y Transportes*) also has authority to determine certain aspects of public policy relating to these sectors.

Concessions

Pursuant to the LFTR, an operator of a PTN must operate pursuant to a concession which may only be granted to Mexican individuals or entities, and may only be assigned with prior authorization of the IFT. Under the LFTR, a new type of concession deriving from the 2013-2014 telecommunications reform, called a "single concession" (*concesión única*), that enables the concessionaire to provide any sort of public telecom or broadcast services may be granted, in addition, as the case may be, to concessions to exploit the radioelectric spectrum or orbital resources. The

concession approach adopted by the LFTR eases the administrative burden posed by prior regulation, which required for the specific authorization of each telecommunication service to be provided. Each concession is granted for a term of up to 30 years (except for concessions to exploit the radioelectric spectrum or orbital resources, which are granted for a term of up to 20 years), and any concession may be extended for an equal term. The concessionaires of PTNs are statutorily obligated to maintain an open network architecture that allows interconnection and interoperability.

A concessionaire may encumber the assets of an operating PTN to secure obligations, however, foreclosure on said collateral would be subject to approval by the IFT, as no potential purchaser may acquire rights in a PTN concession without such prior approval. See "Risk Factors—Risks Related to the Mexican Telecommunications Industry—Under Mexican Law, Our Concessions could be Seized or Suspended."

The IFT also has authority to grant authorizations to, inter alia: establish and operate a telecommunication services reseller; install, operate or exploit ground stations for satellite signals; and install and operate cross-border telecommunications and satellite systems. An authorized reseller is entitled to access wholesale services offered by concessionaries and commercialize its own services or resell the telecommunications services acquired from third parties. Said authorizations are granted for a term of up to 10 years and may be extended for an additional 10-year term.

Assignment

Any transfer of a concession must be previously approved by the IFT. The IFT may approve a transfer if it is to be completed after the third anniversary of the concession, the nationality of the assignee (or that of their direct and indirect affiliates) does not violate the restrictions of foreign ownership set forth in the Foreign Investments Law (*Ley de Inversión Extranjera*) in the case of radio broadcasting, and the assignee agrees to accept all the terms of the relevant concession.

Termination

In accordance with the LFTR, a concession may be terminated upon the occurrence of any of the following events:

- expiration of its term;
- resignation by the concessionaire;
- dissolution or bankruptcy of the concessionaire;
- rescue of radio electric spectrum or orbital resources; or
- revocation by the IFT in any of the following events (specified in Article 303 of the LFTR) occurs and is continuing:

  I. failure to exercise the rights of the concession within the term established in the relevant concession;

  II. performance any actions in contravention of applicable law that affect the rights of other concessionaires;

  III. failure to comply with the obligations or conditions established in the concession title, when it is expressly set forth that non-compliance is a cause of revocation;

  IV. refusal to interconnect other concessionaires, partially or totally disrupting or hindering interconnection traffic, without justifiable cause;

  V. failure to comply with the obligation to retransmit television signals of restricted networks, free of charge and on a non-discriminatory basis;

  VI. refusal to retransmit broadcast content as required by the LFTR;

  VII. change in the nationality of the concessionaire or initiating any action to request protection from a foreign government;

  VIII. assignment, lease, or transfer of the concession or authorization, the rights thereunder, or the assets used to exploit the concession or authorization in violation of applicable law;

IX. failure to pay the Mexican Federal Treasury any amounts due as fees owed to the Mexican government;

X. failure to comply with the basic obligations that were offered for the granting of the concession;

XI. failure to provide the guarantees or assurances established by the IFT;

XII. change in the location of the broadcast station without prior authorization from IFT;

XIII. change in the assigned bandwidth frequencies without authorization from IFT;

XIV. suspension, in whole or in part, of telecommunication services in more than 50% of the covered area, without justification and without authorization from the IFT for more than 24 hours or up to three calendar days in the case of broadcasting;

XV. failure to comply with final resolutions issued by the IFT with respect to antitrust matters;

XVI. in the case of a dominant or preponderant economic actor, benefitting directly or indirectly from the free retransmission rule of television signals through other operators, as well as any concessionaire allowing such benefit;

XVII. failure to comply with resolutions or determinations of IFT regarding the accounting, functional or structural separation;

XVIII. failure to comply with the resolutions or determinations of IFT regarding the local network unbundling, divestiture of assets, rights or necessary equipment, or asymmetric regulation;

XIX. use of the concession granted by IFT for purposes other than those requested, or profit from actions prohibited for the relevant type of concession; or

XX. pursuant to any other provision set forth under applicable law.

The IFT will immediately revoke the concessions and authorization for violations of sections I, III, IV, VII, VIII, X, XII, XIII, XVI, and XX above. In other cases, IFT may revoke the concession or authorization if it had previously sanctioned the respective holder at least twice arising from any of the grounds provided in these sections, except in the case provided in section IX.

Temporary Requisition (requisa)

The Mexican government has the power to temporarily requisition and seize the assets used under a concession in the event of a natural disaster; war; significant disturbance to the public order; imminent threats to the national security, to the internal peace or the national economy; or to secure the continuity of the public service. Except in the case of war, the Mexican government must indemnify the concessionaire for all losses and damages (including loss profits) caused during the requisition. See "Risk Factors—Risks Related to the Mexican Telecommunications Industry—Under Mexican Law, Our Concessions could be Seized or Suspended."

Rates for Telecommunications Services

Concessionaires have the right to determine their rates, and such rates (and any adjustments thereto) must be registered with the Public Registry of Concessions (*Registro Público de Concesiones*) maintained by the IFT before becoming effective.

If a concessionaire does not accept the interconnection tariffs or other conditions offered by another concessionaire, the affected party may initiate a procedure before the IFT to review such tariffs and conditions, and the IFT will have the authority to issue a resolution determining the final tariffs and conditions.

If a concessionaire refuses to enter into interconnection negotiations with other concessionaires, the IFT will determine the form, terms and conditions under which such interconnection shall take place, regardless of the sanctions that may be applied under applicable law.

Tax Laws

Since January 1, 2010, the Special Tax on Production and Services Law (*Ley del Impuesto Especial sobre Producción y Servicios*) increased the tax rate applicable to telecommunications services to 3%, with the exception of

interconnection services of PTNs, internet services, public telephone services, and reformed rural telephony services, which are exempt from such tax.

Determination of Preponderant Economic Actors

The IFT may determine at any time that there are preponderant economic actors (*agentes económicos preponderantes*) in the telecommunications and broadcasting sectors. The LFTR characterizes a preponderant economic actor or any person engaged in the provision of broadcasting or telecommunications services who, in accordance with the information available for the IFT, directly or indirectly, owns more than 50% of the subscribers, users, audience, traffic on their networks, or capacity used on such networks, measured on a national basis. In March 2014, the IFT determined that the economic interest group composed by América Móvil, S.A.B. de C.V. and its operative subsidiaries (including Radiomóvil Dipsa, S.A. de C.V., known as Telcel, and Teléfonos de México, S.A.B. de C.V., known as Telmex), constitute a preponderant economic actor.

Specific Regulation

Any preponderant economic actors are subject to the specific regulation determined by the IFT with respect to rates, information, quality of service, commercial offers, use of infrastructure by other concessionaires, exclusivity, and divestiture of assets, among others. The IFT must verify (either directly or through an external auditor) the compliance of any specific regulation by the preponderant economic actors on a quarterly basis, and sanction any breach to such specific rules with such periodicity.

The IFT continuously monitors competition in the industry, and if the IFT determines that there is effective competition in a market where there was a preponderant economic actor, the specific regulation would cease to apply. Similarly, if the IFT determines that an entity no longer meets the characteristics of preponderant economic actor, such entity shall be deemed to no longer be a preponderant economic actor and the specific regulation would cease to be applicable. Any preponderant economic actor has the right to submit to the IFT an action plan to cease to be considered a preponderant economic actor.

Consolidation without Notice

If there is a preponderant economic actor in the market (and other conditions are met), any transaction entailing a consolidation of any concessionaires (other than the preponderant economic actor) may be carried out without prior notice to the IFT.

Interconnection Rates

Pursuant to the LFTR, América Móvil cannot charge interconnection rates to other carriers. Notwithstanding the foregoing, the Supreme Court declared that such restrictions are unconstitutional with respect to mobile services, in August 2017; and, in April 2018, with respect to fixed services. Consequently, the IFT determined that beginning on January 1, 2018 for mobile services, and, on January 1, 2019, for fixed services, the relevant operators of América Móvil may charge other carriers the interconnection rates set forth in the applicable specific regulation issued by the IFT.

Service providers that are not preponderant economic actor may freely negotiate among themselves the applicable interconnection rates and, if no agreement is reached, the rates shall be determined by the IFT in accordance with the costing methodology determined by the IFT.

Must Carry and Must Offer

The LFTR provides "must carry" and "must offer" rules pursuant to which television broadcasters must offer their signals (free of any charge) to the pay television service providers; and pay television service providers must transmit such signal free of charge to their subscribers. These obligations also apply to DTH (direct-to-home) service providers.

Competitive Neutrality

Public entities are allowed to obtain titles or concessions for commercial purposes. In that regard, the LFTR provides that any state-owned service providers shall act as if they were private enterprises and shall not distort the market taking advantage of their status as public entities.

Sanctions

The IFT has the power to impose sanctions for violations of the LFTR and the LFCE in the telecommunications and broadcasting sectors. Under the LFCE, the IFT may apply, among others, the following sanctions: (i) fines of up to 8% of the accrued income in Mexico of the sanctioned operator (in the event of relative monopolistic practices – abuse of market power or vertical practices); up to 10% of the accrued income in Mexico of the sanctioned operator (in the case of absolute monopolistic practices – collusion or horizontal practices), and, in the event of recurrence, for up to twice of the amount of the original sanction; (ii) fines on individuals who participated in monopolistic practices; and (iii) prohibitions on individuals who participated in monopolistic practices, disqualifying them to serve as directors or business managers. These and other sanctions may apply on economic competition grounds, regardless of criminal responsibility that applies in some cases.

Under the LFTR, in addition to revocation that is applicable in the above-mentioned situations, the IFT may impose fines for a number of causes related to non-compliance with applicable law and with the terms and conditions set forth in the concession titles.

Other

In addition to the above, the LFTR and/or regulations related thereto contain provisions in connection with the following matters:

- elimination of tolls for national long-distance calls (effective as of January 1, 2015);
- opening the mobile telephone market to new service providers, through the Mobile Virtual Network Operator (*Operador Móvil Virtual*) figure;
- foreign investment of up to 100% in telecommunications, and of up to 49% in broadcasting activities (in the latter case, under reciprocity rules);
- access to advertising in an equitable and non-discriminatory basis;
- rights of users that are disabled individuals to access telecommunications services;
- rights to audiences;
- cooperation rules with security and law enforcement agencies; and
- emergency number 9-1-1.

Red Compartida (Shared Network) Project

In addition to the foregoing, and with the aim of providing near-universal access to telecommunication services, the 2013 Constitutional reform provided for the *Red Compartida* Project.

This project is intended to enable access to the most advanced 4G-LTE technologies to at least 92.2% of the country by 2024, currently prepared to offer 5G technology, and ensuring these services in areas where traditional operators either presently do not reach, or where providing to these areas, is not profitable. Through a Public-Private Partnership ("*PPP*") with Altán Redes, S.A.P.I. de C.V. ("*Altán*"), the Mexican government provides the radio spectrum and the use of the developed backbone network is provided by the CFE. Under this project, Altán offers access to its network on a wholesale basis.

On November 20, 2017, we entered into an Interconnection Services Framework Agreement (*Convenio Marco de Prestación de Servicios de Interconexión*) with Altán, which has been amended from time to time, in order to interconnect our telephone local service networks with Altán's fixed and mobile telephone local service networks. This agreement sets forth the main terms and conditions of such interconnection between us and Altán, including the applicable prices and rates, and it was registered on January 11, 2018 before the Public Registry of Concessions of the IFT under number 23158. The latest amendment regarding applicable prices and rates for 2021 was registered before the IFT on March 5, 2021 under number 049636.

Additionally, on April 30, 2019, we entered into a Telecommunications Services Framework Agreement (*Contrato Marco de Prestación de Servicios de Telecomunicaciones*) with the PPP, which was registered on June 3, 2019 before the Public Registry of Concessions of the IFT under number 035000. The main purpose of this agreement is to outline the services that we may receive from the PPP, primarily *Internet Hogar SIM Altán,* which consists of the

delivery of wireless connectivity in certain locations providing internet access for residential purposes via the *Red Compartida* Project and through the rendering of the service directly by us to the final user.

Consumer Protection Laws

Our commercial activities in Mexico are subject to the Consumer Protection Law (*Ley Federal de Protección al Consumidor*), which regulates consumer sales and transactions in Mexico and are subject to supervision by the Consumer Protection Bureau (*Procuraduría Federal del Consumidor*) (PROFECO), an administrative agency responsible for promoting and protecting the rights and interests of consumers.

Privacy Regulations

The Federal Law for Protection of Personal Information in Possession of Private Parties (*Ley Federal de Protección de Datos Personales en* Posesión *de los Particulares*) sets forth the rules that must be observed by private parties when obtaining, managing, transferring and using personal information of their clients with the objective to protect the privacy and prevent the misuse of personal and sensitive information.

Labor and Social Security Laws

We are subject to the Mexican Federal Labor Law and the Mexican Social Security Law which regulate labor relationships and social security matters, respectively, between us and our employees.

The Subcontracting Reform was approved by the Mexican Congress and published by the Federal Executive in the Official Gazette on April 23, 2021 and amends each of the Mexican Federal Labor Law and the Mexican Social Security Law. Pursuant to the Subcontracting Reform, the subcontracting of personnel, defined as the provision of employees (between third parties, as well as with related parties) by an individual or legal entity for the benefit of another, is legally prohibited. It can be inferred from the Subcontracting Reform that schemes known as insourcing, in which corporate groups create their own service companies to hire and provide personnel to other legal entities of the corporate group, are also prohibited. This prohibition does not include those who perform specialized services or works, meaning those that are distinct from the corporate purpose or main economic activity of the beneficiary of the services. The specialized services or works must be formalized through a written agreement, and the service provider of said specialized services or works must be registered with the Ministry of Labor and Social Welfare (*Secretaría del Trabajo y Previsión Social*) in order to render such services, which must be renewed every three years. The Subcontracting Reform establishes that anyone who subcontracts specialized services or carries out specialized works and fails to comply with obligations to its employees will be jointly and severally liable with respect to any labor, social security and/or tax obligations. We plan to take all necessary measures and actions to comply with the Subcontracting Reform, including the adjustment of our personnel outsourcing arrangements, which may increase our overall labor and social security payments. See "Risk Factors—Risks Relating to Our Business—Any deterioration of relations with our employees or increase in labor costs may have a negative impact on our business, financial condition, results of operations and prospects."

Securities Regulation Applicable to us

We have participated in the issuance of certain *Cebures*, and while such securities are outstanding, we will be subject to: (i) the Securities Market Law; and (ii) the regulations issued by the CNBV.

The Securities Market Law regulates, among other things: (i) public offerings; (ii) registration requirements; (iii) private placement exemptions; (iv) market trading; (v) tender offers; (vi) disclosure requirements; (vii) periodic reporting obligations; (viii) corporate governance of public companies; (ix) intermediaries, authorities' and other securities market participants; and (x) applicable duties of care and loyalty for directors of public companies.

The CNBV oversees and regulates the public offering and trading of securities and participants in the Mexican securities market, and imposes sanctions for the illegal use of insider information and other violations of the Securities Market Law. The CNBV, through its staff and a board of governors comprised of thirteen members, regulates and supervises the Mexican securities market, the Mexican stock exchanges (*i.e.*, Bolsa Mexicana de Valores, S.A.B. de C.V. and Bolsa Institucional de Valores, S.A. de C.V.) as well as brokerage firms.

As part of the regulations issued by the CNBV, we are subject to:

- The General Regulation Applicable to Securities Issuers and Other Securities Market Participants (*Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores*), which further regulates: (i) the registration

and maintenance of securities with the RNV maintained by the CNBV; (ii) public offerings; and (iii) disclosure requirements, among others.

- The General Regulation Applicable to Entities and Issuers Supervised by the CNBV that Contract External Audit Services (*Disposiciones de carácter general aplicables a las entidades y emisoras supervisadas por la CNBV que contraten servicios de auditoría externa de estados financieros básicos*), which sets forth: (i) the requirements that external independent auditors and must comply with; (ii) the norms and standards applicable to external audit work; (iii) the content of the external audit reports and other communications and opinions, prepared external independent auditors; and (iv) the rules regarding hiring, substitution, monitoring and evaluation of external audit work, among others.

MANAGEMENT

Directors

Our board of directors (the "*Board*") is comprised of nine members, four of whom are independent under the Securities Market Law. Directors are elected to a one-year term at the annual ordinary meeting of shareholders or until the person who replaces them takes office. Each member may be re-elected without term limits. The address of each director who is a not an independent member is c/o Total Play, Av. San Jerónimo 252, Colonia La Otra Banda, Postal Code 04519, Alcaldía de Coyoacán, Mexico City, Mexico.

The following table sets forth the names of the current directors, their ages as of June 30, 2021, and their positions and year of appointment:

Name	Age	Position	Director Since
Ricardo B. Salinas Pliego[1]	65	Chairman	2003
Pedro Padilla Longoria	55	Member	2003
Jorge Mendoza Garza	69	Member	2010
Benjamín F. Salinas Sada[1]	37	Member	2010
María Laura Medina Espinosa[2]	51	Member	2020
Sergio M. Gutiérrez Murgueza	70	Independent Member	2020
Gonzalo Brockmann García	64	Independent Member	2020
Hector M. Gómez Velasco y Sanromán	57	Independent Member	2020
Ignacio C. Cobián Villegas	57	Independent Member	2020

(1) Mr. Salinas Sada is Mr. Salinas Pliego's son.
(2) Mrs. Medina Espinosa is married to Mr. Salinas Pliego.

The following provides biographical information about the directors of Total Play.

Ricardo B. Salinas Pliego. Mr. Salinas Pliego has been Chairman of the board of directors of Total Play since 2003, Chairman of the Board of Directors of TV Azteca since 1993 and Chairman of the Board of Grupo Elektra since 1993. Mr. Salinas Pliego also serves on the board of directors of several other Mexican companies. Mr. Salinas Pliego received a degree in accounting from the *Instituto Tecnológico de Estudios Superiores de Monterrey* and a Master of Finance degree from the Freeman School of Business at Tulane University in 1979. In 2015, Mr. Salinas Pliego was distinguished as *Doctor Honoris Causa* by the Universidad Autónoma de Guadalajara.

Pedro Padilla Longoria. Mr. Padilla has served as a member of the board of directors of Total Play since 2003, director of TV Azteca since 1993 and was the Chief Executive Officer of Grupo Elektra between 1993 and 2000. Mr. Padilla served as Chief Executive Officer of TV Azteca from October 2001 to July 2004, and since July 2004 has been Chief Executive Officer of Grupo Salinas. Mr. Padilla also serves on the board of directors of Grupo Elektra and Banco Azteca. Mr. Padilla received a law degree from the Universidad Nacional Autónoma de Mexico.

Jorge Mendoza Garza. Mr. Mendoza has served as a member of the board of directors of Total Play since 2010. Mr. Mendoza has served as Vice President of Information and Public Affairs at Grupo Salinas since 1994. Mr. Mendoza received a law degree from the Universidad Autónoma de Nuevo Leon and a Master of Public Administration from the *Institut International d'Administration Publique*, INAP, France. Mr. Mendoza also received a PhD in Constitutional Law and Public Institutions from the University of Paris II, La Sorbone France.

Benjamin Francisco Salinas Sada. Mr. Salinas Sada has served as a member of the board of directors of Total Play since 2010. Since January 2021, Mr. Salinas Sada has been Vice President of Grupo Salinas and, from 2015 to 2020, Mr. Salinas Sada served as TV Azteca's Chief Executive Officer. He previously worked for more than a decade in industries such as media, media production, marketing of goods, services and energy. Mr. Salinas Sada has been a member of the Strategic Executive Committee of Grupo Salinas during the last five years, and has a bachelor's degree in financial management from the *Instituto Tecnológico y de Estudios Superiores de Monterrey*.

María Laura Medina Espinosa. Mrs. Medina has served as a member of the board of directors of Total Play since 2020. Mrs. Medina has also served on the board of directors of Design Week México and, from 2004 to 2020, Mrs. Medina served as Chief Executive Officer of *Esencial*, a Mexican corporate and residential interior design firm.

In addition, Mrs. Medina is the founder and Managing Partner of *Episodio,* a concept creation business for small- and large-scale company events.

Sergio Manuel Gutiérrez Muguerza. Mr. Gutiérrez has served as a member of the board of directors of Total Play since 2020. He has also served as Chief Executive Officer of Grupo Deacero, S.A.P.I. de C.V. and as member of the board of directors of TV Azteca, S.A.B. de C.V. and ING Comercial América, S.A. de C.V. Mr. Gutierréz has a bachelor´s degree in industrial engineering from Purdue University in West Lafayette, Indiana.

Gonzalo Brockmann García. Mr. Brockmann has served as a member of the board of directors of Total Play since 2020. Mr. Brockmann is also a member of the board of directors of Grupo Elektra, S.A.B. de C.V. He was previously President of Best Western Hotels in Mexico, Central America and Ecuador and he is currently President of Hostels of America. Mr. Brockmann graduated from the Universidad Anahuac and holds an MBA from the University of Texas.

Marcelino Gómez Velasco y Sanromán. Mr. Gómez has served as a member of the board of directors of Total Play since 2020. Mr. Gómez Velasco is also a member of the board of directors of Grupo Elektra, S.A.B. de C.V. He previously served as Chairman of Grupo NETEC, S.A. de C.V., an educational and technical consulting company. Mr. Gómez has a bachelor's degree in system engineering from Universidad Iberoamericana and holds an MBA from The Wharton School of Business at University of Pennsylvania.

Ignacio Cayetano Cobián Villegas. Mr. Cobián has served as a member of the board of directors of Total Play since 2020. Mr. Cobián is the founder and Delegate of Tibermart, S.A. de C.V. and a member of the board of directors of TV Azteca, S.A.B. de C.V. He also was Founding Partner and Chief Executive Officer of Corteza, S.A. de C.V. Mr. Cobián has a bachelor's degree in business administration from Universidad de las Américas and a certification in business administration from the University of California in San Diego.

Corporate Governance

Board of Directors and Committees

We are managed by a board of directors comprised of a maximum of 15 members and their respective alternates and at least 25% of the members of our board of directors is required to be independent. Our by-laws require our board of directors to comply with the following: (i) to carry out their role acting diligently, in good faith and in the best interest of the company and the entities it controls, seeking to create value for the benefit of the company without favoring any shareholder or group of shareholders; (ii) to notify the president and the secretary of the board of any conflict of interests and to abstain from the discussion relating to the conflict matter; (iii) to use the assets and services of the company only for the fulfillment of its purpose and to define clear policies related to the use of those assets and services for personal purposes; (iv) to maintain confidentiality of all information that can affect the business operations as well as all discussions that take place at the Board; (v) the members and their respective alternates must keep themselves informed about the matters discussed at the Board meetings; and (vi) to support the board of directors' decisions based on the analysis of our performance, professional criteria and by qualified independent personnel.

Decisions by the board of directors will be valid when taken by the majority of its members present at scheduled meetings. In the case of a tie, the President has a tie-breaking vote.

Our by-laws require that our board of directors maintain one or more committees, each comprised of at least three directors, covering related party transactions and audit and compensation. All members of these committees must be independent members of our board of directors. The members of the Audit and Corporate Practices Committee are Mr. Sergio Gutiérrez, Mr. Gonzalo Brockmann, Mr. Marcelino Gómez and Mr. Ignacio Cobián.

Oversight of management and the conduct and performance of our business is the responsibility of the board of directors along with the Executive Committee of Total Play. The Executive Committee is comprised of members of the board of directors and executive officers, such as the Chief Executive Officer, the Chief Financial Officer and the Chief Technology Officer. Also, the head of Internal Audit of Grupo Salinas, the Director of Finance and Administration of Grupo Salinas and the Chief Financial Officer of Grupo Salinas participate on such committee. Meetings of the Executive Committee are held at least once a month in order to review and discuss matters, such as the capital structure of Total Play, management and assessment of risks of our business and products, personnel and management compensation, internal and external audits, investments and capital expenditures, changes in technology and related party transactions.

Executive Officers

The following table sets forth the names of our current executive officers, their ages as of June 30, 2021, their current positions and the year of appointment as an executive officer.

Name	Age	Position	Executive Officer Since
Eduardo Kuri Romo	51	Chief Executive Officer	2011
Alejandro Enrique Rodriguez Sánchez	44	Chief Financial Officer	2011
José Luis Rodríguez López	48	Chief Technology Officer	2012
Eduardo Ruiz Vega	50	Chief Legal Officer and Secretary of the Board of Directors (non-member)	2015
Mario Ramón Fernandez Loperena	50	Chief Commercial Officer Totalplay Residential	2020
Héctor Nava Cortinas	49	Chief Commercial Officer *Totalplay Empresarial*	2019
Oscar David Rojo Cervera	48	General Manager of the Integration Business	2018
Emilio Salas Fernandez	37	Chief Marketing Officer Totalplay Residential	2019
Karmen Valencia Cruickshank	47	Chief Marketing Officer *Totalplay Empresarial*	2016
Luis Octavio Sanchez Silva	42	Chief of Human Resources	2011

Eduardo Kuri Romo. Mr. Kuri has served as Chief Executive Officer of Total Play since 2011. Mr. Kuri also served as Chief Technology Officer and Chief Information Officer of Iusacell and TV Azteca for nine years respectively. Mr. Kuri has a bachelor's degree in electrical engineering from La Salle University as well as executive business program from the IPADE.

Alejandro Enrique Rodríguez Sánchez. Mr. Rodríguez has served as Chief Financial Officer of Total Play since 2011. Mr. Rodríguez has also served as head of treasury, income and finance teams at Grupo Salinas. Mr. Rodríguez also has a trading and securities background including at ABN AMRO. Mr. Rodríguez has a bachelor's degree in business administration from the Universidad Iberoamericana and received a master in business administration from the Hult International Business School.

José Luis Rodríguez López. Mr. Rodríguez has served as Chief Technology Officer of Total Play since 2012. Before joining Total Play, Mr. Rodríguez served for sixteen years in executive roles across Grupo Salinas business units and carrier networks. Mr. Rodríguez received a bachelor's degree in electrical engineering from the Universidad Nacional Autónoma de Mexico (UNAM) and received a master in electrical engineering from Stanford University.

Eduardo Ruíz Vega. Mr. Ruíz Vega has served as Chief Legal Officer of Total Play since 2015 and as a Secretary of the board of directors (non-member) of Total Play since 2019. Mr. Ruíz serves. Mr. Ruíz received a law degree from the Universidad Nacional Autónoma de Mexico (UNAM) as well as an LLM from the New York University School of Law.

Mario Ramón Fernández Loperena. Mr. Fernández has served as Chief Commercial Officer of Totalplay Residential since April, 2020. Mr. Fernandez has significant experience with respect to commercial management in the consumer goods and services sector. Mr. Fernández has a bachelor's degree in electrical engineering from Universidad La Salle (ULSA) and a master in business administration from Instituto Tecnológico de Monterrey (ITESM).

Hector Nava Cortinas. Mr. Nava has served as Chief Commercial Officer of *Totalplay Empresarial* since 2015. Before joining Total Play, Mr. Nava served as executive and purchasing management in Alcatel-Lucent. Mr. Nava has a bachelor's degree in electrical engineering and Communications from Instituto Tecnológico de Monterrey (ITESM) and received a master in business administration degree from the University of Phoenix.

Oscar David Rojo Cervera. Mr. Rojo has served as General Manager of Integration Business of Total Play since 2018. Before joining Total Play, Mr. Rojo served as General Manager of Sonda Mexico for nearly three years. Mr. Rojo has a bachelor in industrial engineering from Universidad Iberoamericana, and received a master in Business Administration and a certified course in Finance and Administration from Instituto Tecnológico de Monterrey (ITESM) and completed a Business Top Management Program from the IPADE.

Emilio Salas Fernandez. Mr. Salas has served as a Chief Marketing Officer of Totalplay Residential since 2019. Mr. Salas has also served for more than 10 years as a freelancer in advertising campaigns and marketing. Mr.

Salas has a bachelor's degree in political science from the Universidad Iberoamericana, a master in Administrative Law from the Universidad Panamericana, as well as a certified course in Communication and Public Opinion from the Universidad Nacional Autónoma de Mexico (UNAM).

Karmen Valencia Cruickshank. Ms. Valencia has served as a Chief Marketing Officer of *Totalplay Empresarial* since 2016. Ms. Valencia has also served in advertising campaigns, product development and marketing in principal companies as Liverpool, Linio and Palacio de Hierro. Ms. Valencia has a bachelor's degree in communications science from Instituto Tecnológico de Monterrey (ITESM) and a master in Marketing and Fashion from Fashion Institute of Technology of the State University on New York.

Luis Octavio Sánchez Silva. Mr. Sánchez has served as Chief of Human Resources of Total Play since 2011. Mr. Sánchez has extensive experience in human resources and payroll teams in principal companies of other industries in Mexico. Mr. Sánchez has a bachelor's degree on Public Accounting from Instituto Tecnológico Autónomo de México (ITAM) and a certified course on Management Skills from ITAM.

Compensation of Directors and Officers

Our total compensation for approximately 208 executive officers, key personnel and senior management was approximately Ps.421.9 million (U.S.$21.2 million) for the year ended December 31, 2020.

Our executive officers are entitled to receive annual base salaries and performance bonuses. The amount of the performance bonus and the rules applicable vary among the different business units and/or executive officers. The amounts payable under the performance bonus plan depends on the results achieved by the Company and include certain qualitative and/or quantitative objectives that relate to revenue and/or EBITDA, budgets, market share, among others. The target bonus is set at approximately two times the annual base salary.

Additionally, as of June 30, 2021, we have granted bonuses for approximately 75 management members in recognition over ten years for achieving the performance results to date. These bonuses are payable over a three-year period from 2020 to 2022.

Members of the board of directors who are not independent members do not receive compensation for their service as members of the board of directors. Independent members of the board of directors receive Ps.60,000 (approximately U.S.$3,000) for each board meeting that they attend and Ps.30,000 (approximately U.S.$1,500) for each committee meeting that they attend.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

The following table sets forth certain information concerning beneficial ownership of the common shares of Total Play ("*Common Shares*") as of June 30, 2021 with respect to each shareholder known by Total Play to beneficially own more than 5% of the outstanding Common Shares.

Shareholder	Number of Common Shares beneficially owned	Percentage
Ricardo B. Salinas Pliego[(1)]	20,641,742	97.7%

(1) All the Common Shares owned by Mr. Salinas are held by Corporación RBS. 99.99% of the capital stock of Corporación RBS is owned by Mr. Salinas.

Ricardo B. Salinas Pliego, currently has the power to determine the outcome of substantially all actions requiring shareholder approval, including the power to elect a majority of our directors and to determine whether or not dividends will be paid.

Capital Stock

The capital stock of Total Play is variable and, as of June 30, 2021 the authorized capital stock, amounted to Ps.2,379 million (U.S.$103 million). There is one class of Common Shares with full and equal voting rights and no-par value. As of June 30, 2021, there were 21,126,222 Common Shares authorized and 464,947 Common Shares outstanding.

The following table sets forth, as of June 30, 2021 certain information with respect to the capital stock:

	Number of Shares			Capital Stock[(1)]	
Series	Fixed Amount	Variable Amount	Free Subscription	Fixed	Variable
Common Shares	88,815	21,037,407	N/A	10,000	2,368,664

(1) Amounts in thousands of pesos.

Dividends

The declaration, amount and payment of dividends of Total Play are determined by majority vote of the holders of Common Shares and generally, but not necessarily, on the recommendation of the Board. Dividends are declared in the first four months of the year based on audited financial statements for the preceding fiscal year. The amount of any such dividend would depend on, among other things, the operating results, financial condition and capital requirements and general business conditions.

Under Total Play's bylaws and the Mexican General Corporate Law, the net income of the company is applied as follows:

At the annual ordinary general meeting of shareholders, the Board submits the financial statements for the previous fiscal year, together with the report thereon by the Board, to the shareholders of Common Shares for approval. Once the financial statements have been approved by the holders, they determine the allocation of net income for the preceding year. They are required by law to allocate at least 5% of such net income to a legal reserve, which is not available for distribution except as a stock dividend, until the amount of the legal reserve equals 20% of the historical capital stock (before the effect of restatement). Thereafter, the holders of Common Shares may determine and allocate a certain percentage of net income to any general or special reserve, including a reserve for open-market purchases of the shares. As of June 30, 2021, the legal reserve was Ps.183 million (U.S.$9 million).

RELATED PARTY TRANSACTIONS

Historically, Total Play has engaged, and expects to continue to engage, in a variety of transactions with its affiliates, including entities owned or controlled by Mr. Ricardo B. Salinas Pliego, our controlling shareholder. While we do not have any formal corporate governance procedures or policies that we are required to follow to ensure that transactions with affiliates are entered into on terms that are at least as favorable to us as those that would be obtainable at the time for a comparable transaction or series of similar transactions in arm's-length dealings with an unrelated third person, we do undertake a transfer pricing analysis in accordance with Mexican tax regulations to help ensure that the price paid in any such transaction is fair to us and our affiliated counterparty.

Agreements with Grupo Elektra

Total Play has entered into several contracts with indefinite duration with Grupo Elektra for the provision of voice, data, connectivity, monitoring and management of last mile equipment (broadband connection), corporate Internet, networks, fixed telephony and rental of dedicated links. The rates charged depend on the destination of the call or the link capacity.

Total Play has also entered into a series of agreements with Grupo Elektra pursuant to which Total Play provides telecommunication services to Grupo Elektra; in turn, Grupo Elektra offers Total Play payment receipt services for the services that Total Play provides to its customers, and provides administrative services and occasional short-term loans.

For these services, Total Play recorded the following transactions for the aforementioned items, for the years ended December 31, 2020, 2019 and 2018, and for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,				Year Ended December 31,			
	2021	2021	2020	2020	2020	2020	2019	2018
	(U.S.$)[1]	(Ps.)	(U.S.$)	(Ps.)	(U.S.$)[1]		(Ps.)	
	(in millions)							
	(unaudited)							
Revenues from services	12	247	12	241	23	466	348	15
Cost and expenses	(1)	(20)	(1)	(24)	(4)	(76)	(35)	(33)
Interest expense	—	—	—	—	—	—	(31)	(1)
Purchase of fixed assets	—	—	—	—	—	—	(2)	(9)
Unearned revenue	—	—	—	3	—	6	1	336

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

Agreements with TV Azteca

Total Play and TV Azteca, S.A.B. de C.V. ("*TV Azteca*") have entered into agreements, through which the parties provide to each other telecommunication services, advertising, administrative, technical, financial analysis, air taxi services, accounting, legal and financial assistance, and administration and preparation of specific plans for development, commercial, industrial or technical business and support services of the operation of each of the parties, as well as other services related to the corporate purpose of each of the parties, against payment of consideration.

Pursuant to these agreements, Total Play recorded the following transactions for these services for the years ended December 31, 2020, 2019 and 2018, and for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,				Year Ended December 31,			
	2021	2021	2020	2020	2020	2020	2019	2018
	(U.S.$)[1]	(Ps.)	(U.S.$)	(Ps.)	(U.S.$)[1]		(Ps.)	
	(in millions)							
	(unaudited)							
Revenues from services	2	31	1	17	1	16	38	71
Cost and expenses	(8)	(163)	(4)	(80)	(15)	(306)	(150)	(132)
Purchase of fixed assets	1	(15)	—	(7)	(9)	(18)	(32)	(15)
Unearned revenue	1	14	0.4	7	4	75	3	—

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

Agreements with Boff

Total Play and Procesos Boff, S. de R.L. de C.V. have entered into agreements, through which the parties provide to each other telecommunication services, and administrative services of the operation of each of the parties, as well as other services related to the corporate purpose of each of the parties, against payment of consideration.

Pursuant to these agreements, Total Play recorded the following transactions for these services for the years ended December 31, 2020, 2019 and 2018, and for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,				Year Ended December 31,			
	2021	2021	2020	2020	2020	2020	2019	2018
	(U.S.$)(1)	(Ps.)	(U.S.$)	(Ps.)	(U.S.$)(1)		(Ps.)	
				(in millions)				
		(unaudited)						
Revenues from services	—	—	—	—	—	2	2	2
Cost and expenses	(6)	(111)	(6)	(118)	(11)	(211)	(210)	(2)

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

Agreements with Totalsec

Total Play and Totalsec, S.A. de C.V. have entered into agreements, through which the parties provide to each other telecommunication services and administrative services of the operation of each of the parties, as well as other services related to the corporate purpose of each of the parties, against payment of consideration.

Pursuant to these agreements, Total Play recorded the following transactions for these services for the years ended December 31, 2020, 2019 and 2018, and for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,				Year Ended December 31,			
	2021	2021	2020	2020	2020	2020	2019	2018
	(U.S.$)(1)	(Ps.)	(U.S.$)	(Ps.)	(U.S.$)(1)	(Ps.)	(Ps.)	(Ps.)
				(in millions)				
		(unaudited)						
Revenues from services	—	—	—	—	—	—	—	—
Cost and expenses	(3)	(55)	(4)	(72)	(6)	(119)	(52)	(17)
Interest expense	—	—	—	(2)	—	(7)	(8)	(1)
Purchase of fixed assets	(4)	(71)	(3)	(55)	(4)	(76)	(127)	(112)

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

Agreements with AIA

Total Play and Arrendadora Internacional Azteca, S.A. de C.V. ("*AIA*") have entered into agreements, pursuant to which AIA provided us financing, factoring and leasing services.

Pursuant to these agreements, Total Play recorded the following transactions for these services for the years ended December 31, 2020, 2019 and 2018, and for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,				Year Ended December 31,			
	2021	2021	2020	2020	2020	2020	2019	2018
	(U.S.$)[1]	(Ps.)	(U.S.$)	(Ps.)	(U.S.$)[1]	(Ps.)	(Ps.)	(Ps.)
	(in millions)							
	(unaudited)							
Revenues from services	—	—	—	—	—	—	1	—
Cost and expenses	—	—	—	(1)	—	—	(2)	—
Interest expense	—	(8)	—	(9)	(1)	(17)	(48)	(29)
Purchase of fixed assets	(3)	(53)	(1)	(17)	—	—	(1)	—

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

Agreements with ACC

In 2021, Total Play and Azteca Comunicaciones Colombia S.A.S. ("*ACC*") have entered into a lease agreement, pursuant to which Total Play provides network equipment leasing services.

Pursuant to this agreement, Total Play recorded the following transactions for these services for the years ended December 31, 2020, 2019 and 2018, and for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,				Year Ended December 31,			
	2021	2021	2020	2020	2020	2020	2019	2018
	(U.S.$)[1]	(Ps.)	(U.S.$)	(Ps.)	(U.S.$)[1]	(Ps.)	(Ps.)	(Ps.)
	(in millions)							
	(unaudited)							
Revenues from services	1	10	—	—	—	—	—	—
Cost and expenses	—	—	—	—	—	—	—	—
Interest expense	—	5	—	—	—	—	—	—
Purchase of fixed assets	—	—	—	—	—	—	—	—

(1) Solely for the convenience of the reader, peso amounts for the six months ended June 30, 2021 and for the year ended December 31, 2020 have been translated into U.S. dollars at the Mexican Central Bank Exchange Rate published on June 30, 2021 of Ps.19.9062 per U.S.$1.00. See "Exchange Rates and Currency."

Total Play also engages in less significant transactions with other companies of Grupo Salinas that include insurance from Seguros Inbursa and banking services, such as bank accounts with Banco Azteca. From time to time, Total Play's parent company, Corporación RBS, provides collateral in the form of shares pledges for certain financing agreements. As consideration of such collateral, Total Play pays Corporación RBS between 2.00% and 2.25% of the amount collateralized.

DESCRIPTION OF PRINCIPAL EXISTING INDEBTEDNESS

As of June 30, 2021, financings totaled Ps.34,697 million (U.S.$1,743 million), which includes transaction costs of Ps.456 million (U.S.$23 million). These financings are peso-denominated, except for the Export and Import Bank of China Financing Facility Agreement, a loan from QH Productos Estructurados, S.A.P.I. de C.V., which due to the amount is included under Other Credit Facilities below and our Senior Notes due 2025. Except for the administrative attachment (*embargo administrativo*) of specific segments of our fiber-optic network related to the tax claim by the SAT and the irrevocable conveyance of Accounts Receivable Collection Rights by Total Play and Total Box to the Master Trust, our assets are unencumbered as of the date of this offering. See "The Total Play Group—Tax Proceedings."

As of June 30, 2021, Total Play's indebtedness was used to fund our expansion of the network, acquisition of subscribers, purchase of equipment, working capital and to repay outstanding debt. Such loans, debt facilities and issuances were obtained from a wide array of financial institutions, including foreign and domestic banks, non-bank financial institutions (*sociedades financieras de objeto múltiple,* or "*SOFOMs*"), *Cebures* issued through the Mexican stock exchange and our Senior Notes due 2025 issued in a transaction exempt from the registration requirements of the Securities Act, as follows:

On May 25, 2017, Total Play, together with Total Box, transferred to the Master Trust all of their respective collection rights to present and future accounts receivable related to contracts and services rendered to their respective customers in the ordinary course of their business. The Master Trust serves as a collection vehicle for the cash flows of Total Play and Total Box. Within the Master Trust certain collection rights and their related cash flows are specifically earmarked to meet debt service obligations of Total Play under several credit facilities outstanding that are supported by the Master Trust.

The amount required to pay debt service under each credit facility for a specified period of time (which ranges between 1-2 months depending on the terms of the particular credit facility) must remain in the Master Trust and all excess amounts flow to Total Play and Total Box. The indebtedness related to this Master Trust is reflected in certain credit facilities below. For reference purposes, during the month of June 2021, Ps.506 million of cash flowed through the Master Trust in connection with the Credit Facilities, representing approximately 24% of Total Play's total monthly collections for such month (such 24% being a pro forma calculation taking into account the issuance of U.S.$600 million aggregate principal amount of the Notes and repayment of a portion of Total Play's secured debt).

The main covenants of the facilities described in this section include, generally: (i) compliance with laws; (ii) compliance with periodical reports of financial information; (iii) maintenance of licenses, authorizations, concessions and permits; (iv) submission of reports and notices of any litigation, insolvency and other proceedings, including labor conflicts that may have a material adverse effect; (v) submission of notices of any, merger, material acquisition or corporate restructuring; (vi) payment of taxes; (vii) inspection rights; (viii) maintenance of financial covenants; and (ix) capital reduction. Such facilities also include, generally, events of default, such as, non-payment, misrepresentation, breaches of covenants, cross-default, among others, and standard representations and warranties.

Credit Facilities related to the Master Trust

Each credit facility described below includes as part of its structure an irrevocable administration trust that received a private trust certificate issued in its favor by the Master Trust. The private trust certificate entitles the irrevocable administration trust and, consequently, the respective lender, as first place beneficiary under such trust, to receive collections pursuant to the private trust certificate and the Master Trust. The underlying assets of the private certificate are comprised of a specific portfolio of the present and future unencumbered collection rights related to accounts receivables. Creditors under each of these facilities have a preferred claim against the Master Trust with respect to such portfolio. The main purpose of this structure is for the irrevocable administration trust to serve as a payment mechanism to service the debt under the credit agreement.

ICEL Universidad Credit Facility

On September 11, 2019, Total Play entered into a credit agreement with ICEL Universidad, S.C. The agreement was amended on January 6, 2020, on June 4, 2020 and on March 31, 2021 in order to extend the maturity

date and to set up a fixed interest rate. This credit agreement is in the amount of up to Ps.2,537 million (U.S.$127 million) at a 10% per annum fixed interest rate, payable on a monthly basis, to finance our working capital. The availability of funds under this credit agreement is discretionary on behalf of the lender. The maturity date of the facility is March 31, 2033 and it has a full amortization at maturity. As of June 30, 2021, Ps.2,537 million (U.S.$127 million) (the full amount of the facility) was outstanding under this credit agreement.

Postulando Ideas Credit Facility

On December 20, 2019, Total Play entered into a credit agreement with Postulando Ideas, S.A. de C.V. The agreement was amended on May 18, 2020, on March 31, 2021 and on April 13, 2021 in order to extend the maturity date, to set up a fixed interest rate and to increase the principal amount. This credit agreement is in the amount of up to Ps.1,197 million (U.S.$60 million) at a 10% per annum fixed interest rate, payable on a monthly basis, to finance our working capital. The availability of funds under this credit agreement is discretionary on behalf of the lender. The maturity date of the facility is March 31, 2033 and it has a full amortization at maturity. As of June 30, 2021, Ps.1,197 million (U.S.$60 million) (the full amount of the facility) was outstanding under this credit agreement.

Desarrollo JNG Coyoacán Credit Facility

On December 20, 2019, Total Play entered into a credit agreement with Desarrollo JNG Coyoacán, S.A. de C.V. The agreement was amended on May 18, 2020, on March 31, 2021 and on April 13, 2021 in order to extend the maturity date, to set up a fixed interest rate and to increase the principal amount. This credit agreement is in the amount of up to Ps.961 million (U.S.$48 million) at a 10% per annum fixed interest rate, payable on a monthly basis, to finance our working capital. The availability of funds under this credit agreement is discretionary on behalf of the lender. The maturity date of the facility is March 31, 2033 and it has a full amortization at maturity. As of June 30, 2021, Ps.961 million (U.S.$48 million) (the full amount of the facility) was outstanding under this credit agreement.

Negocios y Visión Credit Facility

On December 20, 2019, Total Play entered into a credit agreement with Negocios y Visión en Marcha, S.A. de C.V. The agreement was amended on May 18, 2020, on March 31, 2021 and on April 13, 2021 in order to extend the maturity date, to set up a fixed interest rate and to increase the principal amount. This credit agreement is in the amount of up to Ps.870 million (U.S.$44 million) at a 10% per annum fixed interest rate, payable on a monthly basis, to finance our working capital. The availability of funds under this credit agreement is discretionary on behalf of the lender. The maturity date of the facility is March 31, 2033 and it has a full amortization at maturity. As of June 30, 2021, Ps.870 million (U.S.$44 million) (the full amount of the facility) was outstanding under this credit agreement.

Interpretaciones Económicas Credit Facility

On December 20, 2019, Total Play entered into a credit agreement with Interpretaciones Económicas, S.A. de C.V. The agreement was amended on May 18, 2020, on March 31, 2021 and on April 13, 2021 in order to extend the maturity date, to set up a fixed interest rate and to increase the principal amount. This credit agreement is in the amount of up to Ps.902 million (U.S.$45 million) at a 10% per annum fixed interest rate, payable on a monthly basis, to finance our working capital. The availability of funds under this credit agreement is discretionary on behalf of the lender. The maturity date of the facility is March 31, 2033 and it has a full amortization at maturity. As of June 30, 2021, Ps.902 million (U.S.$45 million) (the full amount of the facility) was outstanding under this credit agreement.

Inmobiliaria Ciudad Sol Credit Facility

On December 20, 2019, Total Play entered into a credit agreement with Inmobiliaria Ciudad Sol Guadalajara, S.A. de C.V. The agreement was amended on May 18, 2020, on March 31, 2021 and on April 13, 2021 in order to extend the maturity date, to set up a fixed interest rate and to increase the principal amount. This credit agreement is in the amount of up to Ps.835 million (U.S.$42 million) at a 10% per annum fixed interest rate, payable on a monthly basis, to finance our working capital. The availability of funds under this credit agreement is discretionary on behalf of the lender. The maturity date of the facility is March 31, 2033 and it has a full amortization at maturity. As of June 30, 2021, Ps.835 million (U.S.$42 million) (the full amount of the facility) was outstanding under this credit agreement.

Desarrollo JNG Azcapotzalco Credit Facility

On December 20, 2019, Total Play entered into a credit agreement with Desarrollo JNG Azcapotzalco, S.A. de C.V. The agreement was amended on May 18, 2020, on March 31, 2021 and on April 13, 2021 in order to extend the maturity date, to set up a fixed interest rate and to increase the principal amount. This credit agreement is in the amount of up to Ps.888 million (U.S.$45 million) at a 10% per annum fixed interest rate, payable on a monthly basis, to finance our working capital. The availability of funds under this credit agreement is discretionary on behalf of the lender. The maturity date of the facility is March 31, 2033 and it has a full amortization at maturity. As of June 30, 2021, Ps.888 million (U.S.$45 million) (the full amount of the facility) was outstanding under this credit agreement.

Capiprom Credit Facilities

On April 8, 2020, Total Play obtained a loan from Capiprom, S.A.P.I de C.V. that was structured through the issuance of a private trust certificate under the Master Trust and in favor of Afianzadora CBL Fiducia, S.A. de C.V., as trustee of the trust F-452. The amount of the loan is of up to Ps.1,561 million (U.S.$78 million) at a TIIE plus 375 basis points per annum variable ordinary interest with a four-year maturity and amortization period. The funds obtained were used to finance general working capital expenses. As of June 30, 2021, borrowings of 1,541 million (U.S.$77 million) were outstanding under this issuance.

Export and Import Bank of China Financing Facility Agreement

On June 29, 2020, Total Play entered into a credit agreement with the Export and Import Bank of China, Shenzhen Branch up to CNY1,050 million (U.S.$163 million) at a 5.5% per annum fixed interest rate, to finance certain goods and services related to the expansion project of +2 M HP that took place during the 18 months ending June 30, 2020. The availability of funds under the credit agreement is discretionary on behalf of the lender and the facility has a seven-year maturity period and five-year amortization period. This agreement was executed by Corporación RBS, as joint obligor, and is secured by a securities pledge agreement (*contrato de prenda bursátil*) granted by Corporación RBS over Grupo Elektra shares. As of June 30, 2021, borrowings of CNY995 million (U.S.$154 million) were outstanding under this facility agreement.

Invex Credit Facility

On June 28, 2021, Total Play entered into a credit agreement with Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero. This credit agreement is in the amount of up to Ps.700 million (U.S.$35 million) at a TIIE plus 4.40% per annum variable ordinary interest rate with a four-year maturity and amortization period, payable on a monthly basis. The availability of funds under this credit agreement is discretionary on behalf of the lender. As of June 30, 2021, Ps.700 million (U.S.$35 million) (the full amount of the facility) was outstanding under this credit agreement.

***Banco del Bajío* Credit Facility**

On July 19, 2019, Total Play entered into a credit facility with Banco del Bajío, S.A., Institución de Banca Múltiple in the amount of up to Ps.1,000 million (U.S.$50 million) at a TIIE plus 225 basis points per annum, variable ordinary interest, notified by the lender prior to the only drawdown under this facility, to finance our working capital and the expansion of our operations. The availability of funds is discretionary on behalf of the lender and the facility has a five-year maturity and amortization period. The credit facility is secured by a securities pledge agreement (*contrato de prenda bursátil*) granted by Corporación RBS over Grupo Elektra shares. As of June 30, 2021, borrowings of Ps.915 million (U.S.$46 million) were outstanding under this credit facility.

Other Credit Facilities

Total Play has other credit facilities, the principal amount of which are each less than U.S.$30 million. As of June 30, 2021 Ps.2,219 million (U.S.$111 million) was outstanding under these credit facilities, of which the aggregate outstanding amount of Ps.192 million (U.S.$33 million) will be paid with the proceeds of this offering. See "Use of Proceeds."

Leases

As of June 30, 2021, we had an aggregate amount of Ps.4,576 million (U.S.$230 million) of outstanding lease liabilities.

The terms of such leases range from 36 to 48 months; the covenants include (i) compliance with laws; (ii) compliance with periodical reports of financial information; (iii) maintenance of licenses, authorizations, concessions and permits; (iv) submission of reports and notices of any litigation, proceedings, including labor conflicts that may have a material adverse effect; (v) permit inspections by the lessors; and (vi) payment of taxes; and event of default for non-payment.

As part of the structure of some of these leases, we entered into an irrevocable administration trust that received per lease a private trust certificate issued in its favor by the Master Trust. The private trust certificate entitles the irrevocable administration trust and, consequently, the lessor, as first place beneficiary under such trust, to receive collections pursuant to the private trust certificate and the Master Trust. The underlying assets of the private certificate are comprised of a specific portfolio of the present and future unencumbered collection rights. The main purpose of this structure is for the irrevocable administration trust to serve as a payment mechanism to service the debt under the leases.

The operating leases liabilities in the aggregate amount of Ps.1,809 million (U.S.$91 million) correspond to operating leases of points of sale, warehouses, headquarters and other facilities.

Cebures

On February 24, 2020, together with the Master Trust and CIBanco, S.A., Institución de Banca Múltiple, Total Play established a *Cebures* program for up to an amount of Ps.5,000 million (U.S.$251 million) pursuant to which the Master Trust irrevocably conveyed certain Accounts Receivable Collection Rights to an issuing trust for the *Cebures* program.

The first issuance of *Cebures* was through an issuing trust in a public offering in Mexico in the principal amount of Ps.2,500 million (U.S.$126 million) and consists of five-year certificates at a variable ordinary interest equal to the annual interest rate of TIIE plus 240 basis points, with interest payable on a monthly basis. The debt certificates are traded on the BIVA.

The maturity date of the *Cebures* is February 11, 2025, and the covenants in the *Cebures* include (i) compliance with laws; (ii) compliance with reports and notices to CNBV and BIVA; (iii) maintenance of licenses, authorizations, concessions and permits; and (iv) submission of reports and notices of any event of default or event of early repayment (each as defined therein). The *Cebures* also include events of default, such as non-payment, and events of early repayment, such as misrepresentations and breaches of covenants.

As of June 30, 2021, Ps.2,500 million (U.S.$126 million) of *Cebures* was outstanding under the *Cebures* program.

Senior Notes due 2025

In November 2020, Total Play issued, in a transaction exempt from the registration requirements of the Securities Act, Senior Notes due 2025 in an aggregate principal amount of U.S.$575 million. Our Senior Notes due 2025 are guaranteed by Total Box, S.A. de C.V., and bear interest at an annual rate of 7.500%, payable on a semi-annually basis.

The maturity date of our Senior Notes due 2025 is November 12, 2025. The indenture pursuant to which our Senior Notes due 2025 were issued restricts our ability to (i) make certain payments, including dividends or other distributions, (ii) incur or guarantee additional indebtedness and issue certain preferred stock, (iii) prepay or redeem subordinated debt or equity, (iv) make certain investments, (v) create or incur certain liens, (vi) create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to us, (vii) sell, lease or transfer certain assets, including the stock of restricted subsidiaries, (viii) with respect to the Issuer and the Guarantor only, consolidate or merge with other entities and (ix) engage in certain transactions with affiliates. Upon the occurrence of

a Change of Control Triggering Event we may be required to offer to repurchase our Senior Notes due 2025 at a purchase price in cash equal to 101.000% of the aggregate principal amount plus accrued and unpaid interest.

DESCRIPTION OF THE NOTES

Total Play Telecomunicaciones, S.A. de C.V. (the "*Issuer*"), a variable capital stock corporation (*sociedad anónima de capital variable*) organized under the laws of the United Mexican States ("*Mexico*"), will issue U.S.$600 million aggregate principal amount of its 6.375% Senior Notes due 2028 (the "*Notes*") under an indenture (the "*Indenture*") among the Issuer, the Subsidiaries of the Issuer that guarantee the Notes, as guarantors (the "*Guarantors*"), and The Bank of New York Mellon, as trustee (the "*Trustee*"), in a transaction exempt from the registration requirements of the U.S. Securities Act of 1933, as amended (the "*Securities Act*"). On the Issue Date, the only Guarantor will be Total Box, S.A. de C.V.

The terms of the Notes include those set forth in the Indenture. The Indenture will not incorporate or include or be subject to any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture, the Notes and the guarantees of the Issuer's obligations under the Notes and the Indenture (the "*Note Guarantees*"); however, this "Description of the Notes" section does not restate these documents in their entirety. We urge you to read the Indenture and the Notes because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture and the form of the Notes will be available as set forth under "—Additional Information."

You can find the definitions of certain terms used in this description under "—Certain Definitions." Certain defined terms used in this description but not defined under "—Certain Definitions" have the meanings assigned to them in the Indenture. Unless the context requires otherwise, references in this "Description of Notes" section to the "Notes" include the Notes and any Additional Notes that are issued under the Indenture. See "—Additional Notes."

References to "holders" mean those who have Notes registered in their names on the books that the Issuer or the Registrar maintain for this purpose, and not those who own beneficial interests in Notes issued in book-entry form through The Depository Trust Company ("*DTC*") or in notes registered in street name. Owners of beneficial interests in the Notes should refer to "—Form of Notes, Transfer and Exchange" and "Clearing and Settlement."

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes will:

- be general unsecured senior unsubordinated obligations of the Issuer;
- be initially limited to an aggregate principal amount of U.S.$600 million;
- be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to all future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Notes, if any;
- be effectively subordinated to any existing and future Indebtedness of the Issuer that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be unconditionally guaranteed by the Guarantors.

The Note Guarantees

The Notes will be guaranteed by the Guarantors set forth under "—Note Guarantees." The Note Guarantee of each Guarantor will:

- be a general unsecured senior unsubordinated obligation of that Guarantor;
- rank *pari passu* in right of payment with all existing and future Indebtedness of that Guarantor that is not subordinated in right of payment to its Note Guarantee;

- rank senior in right of payment to all existing and future Indebtedness of that Guarantor that is expressly subordinated in right of payment to its Note Guarantee, if any;
- be effectively subordinated to any existing and future Indebtedness of that Guarantor that is secured by property and assets that do not secure the Notes, to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to all obligations of that Guarantor's Subsidiaries that are not Guarantors.

As of June 30, 2021, the Issuer and the Initial Guarantor had total consolidated Indebtedness of Ps.34,697 million (U.S.$1,743 million), of which Ps.2,500 million (U.S.$126 million), corresponding to the first issuance of *Cebures,* was secured by Accounts Receivable Collection Rights. As of June 30, 2021, after giving *pro forma* effect to the offer and sale of the Notes, the Issuer and the Initial Guarantor would have had total Indebtedness of Ps.42,127 million (U.S.$2,117 million), of which Ps.2,500 million (U.S.$126 million), corresponding to the first issuance of *Cebures,* would have been secured by Accounts Receivable Collection Rights. In addition, as described under "Description of Principal Existing Indebtedness," in May 2017, the Issuer and the Initial Guarantor transferred all of their respective present and future collection rights in relation to present and future accounts receivables from the rendered services by the Issuer and the Initial Guarantor to their respective customers in the ordinary course of business to the Master Trust. The Issuer has entered into various credit facilities, each of which includes as part of its structure an irrevocable administration trust that received a private trust certificate issued in its favor by the Master Trust. The private trust certificate entitles the irrevocable administration trust and, consequently, the respective lender, as first place beneficiary under such trust, to receive collections pursuant to the private trust certificate and the Master Trust. The underlying assets of the private certificate are comprised of a specific portfolio of the present or future, unencumbered, Accounts Receivable Collection Rights. Creditors under each of these facilities have a preferred claim against the Master Trust with respect to such portfolio. See "Description of Principal Existing Indebtedness—Credit Facilities related to the Master Trust."

As of June 30, 2021, the Issuer's Subsidiaries that will not guarantee the Notes had no Indebtedness and will have no Indebtedness as of June 30, 2021 after giving *pro forma* effect to the offer and sale of the Notes.

Each Note Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions. By virtue of this limitation, a Guarantor's obligations under its Note Guarantee could be significantly less than amounts payable with respect to the Notes.

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

As at the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries" for the purposes of the Indenture. Under the circumstances (and subject to the conditions) described below under "—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries," the Issuer will be permitted to designate Restricted Subsidiaries as "Unrestricted Subsidiaries." The Issuer's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue U.S.$600 million aggregate principal amount of Notes. The Notes will mature on September 20, 2028 unless redeemed or repurchased earlier in accordance with their terms.

Interest on the Notes will accrue at the rate of 6.375% per annum. Interest on the Notes will be payable semi-annually in arrears on March 20 and September 20, commencing on March 20, 2022. The Issuer will make each interest payment to the holders of record on the immediately preceding March 10 and September 10, whether or not a Business Day.

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. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes. The initial Paying Agent will be The Bank of New York Mellon.

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*") for the Notes. The initial Registrar will be The Bank of New York Mellon. The initial Transfer Agent will be The Bank of New York Mellon. If Notes are issued in definitive, certificated form ("*Certificated Notes*"), the Registrar will maintain a register reflecting ownership of the Notes in the form of Certificated Notes outstanding from time to time and will reflect payments on and transfers of Certificated Notes on behalf of the Issuer on the register. See "—Form of Notes, Transfer and Exchange" and "Clearing and Settlement."

As of the Issue Date, the sole registered holder of the Notes will be Cede & Co., as the nominee of DTC. After any change to the register made by the Registrar, the Registrar will send a copy of the register to the Issuer, with such copy to be held by the Issuer at its registered office.

The Issuer may change the Paying Agent, the Registrar or the Transfer Agent without prior written notice to the holders. For so long as Notes are listed on the Singapore Exchange Securities Trading Limited (the "*SGX-ST*") and if the rules of the SGX-ST so require, the Issuer will notify the SGX-ST of any change of the Paying Agent, Registrar or Transfer Agent.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for Certificated Notes. In addition, in the event that a Global Note is exchanged for Certificated Notes, an announcement of such exchange shall be made by the Issuer or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore.

Additional Notes

The Issuer may issue additional Notes ("*Additional Notes*") under the Indenture having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as the Notes from time to time after the Issue Date, subject to compliance with all of the covenants in the Indenture, including the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock." The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture; *provided* that unless such Additional Notes are issued with a separate CUSIP number, ISIN or other identifying number (as applicable), such Additional Notes shall be fungible with the Notes offered hereby for U.S. federal income tax purposes.

Form of Notes, Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("*Rule 144A*") will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "*Rule 144A Global Note*"), and Notes outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act ("*Regulation S*") will initially be represented by one or more global notes in registered form without interest coupons attached (collectively, the "*Regulation S Global Note*" and, together with the Rule 144A Global Notes, the "*Global Notes*"). The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under "Transfer Restrictions."

During the "40-day Distribution Compliance Period" (as such term is defined in Rule 902 of Regulation S), Book-Entry Interests in the Regulation S Global Notes may be transferred only to non-U.S. Persons under Regulation S or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under "Transfer Restrictions."

Ownership of beneficial interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with DTC or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification

requirements summarized below and described more fully under "Transfer Restrictions." In addition, transfers of Book-Entry Interests between participants in DTC will be effected by DTC pursuant to customary procedures and subject to the applicable rules and procedures established by DTC and their respective participants.

Book-Entry Interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form to be provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S. Book-Entry Interests in the Regulation S Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Rule 144A Global Note only upon delivery by the transferor of a written certification (in the form set forth in the Indenture) to the effect that such transfer is being made in accordance with Rule 144A.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Certificated Notes are issued, they will be issued only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by DTC from the participant which owns the relevant Book-Entry Interests. Certificated Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Transfer Restrictions."

Subject to the restrictions on transfer referred to above, Notes issued as Certificated Notes may be transferred or exchanged, in whole or in part, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, to persons who take delivery thereof in the form of Certificated Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, where appropriate, furnish certain certificates and opinions, and pay any taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Certificated Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Certificated Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Certificated Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Certificated Notes; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

Additional Amounts

The Issuer will be required by Mexican law to deduct Mexican withholding taxes, and pay such taxes to the Mexican tax authorities, from payments of interest, and amounts deemed interest pursuant to Mexican law, on the Notes made to investors who are not residents of Mexico for tax purposes, and will pay additional amounts on those payments of interest to the extent described below.

All payments made by or on behalf of the Issuer under or with respect to the Notes (whether or not in the form of Certificated Notes) or any of the Guarantors with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of a Tax Jurisdiction will at any time be required to be made from any payments made by or on behalf of the Issuer under or with respect to the Notes or any of the Guarantors under or with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (the "*Additional Amounts*") as may

be necessary in order that the net amounts received in respect of such payments by each holder after such withholding or deduction (including any such withholding or deduction from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the holder or the beneficial owner of the Notes and the relevant Tax Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than the holding of such Notes, the enforcement of rights under such Notes or under a Note Guarantee or the receipt of any payments in respect of such Notes or a Note Guarantee;

(2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Certificated Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(3) any estate, inheritance, gift, sales, personal property, transfer or similar Taxes imposed with respect to the Notes or with respect to any Note Guarantee;

(4) any Taxes payable other than by withholding or deduction from payments under, or with respect to, the Notes or with respect to any Note Guarantee;

(5) any Taxes, to the extent such Taxes were imposed or withheld by reason of the failure of the holder or beneficial owner of Notes to comply with any reasonable written request of the Issuer addressed to the holder or beneficial owner, as applicable, and made at least 60 days before any such withholding or deduction would be made, to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the holder or beneficial owner is legally entitled to provide such certification or documentation;

(6) any Taxes imposed on or with respect to any payment by the Issuer or the relevant Guarantor to a holder if that holder is a fiduciary or partnership or person other than the sole beneficial owner of such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Notes;

(7) any Taxes, to the extent such Taxes were imposed pursuant to Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto; or

(8) any combination of items (1) through (7) above.

The limitations on the obligations of the Issuer and the Guarantors to pay Additional Amounts stated in item (5) above will not apply if (a) the provision of information, documentation or other evidence described in item (5) above would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a Note, taking into account any relevant differences between U.S. and Mexican law, rule, regulation or administrative practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulations (including temporary or proposed regulations) and published administrative practice, or (b) with respect to Taxes imposed by Mexico or any political subdivision or taxing authority thereof or therein, Article 166, Section II(a) of the Mexican Income Tax Law (or a substantially similar successor of such Article) is in effect, unless the provision of the information, documentation or other evidence described in item (5) above is expressly required by statute, rule or regulation in order to apply Article 166, Section II(a) of the Mexican Income Tax Law (or a substantially similar successor of such Article), the Issuer, or the relevant Guarantor, cannot obtain such information, documentation or other evidence on its own through

reasonable diligence and the Issuer otherwise would meet the requirements for application of Article 166, Section II(a) of the Mexican Income Tax Law (or such successor of such Article).

In addition, item (5) above does not require, and should not be construed as requiring, that a holder or beneficial owner certify that it is or is not a non-Mexican pension or retirement fund or a non-Mexican financial institution, for the purpose of establishing eligibility for an exemption from, or a reduction of, Mexican withholding tax or to provide information concerning whether it is or is not a tax-exempt pension or retirement fund.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify holders and beneficial owners of the Notes for any present or future stamp, issue, registration, court or documentary Taxes or any other excise or property Taxes (including any reasonable expenses related thereto) which, in each case, are levied by any Tax Jurisdiction (or, in the case of enforcement of any of the Notes or any Note Guarantee, any jurisdiction) on the execution, delivery, issuance, or registration of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or enforcement of any of the Notes or any Note Guarantee (other than on or in connection with a transfer of the Notes that is not part of the initial resale of the Notes by the Initial Purchasers).

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee, within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Issuer or such Guarantor, as the case may be, or if, notwithstanding such entity's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by such entity. Upon reasonable request, copies of Tax receipts or other evidence of payments, as the case may be, will be made available by the Trustee to the holders (for further delivery to beneficial owners) of the Notes.

Whenever in the Indenture or in this "Description of the Notes" section there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or any Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, organized, engaged in business for tax purposes, or otherwise resident for tax purposes, or any jurisdiction from or through which such Person makes any payment on the Notes (or any Note Guarantee) or, in each case, any political subdivision or taxing authority thereof or therein.

Note Guarantees

The obligations of the Issuer under the Notes and the Indenture will be guaranteed by the Guarantors. On the Issue Date, the only Guarantor will be Total Box, S.A. de C.V. (the "*Initial Guarantor*"), which is a Wholly-owned Subsidiary of the Issuer. The Note Guarantees of the Guarantors will be joint and several obligations of the Guarantors. Each Note Guarantee is a full and unconditional guarantee of the Issuer's obligations under the Notes and the Indenture, subject to the contractual limitations discussed below.

The obligations of the Guarantors will be contractually limited under the applicable Note Guarantees to reflect limitations under applicable law with respect to maintenance of share capital, corporate benefit, fraudulent conveyance and other legal restrictions applicable to the Guarantors and their respective shareholders, directors and general partners. For a description of such contractual limitations, see "Risk Factors—Risk Relating to the Notes and the Note Guarantees—Payments on the Notes and the Note Guarantees will be effectively junior to any of the Issuer's and the Guarantor's secured indebtedness and structurally junior to the debt obligations of the subsidiaries of the Issuer who do not guarantee the Notes."

Release of the Note Guarantees

The Note Guarantee of a Guarantor will be automatically released and discharged without any further action by the Issuer, the relevant Guarantor or the Trustee and such Guarantor's obligations under its Note Guarantee and the Indenture will automatically terminate and be of no further force and effect:

(1) in connection with any sale or other disposition of all or substantially all of the assets of a Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary; provided that the sale or other disposition does not violate the "Asset Sale" provisions of the Indenture;

(2) in connection with any sale or other disposition of Capital Stock of a Guarantor to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary; provided that the sale or other disposition complies with the "Asset Sale" provisions of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;

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

(4) upon Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Indenture as provided below under "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge";

(5) upon the full and final payment of the Notes and performance of all Obligations of the Issuer and the Guarantors under the Indenture and the Notes;

(6) with respect to an additional Note Guarantee given under the covenant described under "—Certain Covenants—Additional Note Guarantees," upon release of the guarantee that gave rise to the requirement to issue such additional Note Guarantee so long as no Default or Event of Default would arise as a result thereof and no other Indebtedness that would give rise to an obligation to give an additional Note Guarantee is at that time guaranteed by the relevant Guarantor; or

(7) as a result of a transaction permitted by the covenant described under "—Certain Covenants—Merger, Consolidation or Sale of Assets."

Upon any occurrence giving rise to a release of a Note Guarantee, as specified above, the Trustee, subject to receipt of an opinion of counsel and an Officer's Certificate from the Issuer and/or Guarantor certifying that all conditions to such release have been satisfied, will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Note Guarantee. Neither the Issuer, the Trustee nor any Guarantor will be required to make a notation on the Notes to reflect any such release, discharge or termination.

Optional Redemption

At any time prior to September 20, 2025, the Issuer may on any one or more occasions redeem up to 40.0% of the aggregate principal amount of Notes issued under the Indenture, upon not less than 10 nor more than 60 days' prior written notice to the holders, at a redemption price equal to 106.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but excluding) the redemption date and all Additional Amounts, if any, then due (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds of any Public Equity Offering by the Issuer; *provided* that:

(1) at least 60.0% of the aggregate principal amount of the Notes originally issued under the Indenture (excluding Notes held by the Issuer or its Affiliates) remain outstanding immediately after such redemption; and

(2) the redemption occurs within 180 days of the date of the closing of such Public Equity Offering.

At any time prior to September 20, 2025, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' prior written notice to the holders, at a redemption price equal to 100.000% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but excluding) the redemption date and all Additional Amounts, if any, then due (subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date).

On or after September 20, 2025, the Issuer may on any one or more occasions redeem all or a part of the Notes upon not less than 10 nor more than 60 days' prior written notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, to (but excluding) the redemption date and all Additional Amounts, if any, then due, on the Notes redeemed, if redeemed on or after the

dates indicated below (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date):

Price	Redemption Price
September 20, 2025	103.188%
September 20, 2026	101.594%
September 20, 2027	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Notwithstanding the foregoing, in connection with any tender offer for the Notes (including, without limitation, any Change of Control Offer or any Asset Sale Offer), if holders of Notes of not less than 90.0% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem any Notes that remain outstanding, in whole but not in part, following such purchase at a price equal to the price (excluding any early tender fee) offered to each other holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, to (but excluding) the redemption date and all Additional Amounts, if any, then due. In determining whether the holders of at least 90.0% of the aggregate principal amount of the then outstanding Notes of the relevant series have validly tendered and not validly withdrawn their Notes in a tender offer, Notes owned by the Issuer or its Affiliates, or any successor thereof, shall be deemed to be outstanding for the purposes of such tender offer.

General

Notice of redemption will be provided as set forth under "—Selection and Notice."

To the extent that the Notes are represented by Global Notes, any payment to the beneficial holders holding Book-Entry Interests as participants of a clearing system will be subject to the then applicable procedures of such clearing system.

In connection with any redemption of Notes, any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however*, that, in no case shall the notice have been delivered less than 10 days or more than 60 days prior to the date on which such redemption (if any) occurs and such delay will be no more than 60 days after the date the notice of redemption was sent), or such redemption may not occur and such notice may be modified or rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. In addition, such notice of redemption may be extended if such conditions precedent have not been satisfied or waived by the Issuer by notice to the holders (with a copy to the Trustee) and the Issuer may provide in such notice that payment of the redemption or purchase price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. Notice of any satisfaction and discharge under the Indenture may be subject to a notice period of more than 60 days, at the Issuer's discretion.

Redemption for Changes in Taxes

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 10 nor more than 60 days' prior written notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described under "—Selection and Notice"), at a redemption price equal to 100.000% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to (but excluding) the redemption date (a "*Tax Redemption Date*") and all Additional Amounts, if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts, if any, in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer or a Guarantor (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot

be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts; *provided* that the Issuer or such other Guarantor, as applicable, is legally entitled to make such payment) is or would be required to pay Additional Amounts in excess of the Additional Amounts attributable to a withholding tax rate of 4.9% ("*Excess Additional Amounts*"), and the Issuer or any Guarantor cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

(1) any amendment to, or change in, the laws or treaties (or any regulations or rulings promulgated thereunder) of a relevant Tax Jurisdiction which change or amendment becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction with respect to the Issuer or such Guarantor, as applicable, on a date after the Issue Date, such later date); or

(2) any amendment to, or change in, an official position, or the introduction of an official position, regarding the interpretation, administration or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice) which amendment, change or introduction becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction with respect to the Issuer or such Guarantor, as applicable, on a date after the Issue Date, such later date) (each of clauses (1) and (2), a "*Change in Tax Law*").

The Issuer will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Issuer or a Guarantor would be obligated to pay such Excess Additional Amounts if a payment in respect of the Notes were then due, and the obligation to pay Excess Additional Amounts must be in effect at the time such notice is given. Prior to the giving of any notice of redemption of the Notes to the holders pursuant to the Indenture as a result of a Change in Tax Law, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that obligation to pay such Excess Additional Amounts cannot be avoided by the Issuer (or the relevant Guarantor, as applicable) taking reasonable measures available to it; and (b) a written opinion of independent tax counsel to the Issuer of recognized standing which is qualified under the laws of the relevant Tax Jurisdiction to the effect that the Issuer (or the relevant Guarantor, as applicable) has or will become obligated to pay such Excess Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

Repurchase at the Option of Holders

Change of Control Triggering Event

If a Change of Control Triggering Event occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (in integral multiples of U.S.$1,000; *provided* that Notes of U.S.$200,000 or less may only be redeemed in whole and not in part) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a payment in cash equal to 101.000% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest if any, to (but excluding) the purchase date and all Additional Amounts, if any, then due on the Notes repurchased (the "*Change of Control Payment*")(subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date). Within 30 days following any Change of Control Triggering Event, the Issuer will deliver a notice to each holder of the Notes (a "*Change of Control Offer*") in accordance with the Indenture (with a copy to the Trustee), stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the "*Change of Control Payment 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 delivered, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), and any other applicable securities laws and regulations 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 Issuer will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Business Day immediately preceding the Change of Control Payment Date, the Issuer will, to the extent lawful, 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 not withdrawn.

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

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

(2) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer and the Notes properly accepted.

The Paying Agent will promptly deliver to each holder of Notes properly tendered and not withdrawn the Change of Control Payment for such Notes, and, in the case of Certificated Notes, the Trustee (or an authentication agent approved by it, upon receipt of an authentication order from the Issuer) will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer 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 provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture will not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require the borrower under our Credit Facilities to make an offer to prepay any existing lender on a "change of control." The Issuer's existing senior notes contain, and future Indebtedness of the Issuer and its Subsidiaries may also contain, prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Accordingly, prior to complying with any of the provisions of this "Change of Control" covenant, the Issuer will need to either repay all such Indebtedness or obtain the requisite consents, if any, under all agreements governing such outstanding Indebtedness to permit the repurchase of Notes required by this covenant. Moreover, the exercise by the holders of the Notes of their right to require the Issuer to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer and its Subsidiaries. Finally, the ability of the Issuer to pay cash to the holders of the Notes, and any other Indebtedness then becoming payable, upon a repurchase may be limited by its then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases. See "Risk Factors—Risks Relating to the Notes and the Note Guarantees—We may be unable to purchase the Notes upon a change of control triggering event, which would result in a default under the indenture pursuant to which the Notes will be issued."

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Triggering 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 Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described under "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control and the occurrence of a Change of Control Triggering Event; *provided* that a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Issuer and the Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the holders holding more than 50.0% of the outstanding aggregate principal amount of the Notes prior to the occurrence of a Change of Control.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will publish notices relating to the Change of Control Offer to the extent and in the manner permitted by such rules.

Asset Sales

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, consummate an Asset Sale unless:

(1) the Issuer (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 (determined at the time of contracting such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75.0% of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, the following will be deemed to be cash:

(a) any liabilities recorded on the most recent balance sheet of the Issuer or any Restricted Subsidiary (other than contingent liabilities or liabilities that are by their terms subordinated to the Notes or the Note Guarantees) that are assumed by the transferee of any such assets and as a result of which the Issuer and the Restricted Subsidiaries are no longer obligated with respect to such liabilities; and

(b) any securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents in the conversion.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Issuer or such Restricted Subsidiary) to:

(1) permanently reduce (and permanently reduce commitments with respect thereto) Secured Indebtedness of the Issuer (other than any Disqualified Stock or Subordinated Obligations) or Secured Indebtedness of a Restricted Subsidiary (other than any Disqualified Stock or Subordinated Obligations), in each case other than Indebtedness owed to the Issuer or any Affiliate of the Issuer, solely to the extent the assets that were the subject of such Asset Sale represented collateral securing such Secured Indebtedness;

(2) prepay, repay, redeem or purchase (including through open market purchases, voluntary tender offers or privately negotiated transactions at market prices) Pari Passu Indebtedness at a price of no more than 100.000% of the principal amount of such Pari Passu Indebtedness plus accrued and unpaid interest, if any, to (but excluding) the date of such prepayment, repayment, purchase or redemption; *provided* that the Issuer shall equally and ratably reduce Obligations under the Notes, as provided under "—Optional Redemption," through open market purchases at or above 100.000% of the principal amount thereof or by making a Notes Offer as provided in clause (3) below;

(3) (a) purchase Notes pursuant to an offer to all holders of the Notes at a purchase price in cash equal to at least 100.000% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but excluding) the purchase date and all Additional Amounts then due (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) (a "*Notes Offer*") or (b) redeem Notes as provided in the second or third paragraphs, as applicable, under "—Optional Redemption";

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(5) make capital expenditures;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Permitted Business;

(7) enter into a commitment approved by the Board of Directors or otherwise binding on the Issuer or such Restricted Subsidiary to apply the Net Proceeds pursuant to clause (4) or (5) of this paragraph; *provided* that such commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180th day following the expiration of the aforementioned 365-day period; or

(8) any combination of the foregoing.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in cash and Cash Equivalents.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds the greater of U.S.$50.0 million and 12.0% of Consolidated L2QA EBITDA, within 10 Business Days thereof, or at any earlier time at the Issuer's election, the Issuer will make an offer (an "*Asset Sale Offer*") to all holders of Notes and may, to the extent the Issuer so elects, make an offer to holders of Pari Passu Indebtedness to purchase, prepay or redeem with the proceeds of sales of assets the maximum principal amount of Notes and such other Pari Passu Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to (i) solely in the case of the Notes, 100.000% of the principal amount, which shall be repurchased in integral multiples of U.S.$1,000; *provided* that Notes of U.S.$200,000 or less may only be redeemed in whole and not in part; and (ii) solely in the case of any other Pari Passu Indebtedness, no greater than 100.000% of the principal amount, plus, in the case of (i) and (ii), accrued and unpaid interest and Additional Amounts, if any, to (but excluding) the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer and the Restricted Subsidiaries 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 (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, or if the aggregate principal amount of Notes tendered pursuant to an Asset Sale Offer that is an application of Net Proceeds pursuant to clause (2) of the second paragraph of this covenant exceeds the amount of the Net Proceeds so applied, Notes will be selected for purchase based on the policies and procedures of the applicable depository (or, in the case of Certificated Notes, the Issuer will select Notes for purchase on a *pro rata* basis) and such other Pari Passu Indebtedness, if applicable, to be purchased on a *pro rata* basis, based on the amounts tendered or required to be prepaid or redeemed in integral multiples of U.S.$1,000; *provided* that Notes of U.S.$200,000 or less may only be redeemed in whole and not in part. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer or a Notes Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Issuer 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.

The Issuer or a Restricted Subsidiary, as the case may be, may make an Asset Sale Offer prior to the expiration of the 365-day period mentioned in this covenant. The provisions of the Indenture relating to the Issuer's obligation to make an Asset Sale Offer may be waived or modified with the consent of holders of more than 50.0% of the outstanding aggregate principal amount of the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, Notes will be selected for redemption based on the policies and procedures of then applicable procedures of applicable depository (or, in the case of Certificated Notes, the Trustee (or the Registrar, as applicable) will select Notes for redemption on a *pro rata* basis), unless otherwise required by law or applicable stock exchange or depository requirements.

No Notes of U.S.$200,000 or less can be redeemed in part. Notices of redemption will be delivered at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed in accordance with the Indenture, except that redemption notices may be sent more than 60 days prior to a redemption date if the notice is issued in connection with a Legal Defeasance or Covenant Defeasance of the Notes or a satisfaction and discharge pursuant to 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. In the case of Certificated Notes, 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 Notes upon cancellation of the original Notes. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on such Notes or portions thereof called for redemption, unless payment is improperly withheld.

For Certificated Notes held on behalf of DTC, notices may be given by delivery of the relevant notices to DTC for communication to entitled account holders. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will notify the SGX-ST of any such redemption and the principal amount of any Notes outstanding following any partial redemption of such Notes.

Mandatory Redemption; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under "—Repurchase at the Option of Holders."

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

Certain Covenants

Limitation on Restricted Payments

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Issuer's Equity Interests or any of the Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) or to the direct or indirect holders of the Issuer's or any Restricted Subsidiary's Equity Interests in their capacity as holders (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock or Designated Preference Shares of the Issuer)), other than dividends or distributions payable to the Issuer or a Restricted Subsidiary;

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer;

(3) make any principal payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Subordinated Obligations (excluding any intercompany Indebtedness between or among the Issuer and any Restricted Subsidiaries), except (i) at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition; or

(4) make any Restricted Investment,

(all such payments and other actions set forth in the foregoing clauses (1) through (4) being collectively referred to as "*Restricted Payments*"), unless, at the time of any such Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing (or would occur as a consequence of such Restricted Payment);

(b) the Issuer would, at the time of such Restricted Payment and immediately after giving *pro forma* effect thereto, have been permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio test set forth in the first

paragraph of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and the Restricted Subsidiaries since the Issue Date (excluding Restricted Payments permitted by the next succeeding paragraph other than clauses (1) and (15) thereof), is less than the sum, without duplication, of:

(i) 100% of the Consolidated EBITDA of the Issuer for the period (taken as one accounting period) from October 1, 2020 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment *less* the product of 1.5 multiplied by the Consolidated Interest Expense for such period; *plus*

(ii) 100% of the aggregate net cash proceeds and the fair market value of marketable securities or other property received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock, Excluded Contributions and Designated Preference Shares) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case that have been converted into or exchanged for Equity Interests of the Issuer (other than Equity Interests (or Disqualified Stock, Designated Preference Shares or debt securities) sold to a Subsidiary of the Issuer); *plus*

(iii) to the extent that any Restricted Investment that was made after the Issue Date is (a) sold, disposed of or otherwise cancelled, liquidated or repaid, 100% of the aggregate amount received in cash and the fair market value of the property and marketable securities or other property received by the Issuer or any Restricted Subsidiary, or (b) made in an entity that subsequently becomes a Restricted Subsidiary, 100% of the fair market value of the Restricted Investment of the Issuer and the Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(iv) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the fair market value of the property received by the Issuer or Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such redesignation, merger, consolidation or transfer of assets, to the extent such investments reduced the Restricted Payments capacity under this clause (c) and were not previously repaid or otherwise reduced; *plus*

(v) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period; *plus*

(vi) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Issuer or a Restricted Subsidiary to any Person, an amount equal to the amount of such guarantee.

The preceding provisions will not prohibit any of the following (collectively, "*Permitted Payments*"):

(1) the payment of any dividend or the consummation of any 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) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock or Designated Preference Shares) or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for the purposes of the "Optional Redemption" provisions of the Indenture;

(3) the repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations made in exchange for, or out of the proceeds of a substantially concurrent sale or issuance of, Permitted Refinancing Indebtedness;

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations:

(a) (i) from Net Proceeds to the extent permitted under the covenant described under heading "—Repurchase at the Option of Holders—Asset Sales," but only if the Issuer shall have first complied with the terms described under such covenant and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Obligations and (ii) at a purchase price not greater than 100.000% of the principal amount of such Subordinated Obligations plus accrued and unpaid interest and any premium required by its terms;

(b) to the extent required by the agreement governing such Subordinated Obligations, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under the covenant described under "—Repurchase at the Option of Holders—Change of Control" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Obligations and (ii) at a purchase price not greater than 101.000% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by its terms; or

(c) (i) consisting of Acquired Debt (other than Indebtedness incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (b) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100.000% of the principal amount of such Subordinated Obligations plus accrued and unpaid interest and any premium required by the terms of any Acquired Debt;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary held by any current or former officer, director, employee or consultant of the Issuer or any Restricted Subsidiary pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed U.S.$5.0 million during any calendar year; *provided* that any unused amounts in any calendar year may be carried forward to the next calendar year;

(6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(7) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Issuer or any preferred stock of any Restricted Subsidiary issued on or after the Issue Date in accordance with the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock";

(8) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any Restricted Subsidiary to allow the payment of cash in lieu of the issuance of fractional shares upon (a) the exercise of options or warrants or (b) the conversion or exchange of Capital Stock of any such Person;

(9) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan, employee benefit trust or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Equity Interests of the Issuer (other than Disqualified Stock or Designated Preference Shares); *provided* that the total aggregate amount of Restricted Payments made under this clause (9) shall not exceed U.S.$5.0 million at any time outstanding;

(10) payments or distributions to dissenting shareholders pursuant to applicable law in connection with or contemplation of a merger, amalgamation, consolidation or transfer of assets that complies with the applicable provisions of the Indenture relating to mergers, amalgamations, consolidations or transfers of substantially all of a Guarantor's assets;

(11) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of its Equity Interests (other than the Issuer or any other Restricted Subsidiary) then entitled to participate in such dividends on a *pro rata* basis or otherwise in compliance with the terms of the instruments governing such Equity Interests;

(12) payments by the Issuer or any Restricted Subsidiary in an amount equal to (without duplication) amounts constituting or to be used for purposes of making payments to the extent specified in clauses (1), (4) and (5) of the second paragraph under "—Limitation on Transactions with Affiliates";

(13) Restricted Payments that are made with Excluded Contributions;

(14) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; *provided, however*, that, the amount of all dividends declared or paid pursuant to this clause (14) shall not exceed the net proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Issuer from the issuance or sale of such Designated Preference Shares;

(15) any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to any such dividend, distribution, advance, loan or other payment and any Indebtedness incurred in connection therewith does not exceed 3.00 to 1.00;

(16) payment of Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing; and

(17) other Restricted Payments in an aggregate amount not to exceed the greater of U.S.$25.0 million and 10.0% of Consolidated L2QA EBITDA in respect of any fiscal year since the Issue Date, *pro rated* for any partial fiscal year (including the fiscal year in which the Issue Date falls);

provided, however, that at the time of, and after giving effect to, any Permitted Payment under clauses (3), (4), (5), (7), (8), (9), (12), (15) and (17), no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the assets or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by Issuer acting in good faith.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment or Investment (or portion thereof) meets the criteria of more than one of the categories of Permitted Payments described in clauses (1) through (17) of the second paragraph of this covenant, or is permitted pursuant to the first paragraph of this covenant and/or one or more of the clauses contained in the definition of "Permitted Investments," the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as an Investment pursuant to one or more clauses contained in the definition of "Permitted Investments."

Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*") any Indebtedness (including Acquired Debt), and the Issuer will not issue any Disqualified Stock and will not permit any Restricted Subsidiary to issue any shares of preferred stock; *provided, however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and any Restricted Subsidiary may incur Indebtedness or issue preferred stock, if on the date on which such Indebtedness is incurred or such Disqualified Stock or preferred stock is issued, as the case may be, the Issuer's Consolidated Net Leverage Ratio would not exceed 4.50 to 1.00 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the Indebtedness had been incurred or the Disqualified Stock or preferred stock had been issued on such date.

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 under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) not to exceed U.S.$75.0 million, plus in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

(2) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clauses (1) and (3));

(3) the incurrence by the Issuer and the Guarantors of Indebtedness represented by the Notes (other than Additional Notes) and the related Note Guarantees;

(4) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness representing Capital Lease Obligations, mortgage financings, purchase money obligations or other Indebtedness incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Issuer or any Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred or issued to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (4), not to exceed the greater of U.S.$100.0 million and 25.0% of Consolidated L2QA EBITDA at any time outstanding;

(5) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) incurred under the first paragraph of this covenant or clauses (2), (3) or (12) of this paragraph or this clause (5);

(6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer or any Restricted Subsidiary; *provided* that:

    (a) if the Issuer or any Guarantor is the obligor on such Indebtedness and the obligee is not the Issuer or a Guarantor, such Indebtedness must be unsecured and ((i) except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and the Restricted Subsidiaries and (ii) only to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of

directors of officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) 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 Issuer, or the Note Guarantee, in the case of a Guarantor; 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 Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer 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 Issuer or to any other Restricted Subsidiary of preferred stock; *provided* 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 Issuer or a Restricted Subsidiary; and

(b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, 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 Issuer or any Restricted Subsidiary of Hedging Obligations not for speculative purposes (as determined in good faith by the Issuer or such Restricted Subsidiary, as the case may be);

(9) the guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this "Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock" covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Note Guarantee, then the guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(10) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of workers' compensation claims, self-insurance obligations, captive insurance companies, bankers' acceptances, performance and surety bonds in the ordinary course of business;

(11) the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within 30 Business Days;

(12) Indebtedness of (a) any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Indebtedness incurred to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or otherwise in connection with, or in contemplation of, such acquisition) or (b) the Issuer or any Restricted Subsidiary incurred in relation to any such acquisition, merger, consolidation, amalgamation or combination; *provided, however*, with respect to this clause (12), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was incurred or deemed to be incurred (x) the Issuer would have been able to incur U.S.$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 (12) calculated on a *pro forma* basis or (y) the Consolidated Net Leverage Ratio would be equal to or less than the Consolidated Net Leverage Ratio immediately prior to giving effect to such acquisition or other transaction on a *pro forma* basis;

(13) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for customary indemnification obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, incurred or assumed in connection with the

acquisition or disposition of any business or assets or Person or any Equity Interests of a Subsidiary; *provided* that the maximum liability of the Issuer and the Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by (or held in escrow as collateral for such Indebtedness for later release to) the Issuer and the Restricted Subsidiaries in connection with such disposition;

(14) Indebtedness of the Issuer and the Restricted Subsidiaries in respect of (a) letters of credit, surety, performance or appeal bonds, completion guarantees, judgment, advance payment, customs, VAT or other tax guarantees or similar instruments issued in the ordinary course of business of such Person or in respect of any governmental requirement and not in connection with the borrowing of money, including letters of credit or similar instruments in respect of self-insurance and workers compensation obligations and any reimbursement obligations incurred in connection with the foregoing, and (b) any customary cash management, cash pooling or netting or setting off arrangements, including customary credit card facilities, entered into in the ordinary course of business; *provided, however*, that upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

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

(b) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and the Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and the Restricted Subsidiaries; and

(c) Indebtedness incurred by the Issuer or a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case incurred or undertaken in the ordinary course of business;

(16) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this clause (16) and then outstanding, will not exceed 100% of the net proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such net proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (2) and (13) of the second paragraph of the covenant described under "—Limitation on Restricted Payments" to the extent the Issuer and the Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any net proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this clause (16) to the extent the Issuer or any Restricted Subsidiary uses such proceeds for purposes of making a Restricted Payment under the first paragraph or clause (2) or (13) of the second paragraph of the covenant described under "—Limitation on Restricted Payments";

(17) guarantees by the Issuer or any Restricted Subsidiary granted to any trustee of any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust scheme approved by the Board of Directors of the Issuer, so long as the proceeds of the Indebtedness so guaranteed are used to purchase Equity Interests of the Issuer (other than Disqualified Stock); *provided* that the amount of any net cash proceeds from the sale of such Equity Interests of the Issuer will be excluded from clause (c)(ii) of the first paragraph of the covenant described under "—Limitation on Restricted Payments" and will not be considered to be net cash proceeds from an Equity Offering for purposes of the "Optional Redemption" provisions of the Indenture;

(18) Indebtedness under daylight borrowing facilities incurred in connection with any refinancing of Indebtedness (including by way of set-off or exchange); *provided* that such Indebtedness does not exceed the principal amount of the Indebtedness being refinanced and the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing, so long as any such Indebtedness is repaid within five days of the date on which such Indebtedness is incurred;

(19) Indebtedness incurred by a Receivables Subsidiary in a Qualified Receivables Financing; or

(20) Indebtedness incurred by the Issuer or any Restricted Subsidiary in an aggregate principal amount at any one time outstanding under this clause (20), not to exceed the greater of U.S.$80.0 million and 20.0% of Consolidated L2QA EBITDA.

For purposes of determining compliance with this "Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock" covenant:

(1) in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (20) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Issuer, in its sole discretion, will be permitted to classify such item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such clauses and will be permitted on the date of such incurrence to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, from time to time to reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. All Indebtedness under the Credit Facilities outstanding on the Issue Date shall be deemed to have been incurred under clause (1) of the second paragraph of this covenant and may not be reclassified;

(2) guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are incurred pursuant to any Credit Facility and are being treated as incurred pursuant to clauses (1), (4) or (16) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included; and

(4) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness.

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this covenant.

For purposes of determining compliance with the definition of "Consolidated Net Leverage Ratio" on the date of any proposed incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in a different currency and cash and Cash Equivalents other than U.S. dollars shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred or, at the option of the Issuer, the date first committed, in the case of Indebtedness incurred under Credit Facilities; *provided* that (i) if such Indebtedness denominated in currency other than U.S. dollars is subject to a Currency Exchange Protection Agreement with respect to U.S. dollars the amount of such Indebtedness expressed in U.S. dollars will be calculated so as to take account of the effects of such Currency Exchange Protection Agreement; and (ii) the U.S. dollar equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date.

The principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the U.S. dollar equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:

(1) such U.S. dollar equivalent was determined based on a Currency Exchange Protection Agreement, in which case the refinancing Indebtedness will be determined in accordance with the preceding sentence and paragraph; or

(2) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the U.S. dollar equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer 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 amount of any Indebtedness outstanding as of any date will be:

(1) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

(2) the principal amount of the Indebtedness, in the case of any other Indebtedness;

(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;

(4) any "parallel debt" obligation relating to Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included; and

(5) the principal amount of any Disqualified Stock of the Issuer or preferred stock of a Restricted Subsidiary, which will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof.

Anti-Layering

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical (or more favorable) terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely (1) by virtue of being unsecured, (2) by virtue of being secured with different collateral, (3) by virtue of being secured on a junior priority basis, (4) by virtue of not being guaranteed or (5) by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness under Credit Facilities.

Limitation on Liens

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien (an "*Initial Lien*") of any kind securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, except (1) Permitted Liens; or (2) if such Lien is not a Permitted Lien, to the extent that all Obligations due under the Indenture, the Notes and the Note Guarantees are, in each case, secured on an equal and ratable basis or on a priority basis with the Obligations secured by the Initial Lien (and on a priority basis if such Obligations secured by the Initial Lien are subordinated in right of payment to either the Notes or any Note Guarantee). With respect to any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the incurrence of such Indebtedness, such Lien shall also be permitted to secure any Increased Amount of such Indebtedness. The "*Increased Amount*" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness

outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing such Indebtedness.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuer will not, and will not cause or permit any Restricted Subsidiary 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 Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;

(2) make loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Issuer or any Restricted Subsidiary; *provided* that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) any encumbrance or restriction pursuant to (a) the Indenture, the Notes or the Note Guarantees or (b) any other agreement or instrument in effect on the Issue Date;

(2) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock" and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the restrictions therein (a) are not materially less favorable to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer); or (b) would not, in the good faith determination of the Issuer, materially impair the ability of the Issuer to make payments on the Notes;

(3) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any Restricted Subsidiary 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), which encumbrance or restriction is 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; *provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;

(6) any encumbrance or restriction:

  (a) entered into in the ordinary course of business that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

  (b) contained in mortgages, pledges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges or other security agreements; or

(c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;

(7) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(8) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced as determined in good faith by the Issuer or would not in the good faith determination of the Issuer, materially impair the ability of the Issuer to make payments on the Notes;

(9) Liens permitted to be incurred under the provisions of the covenant described under "—Limitation on Liens" that limit the right of the debtor to dispose of the assets subject to such Liens;

(10) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements in the ordinary course of business (including agreements entered into in connection with an Investment), which limitation is applicable only to the assets that are the subject of such agreements;

(11) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing;

(13) any encumbrance or restriction pursuant to or ancillary to Hedging Obligations; or

(14) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (1) through (13), or in this clause (14); *provided* that the terms and conditions of any such encumbrances or restrictions are no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced or replaced or would not in the good faith determination of the Issuer, materially impair the ability of the Issuer to make payments on the Notes.

Merger, Consolidation or Sale of Assets

The Issuer

The Issuer will not (a) consolidate or merge with or into another Person (whether or not it is the surviving corporation) or (b) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties and assets as an entirety or substantially as an entirety in one or more related transactions, to another Person, unless:

(1) either: (a) the Issuer is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made is an entity organized or existing under the laws of any OECD Member, any member state of the European Union, or any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger with the Issuer (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Issuer under the Notes and the Indenture by execution of a supplemental indenture;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been

made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable annualized two consecutive fiscal quarter period (a) be permitted to incur at least U.S.$1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio test set forth in the first paragraph of the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock" or (b) have a Consolidated Net Leverage Ratio not greater than it was immediately prior to giving effect to such transaction; and

(5) the Issuer delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this covenant and that all conditions precedent in the Indenture relating to such transaction and the execution of such supplemental indenture (if any) have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Issuer or of the Person formed by or surviving any such consolidation or merger or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (as applicable) enforceable in accordance with their terms.

The Guarantors

A Guarantor will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not such Guarantor is the surviving corporation) or (2) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of such Guarantor and its Subsidiaries that are Restricted Subsidiaries as an entirety or substantially as an entirety in one or more related transactions, to another Person, unless:

(1) either:

  (a) such Guarantor is the surviving Person; or

  (b) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of such Guarantor under its Note Guarantee and the Indenture by execution of a supplemental indenture;

(2) immediately after giving *pro forma* effect to such transaction or transactions (and treating any Indebtedness which becomes an obligation of the surviving corporation as a result of such transaction as having been incurred by the surviving corporation at the time of such transaction or transactions), no Default or Event of Default exists; and

(3) the Issuer delivers to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer's Certificate and opinion of counsel, in each case, stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with this covenant and that all conditions precedent in the Indenture relating to such transaction and the execution of such supplemental indenture (if any) have been satisfied and that the Indenture and the Note Guarantee constitute legal, valid and binding obligations of the Guarantor or of the Person formed by or surviving any such consolidation and merger or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (as applicable) enforceable in accordance with their terms.

General

This "Merger, Consolidation or Sale of Assets" covenant will not apply to (a) any consolidation or merger of any Restricted Subsidiary that is not a Guarantor with and into the Issuer or a Guarantor; or (b) any consolidation or merger of any Guarantor with or into the Issuer or any other Guarantor; *provided* that, in the case of (a) and (b) and, with respect to the Issuer, the paragraph of this covenant under the caption "The Issuer" will be complied with. Clause (2) of the paragraph of this covenant under the caption "The Issuer" will not apply to any merger or consolidation of the Issuer or any Guarantor with or into an Affiliate solely for the purpose of reincorporating the Issuer or such Guarantor in another jurisdiction. Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer or any Guarantor in a transaction that is subject to, and that complies with the provisions of, this covenant, the successor Person formed by such consolidation or into or with which the Issuer or such Guarantor is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the

provisions of the Indenture referring to the "Issuer" or the "Guarantor," as applicable, shall refer instead to the successor Person and not to the Issuer or such Guarantor), and may exercise every right and power of the Issuer or such Guarantor under the Indenture and the Notes or the Note Guarantee, as applicable, with the same effect as if such successor Person had been named as the Issuer or such Guarantor, as applicable, therein; *provided, however*, that the predecessor Issuer shall not be relieved from the obligation to pay the principal of, premium on, if any, interest and Additional Amounts, if any, on, the Notes except in the case of a sale of all of the Issuer's assets in a transaction that is subject to, and that complies with the provisions of, this covenant.

Limitation on Transactions with Affiliates

The Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any services) with any Affiliate of the Issuer (any such transaction or series of related transactions being, an "*Affiliate Transaction*") involving aggregate value in excess of U.S.$10 million, unless:

(1) the Affiliate Transaction is on terms that are not materially less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate value in excess of U.S.$50.0 million, a resolution of the Board of Directors of the Issuer set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this covenant and that such Affiliate Transaction has been approved by a majority of the independent members of the Board of Directors of the Issuer, or, if there are not sufficient independent members of the Board of Directors of the Issuer to form a majority, by all of the members of the Board of Directors; and, in addition,

(3) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.$75.0 million, a written opinion of an accounting, appraisal or investing banking firm of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of related transactions is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

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) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer or any Restricted Subsidiary, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans or indemnities provided on behalf of officers, employees, directors or consultants approved or ratified by the Board of Directors of the Issuer;

(2) transactions between or among the Issuer and/or any Restricted Subsidiary, or between and among the Restricted Subsidiaries and any Receivables Subsidiary;

(3) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate;

(4) payment of reasonable and customary fees and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Issuer or any Restricted Subsidiary;

(5) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any Restricted Subsidiary is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(6) any Restricted Payment that is permitted pursuant to the covenant described under "—Limitation on Restricted Payments";

(7) any Permitted Investment (other than Permitted Investments described in clauses (3), (10) and (15) of the definition thereof);

(8) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock;

(9) transactions pursuant to, or contemplated by any agreement in effect on the Issue Date and transactions pursuant to any amendment, modification or extension to such agreement, so long as such amendment, modification or extension, taken as a whole, is not materially more disadvantageous to the holders of the Notes than the original agreement as in effect on the Issue Date;

(10) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services or providers of employees or other labor, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

(11) transactions, agreements or other arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate, in each case, which are otherwise in compliance with the terms of the Indenture; *provided* that the terms and conditions of any such transaction, agreement or other arrangement as applicable to the Issuer and the Restricted Subsidiaries are fair to the Issuer and the Restricted Subsidiaries and are on terms no less favorable to the Issuer and the Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate Transaction (in each case, as determined in good faith by the Board of Directors of the Issuer);

(12) any participation in a rights offer or public tender or exchange offer for publicly-held securities or debt instruments issued by the Issuer or any Restricted Subsidiary that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such rights, tender or exchange offer;

(13) transactions between the Issuer or any Restricted Subsidiary and any other Person that would constitute an Affiliate Transaction solely because a director of such other Person is also a director of the Issuer; *provided, however*, that such director abstains from voting as a director of the Issuer on any matter including such other Person;

(14) any transaction effected as part of a Qualified Receivables Financing; and

(15) Management Advances.

Additional Note Guarantees

The Issuer will cause each Restricted Subsidiary that:

(1) becomes a borrower under any Credit Facility or that guarantees on the Issue Date or at any time thereafter, the Obligations under any Credit Facility or any other Indebtedness of the Issuer or any Guarantor; or

(2) would meet the definition of "significant subsidiary" under Rule 1-02(w) of Regulation S-X under the Exchange Act

to promptly provide a Note Guarantee by executing and delivering to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will irrevocably and unconditionally guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest (including Additional

Amounts) in respect of the Notes on a senior unsubordinated basis and all other Obligations of the Issuer under the Indenture.

In addition, if at any time the Issuer and the Guarantors, taken together, would represent less than 90.0% of the Issuer's and its Subsidiaries' consolidated revenues or less than 90.0% of the Issuer's and its Subsidiaries' Consolidated L2QA EBITDA (calculated for these purposes only, in both such cases, by excluding any Subsidiaries that have been designated as Unrestricted Subsidiaries pursuant to the applicable provisions of the Indenture), the Issuer will promptly cause one or more Restricted Subsidiaries who are not Guarantors to become Guarantors in accordance with the preceding paragraph such that the Issuer and the Guarantors, taken together, represent at least 90.0% of the Issuer's and its Subsidiaries' consolidated revenues and at least 90.0% of the Issuer's and its Subsidiaries' Consolidated L2QA EBITDA (calculated for these purposes only, in both such cases, by excluding any Subsidiaries that have been designated as Unrestricted Subsidiaries pursuant to the applicable provisions of the Indenture).

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer 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 Issuer and the 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 under "—Limitation on Restricted Payments" or under one or more clauses of the definition of "Permitted Investments," as determined by the Issuer. 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.

Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a copy of a resolution of the Issuer's Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complies with the preceding conditions and was permitted by the covenant described under "—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 "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock," the Issuer will be in default of such covenant. The Board of Directors of the Issuer 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 (1) such Indebtedness is permitted under the covenant described under "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Reports

For so long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) On or before April 30 following the end of each of the Issuer's fiscal years (beginning with the fiscal year ending on December 31, 2021), an annual report containing the following information: (a) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X under the Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financial statements)); (c) a discussion of the results of operations, a discussion of financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and

critical accounting policies; (d) a description of the business, management and shareholders of the Issuer and material affiliate transactions; and (e) material risk factors and material recent developments that have arisen or occurred since the Issue Date or the most recent report delivered to the Trustee pursuant to this clause (1) or pursuant to clause (2) below, as the case may be;

(2) within 20 Business Days following the end of each of the Issuer's fiscal quarters (*provided* that each report relating to the fourth fiscal quarter shall be deemed to be preliminary until such time as the Issuer issues an annual report in accordance with clause (1) above), quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet of the Issuer as of the end of such quarter and unaudited condensed statements of income and cash flow of the Issuer for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Issuer, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X under the Exchange Act), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter to which such quarterly report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case, the Issuer will provide, in the case of a material acquisition, acquired company financial statements); (c) a discussion of the consolidated financial condition and results of operations of the Issuer, and any material change between the current quarterly period and the corresponding period of the prior year; and (d) material recent developments that have arisen or occurred since the Issue Date or the most recent report delivered to the Trustee pursuant to this clause (2) or pursuant to clause (1) above, as the case may be; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any change to the Chief Executive Officer, Chief Financial Officer or external auditors of the Issuer or any other material event that the Issuer or any Restricted Subsidiary announces publicly, information describing such event.

In addition, if the Issuer has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and the Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

In addition, for so long as Notes remain outstanding, the Issuer will furnish to the holders of the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) above, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer or (ii) otherwise to provide substantially comparable availability of such reports to holders (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the holders and, upon their request, prospective purchasers of the Notes. For the avoidance of doubt, there shall be no requirement to issue the information specified in clause (3) above to the Trustee if it shall already have been made publicly available under clause (a)(i) of this paragraph.

Delivery of reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Issuer's or any other person's compliance with any of its covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on the Officer's Certificates). The Trustee shall have no duty to determine whether any reports have been furnished and/or published on the website maintained for such purpose.

Appointment of Independent Directors

The Issuer will maintain the ratio of independent members to non-independent members of the Board of Directors of the Issuer at no less than four out of nine; *provided* that the Issuer will have a 90-day grace period to comply with such requirement.

Suspension of Certain Covenants when Notes Have Investment Grade Rating

If on any date following the Issue Date:

(1) the Notes have Investment Grade Rating from each of the Rating Agencies; and

(2) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating from any Rating Agency (such period, the "*Suspension Period*"), the covenants specifically listed under the following headings will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and the Restricted Subsidiaries:

(1) "—Repurchase at the Option of Holders—Asset Sales";

(2) "—Limitation on Restricted Payments";

(3) "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock";

(4) "—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(5) "—Designation of Restricted and Unrestricted Subsidiaries";

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

(7) "—Additional Note Guarantees"; and

(8) clause (4) of the first paragraph of the covenant described under "—Merger, Consolidation or Sale of Assets—The Issuer."

Such covenants and any related default provisions will again apply according to their terms from the first day on which the Notes cease to have an Investment Grade Rating from any Rating Agency. Such covenants will not, however, be of any effect with regard to the actions of Issuer and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that (1) with respect to the Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the covenant described under "—Limitation on Restricted Payments" had been in effect prior to, but not during, the Suspension Period and (2) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to clause (2) of the second paragraph under "—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Issuer shall provide an Officer's Certificate to the Trustee indicating (i) the commencement of any Suspension Period; *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective or (ii) the occurrence of the termination of any Suspension Period. The Trustee will have no obligation to (1) independently determine or verify if such events have occurred, (2) make any determination regarding the impact of actions taken during the Suspension Period on the Issuer and the Subsidiaries' future compliance with the covenants applicable to them under the Indenture or (3) notify the holders of the commencement of the Suspension Period or the termination thereof.

There can be no assurance that the Notes will ever have an Investment Grade Rating from any Rating Agency or if they are so rated, that they will maintain any such rating.

Financial Calculations

When determining the availability under any basket or ratio under the Indenture in connection with any transaction or whether such transaction is permitted under the Indenture (including, for the avoidance of doubt and without limitation, testing any incurrence or assumption of Indebtedness or Liens, the making of any Restricted Payment, Permitted Payment or Investment, any Asset Sale, any acquisition, merger, consolidation, amalgamation or other business combination and any other transaction requiring the testing of any basket based on the Consolidated L2QA EBITDA of the Issuer), the date of determination of such basket or ratio or the testing of any such transaction

and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such transaction are entered into (the "*Transaction Commitment Date Election*").

If the Issuer makes a Transaction Commitment Date Election, such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of "Consolidated Net Leverage Ratio" after giving effect to such transaction and other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they had occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction, and, for the avoidance of doubt (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated Net Income or Consolidated EBITDA of the Issuer or that arises from an asset or a target company subject to such transaction) subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions.

If the Issuer makes a Transaction Commitment Date Election, any such transactions (including any incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered into for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction. To the extent the date of determination of a basket or ratio is tested prior to the date of consummation of a transaction, such basket or ratio shall be deemed utilized to the same extent until the earlier of the date of consummation of such transaction or the date such transaction is terminated or expires without consummation, except that, in the case of an acquisition, merger or consolidation, any calculation of Consolidated EBITDA of the Issuer for purposes other than incurrences of Indebtedness or Liens shall not reflect such transaction until it has been consummated.

Events of Default and Remedies

The occurrence of any of the following will be an "*Event of Default*":

(1) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium (if any) on, the Notes, including failure to make payment to purchase Notes tendered pursuant to an optional redemption, Change of Control Offer or an Asset Sale Offer;

(3) failure by the Issuer or a Guarantor to comply with the covenant described under "—Certain Covenants—Merger, Consolidation or Sale of Assets";

(4) failure by the Issuer or a Guarantor for 60 days after written notice (i) to the Issuer by the Trustee or (ii) to the Issuer and the Trustee by the holders of at least 25.0% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of its respective agreements in the Indenture (other than a default in performance, or breach, or a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3));

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any Restricted Subsidiary (or the payment of which is guaranteed by the Issuer or any Restricted Subsidiary), whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default:

    (a) is caused by a failure to pay principal of such Indebtedness following the expiration of the grace period provided in such Indebtedness and such failure to make any payment has not been waived or the maturity of such indebtedness has not been extended (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 U.S.$80.0 million or more;

(6) failure by the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of U.S.$80.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

(7) except as permitted by the Indenture (including with respect to any limitations), any Note Guarantee of a Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary 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 Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, or any Person acting on behalf of any such Guarantor or Guarantors, denies or disaffirms its obligations under its Note Guarantee; and

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Issuer or any Guarantor that is a Significant Subsidiary or any group of Guarantors that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice or other act on the part of the Trustee or any holders of Notes. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25.0% in aggregate principal amount of the then outstanding Notes by written notice to the Issuer (and to the Trustee if such notice is given by the holders) may and the Trustee, upon the written request of such holders, shall declare all amounts in respect of the Notes to be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (5) under "Events of Default" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (5) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Subject to certain limitations, holders of more than 50.0% of the 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 the 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, interest or Additional Amounts or premium, if any.

If 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 and/or security satisfactory to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "—Amendment, Supplement and Waiver") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, 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 25.0% in aggregate principal amount of the then outstanding Notes have requested, in writing, that the Trustee pursue the remedy;

(3) such holders have offered the Trustee security and/or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such written request within 60 days after the receipt of the request and the offer of security and/or indemnity; and

(5) holders of more than 50.0% of the 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 more than 50.0% of the aggregate principal amount of the Notes then outstanding may, on behalf of the holders of all outstanding Notes, waive any past default under the Indenture and its consequences, except a continuing default in the payment of the principal of premium, if any, any Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of holders of 100.0% of the aggregate principal amount of the then outstanding Notes).

The Issuer will deliver to the Trustee annually an Officer's Certificate regarding compliance with the Indenture.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Restricted Subsidiary, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Note Guarantees or 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 applicable securities laws.

Legal Defeasance and Covenant Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ("*Legal Defeasance*") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Issuer'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 and immunities of the Trustee and the Issuer's and the Guarantors' obligations in connection therewith; and

(4) the "Legal Defeasance and Covenant Defeasance" provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Restricted Subsidiaries released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that will be 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, all Events of Default described under "—Events of Default and Remedies" (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee (or such entity designated by the Trustee for this purpose), in trust, for the benefit of the holders of the Notes, cash in U.S. dollars, non-callable U.S. dollar-denominated Government Securities or a combination of cash in U.S. dollars and non-callable U.S. dollar-denominated Government Securities, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants delivered to the Trustee, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion of United States counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. 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 Issuer must deliver to the Trustee an opinion of United States 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) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantors or others; and

(5) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes and the Note Guarantees may be amended or supplemented with the consent of the holders of more than 50.0% of the 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, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes or the Note Guarantees may be waived with the consent of the holders of more than 50.0% of the aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes).

Without the consent (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) of each holder of Notes affected, an amendment, supplement or waiver or other modification may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the percentage of 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;

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note or obligation to pay Additional Amounts;

(4) impair the right of any holder of Notes to institute suit for the enforcement of any payment of principal of and interest or Additional Amounts, if any, on such holder's Notes or the associated Note Guarantee on or after the due dates therefore;

(5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(6) make any Note payable in currency other than that stated in the Notes;

(7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;

(8) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described under "—Repurchase at the Option of Holders");

(9) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture; or

(10) make any change to the amendment and waiver provisions of the Indenture.

Notwithstanding the preceding two paragraphs, without the consent of any holder of Notes, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, the Note Guarantees or any document granting any Lien given in compliance with the covenant described under "—Certain Covenants—Limitation on Liens":

(1) to cure any ambiguity, defect or inconsistency;

(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 Code);

(3) to provide for the assumption of the Issuer's or a Guarantor's obligations under the Indenture, the Notes and the Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such 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 in any material respect;

(5) to conform the text of the Indenture, the Note Guarantees or the Notes to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees and the Notes;

(6) to release any Note Guarantee in accordance with the terms of the Indenture;

(7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(8) to allow any Guarantor to provide a Note Guarantee with respect to the Notes; or

(9) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture.

The consent of the holders of Notes will not be necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, the Trustee shall be entitled to rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officer's Certificate. The Trustee may, but shall not be obligated to, enter into any supplement or agree to any amendment that affects the Trustee's own rights, duties or immunities under the Indenture.

For the avoidance of doubt, no amendment to or deletion of, or actions taken in compliance with, the covenants contained in the Indenture shall be deemed to impair or affect any rights of holders of the Notes to receive payment of principal of, or premium, if any, or interest, on the Notes.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder (except as to surviving rights), when:

(1) either:

(a) all Notes that have been authenticated and delivered, 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 Issuer or discharged from such trust as provided for in the Indenture, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Paying Agent for cancellation have become due and payable by reason of the publication of a notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer or otherwise or will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose)

as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable U.S. dollar-denominated Government Securities or a combination of cash in U.S. dollars and non-callable U.S. dollar-denominated Government Securities, in amounts as will be sufficient, without consideration of any reinvestment of interest, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants delivered to the Trustee to pay and discharge the entire Indebtedness on the Notes not delivered to the Paying Agent for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(2) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer and the Guarantors under the Indenture; and

(3) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money and/or proceeds of non-callable U.S. dollar-denominated Government Securities toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of independent counsel to the Trustee stating that all conditions precedent in the Indenture relating to satisfaction and discharge of the Indenture have been satisfied and such satisfaction and discharge will not result in a breach or violation of, or constitute a default under, the Indenture; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

Judgment Currency

Any payment on account of an amount that is payable in U.S. dollars which is made to or for the account of any holder or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of U.S. dollars that such holder or the Trustee, as the case may be, could purchase with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of U.S. dollars that could be so purchased is less than the amount of U.S. dollars originally due to such holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this provision or under any judgment or order.

Concerning the Trustee

The Issuer shall promptly deliver an Officer's Certificate to the Trustee after becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture will limit the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however,* if it acquires any conflicting interest (within the meaning of the U.S. Trust Indenture Act of 1939, as amended) it must eliminate such conflict within 90 days or resign as Trustee.

The holders of more than 50.0% of the 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. The Indenture will provide that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in the conduct of his own affairs. 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/or indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors will jointly and severally indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with its duties and/or the exercise of its rights.

Listing

Application has been made with the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, there can be no assurance that the Issuer will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST. The Notes will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) as long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Additional Information

Holders and prospective holders who receive this Offering Memorandum may, following the Issue Date, obtain a copy of the Indenture and the form of Note without charge by writing to the Issuer at is address set forth under "Available Information."

Governing Law

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation System as its agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since substantially all of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, may not be collectable within the United States. See "Service of Process and Enforcement of Civil Liabilities."

Prescription

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

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.

"*Accounts Receivable Collection Rights*" means collection rights (*derechos de cobro*) for present or future accounts receivable.

"*Acquired Debt*" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"*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.

"*Applicable Premium*" means, with respect to any Notes on any redemption date, the greater of:

(1) 1.0% of the principal amount of such Notes; or

(2) the excess of:

 (a) the present value at such redemption date of (i) the redemption price of such Notes at September 20, 2025 (such redemption price being set forth in the table appearing under "—Optional Redemption"), plus (ii) all required interest payments due on such Note through September 20, 2025 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

 (b) the principal amount of such Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer may engage.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Issuer or any Restricted Subsidiary; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described under "—Repurchase at the Option of Holders—Change of Control" and/or the provisions described under "—Certain Covenants—Merger, Consolidation or Sale of Assets" and not by the provisions described under "—Repurchase at the Option of Holders—Asset Sales"; and

(2) the issuance of Equity Interests by any Restricted Subsidiary or the sale by the Issuer or any Restricted Subsidiary of Equity Interests in any Subsidiary of the Issuer (in each case, other than directors' qualifying shares).

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 or Equity Interests having a fair market value of less than U.S.$15.0 million;

(2) a transfer of assets or Equity Interests between or among the Issuer and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;

(4) the sale, lease or other transfer of accounts receivable, Accounts Receivable Collection Rights, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets or assets disposed of in connection with any decommissioned sites or assets that are no longer useful in the conduct of the business of the Issuer and the Restricted Subsidiaries;

(5) licenses and sublicenses by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described under "—Certain Covenants—Limitation on Liens";

(8) the sale or other disposition of cash or Cash Equivalents;

(9) a Restricted Payment that does not violate the covenant described under "—Certain Covenants—Limitation on Restricted Payments," a Permitted Investment or any transaction specifically excluded from the definition of "Restricted Payments" or, solely for purposes of the second paragraph under "—Repurchase at the Option of Holders—Asset Sales," asset sales, the proceeds of which are used to make such Restricted Payments (in accordance with the covenant described under "—Certain Covenants—Limitation on Restricted Payments") or Permitted Investments;

(10) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(11) the foreclosure, condemnation or any similar action (including as a result of a seizure, expropriation, nationalization, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or the foreclosure of any asset or property subject to a Lien incurred in compliance with the covenant described under "—Certain Covenants—Limitation on Liens") with respect to any property or other assets or a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets; and

(13) sales or dispositions of receivables or Accounts Receivable Collection Rights (or participations or beneficial interests in receivables or Accounts Receivable Collection Rights) in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), (i) such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "*Beneficially Owns*," "*Beneficially Owned*" and "*Beneficial Ownership*" have corresponding meanings.

"*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 or any committee thereof duly authorized to act on behalf of such board;

(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, Sunday or other day on which banking institutions in New York, New York or Mexico City, Mexico are authorized or required by law to close.

"*Capital Lease Obligation*" means any lease that, pursuant to IFRS, are required to be recognized on the balance sheet of any Person.

"*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), shares 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) U.S. dollars, or in the case of the Issuer and any Restricted Subsidiary organized in Mexico, pesos, or in the case of any Restricted Subsidiary organized in Colombia, Colombian pesos, in each case held by it from time to time in the ordinary course of business;

(2) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality of the United States (*provided* that the full faith and credit of the United States is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(3) marketable general obligations issued by any state of the United States or any political subdivision or any such state or any public instrumentality thereof maturing within one year from the date of acquisition and, at the time of acquisition, having a credit rating of at least "A" or the equivalent thereof by S&P or Moody's, or carrying an equivalent rating by a nationally recognized Rating Agency, if both S&P and Moody's cease publishing ratings of investments;

(4) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by (i) any commercial bank the long-term debt of which is rated at the time of acquisition thereof at least "A" or the equivalent thereof by S&P or Moody's, or carrying an equivalent rating by a nationally recognized Rating Agency, if both S&P and Moody's cease publishing ratings of investments, and having combined capital and surplus in excess of U.S.$500.0 million or (ii) Banco Azteca, S.A., Institución de Banca Múltiple;

(5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2), (3) and (4) above entered into with any bank meeting the qualifications specified in clause (4)(i) above or identified in clause (4)(ii) above;

(6) commercial paper having a rating at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's, or carrying an equivalent rating by a nationally recognized Rating Agency, if both S&P and Moody's cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(7) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (6) above.

"*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 Issuer and its Subsidiaries, taken as a whole, to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than one or more Permitted Holders (other than any such sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Issuer to an Affiliate of the Issuer for the purpose of reincorporating the Issuer in another jurisdiction; *provided* that such transaction complies with the covenant described under "—Certain Covenants—Merger, Consolidation or Sale of Assets");

(2) the adoption of a plan relating to the liquidation or dissolution of the Issuer; or

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above)), other than one or more Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50.0% of the Voting Stock of the Issuer, measured by voting power rather than number of shares.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline.

"*Consolidated EBITDA*" means, with respect to any specified Person for any period, the Consolidated Net Income of such Person and its Subsidiaries which are Restricted Subsidiaries for such period plus the amounts in the following clauses (1) through (9) to the extent deducted in calculating such Consolidated Net Income and minus the amounts in the following clauses (10) and (11) to the extent included in calculating such Consolidated Net Income, without duplication:

(1) provision for current and deferred taxes based on income or profits of such Person and its Subsidiaries which are Restricted Subsidiaries for such period; *plus*

(2) without double counting, the Consolidated Interest Expense of such Person and its Subsidiaries which are Restricted Subsidiaries for such period and Receivables Fees; *plus*

(3) depreciation, amortization (including, without limitation, amortization of intangibles, subscriber acquisition costs and deferred financing fees) and other non-cash charges and expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and the Restricted Subsidiaries for such period) of the Issuer and the Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; *plus*

(4) any expenses, charges or other costs related to the issuance of any Capital Stock, any Permitted Investment, acquisition, disposition, recapitalization, listing or the incurrence of Indebtedness permitted to be incurred under the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock" (including refinancing thereof) whether or not successful, including (a) such fees, expenses or charges related to any incurrence of Indebtedness issuance and (b) any amendment or other modification of any incurrence; *plus*

(5) any foreign currency translation losses (including losses related to currency remeasurements of Indebtedness) of the Issuer and the Restricted Subsidiaries; *plus*

(6) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "—Certain Covenants—Limitation on Transactions with Affiliates"; *plus*

(7) the amount of any minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-Wholly-Owned Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Equity Interests held by such parties; *plus*

(8) loss on revaluation of derivative financial instruments; *plus*

(9) any foreign currency translation gains (including gains related to currency re-measurements of Indebtedness) of the Issuer and the Restricted Subsidiaries; *minus*

(10) any extraordinary, exceptional or unusual gain; *minus*

(11) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (10) of the definition of "Consolidated Net Income"), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and the Restricted Subsidiaries, whether paid or accrued, including any pension liability interest cost, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capital Lease Obligations;

(2) amortization of debt discount, debt issuance cost and premium;

(3) non-cash interest expense;

(4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;

(5) costs associated with Hedging Obligations;

(6) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all preferred stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer;

(7) any consolidated interest expense that was capitalized during such period; and

(8) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

Notwithstanding any of the foregoing, Consolidated Interest Expense shall not include any commissions, discounts, yield and other fees and charges related to a Qualified Receivables Financing.

"*Consolidated L2QA EBITDA*" means the product of (x) the Consolidated EBITDA of the Issuer for the most recently ended two consecutive fiscal quarters for which internal financial statements are available immediately preceding any calculation date, multiplied by (y) 2.0.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(1) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph under "—Certain Covenants—Limitation on Restricted Payments," any net income of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer (or any Guarantor that holds the Equity Interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture or that are not prohibited pursuant to the covenant described under "—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries," (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favorable to the holders of the Notes than such restrictions in effect on the Issue Date or (d) restrictions pursuant to applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any Guarantor or the Issuer), to the limitation contained in this clause (2));

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;

(4) any one time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;

(5) the cumulative effect of a change in accounting principles will be excluded;

(6) any extraordinary, exceptional or nonrecurring gains or losses or any charges in respect of any restructuring, redundancy or severance (in each case, as determined in good faith by the Issuer) will be excluded;

(7) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(8) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;

(9) any goodwill or other intangible asset impairment charges will be excluded; and

(10) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded.

"*Consolidated Net Leverage*" means, as of any date of determination, the sum, expressed in U.S. dollars, of the aggregate principal amount of outstanding Indebtedness of the Issuer and the Restricted Subsidiaries on a consolidated basis (excluding Hedging Obligations), *less* cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis on that date of determination. The U.S. dollar equivalent of the principal amount of Indebtedness denominated in a different currency and cash and Cash Equivalents other than U.S. dollars shall be calculated based on the applicable provisions of the covenant described under "—Certain Covenants— Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock."

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (a) the Consolidated Net Leverage on such date to (b) the Consolidated L2QA EBITDA of the Issuer and the Restricted Subsidiaries; *provided* that, in the event that the Issuer or any Restricted Subsidiary incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) subsequent to the commencement of the period for which Consolidated L2QA EBITDA is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then Consolidated L2QA EBITDA will be calculated giving *pro forma* effect (as determined in good faith by an Officer of the Issuer responsible for accounting or financial reporting) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period and may give effect to cost savings or cost reduction synergies that have occurred.

In addition, for purposes of calculating Consolidated L2QA EBITDA for such period:

(1) acquisitions that have been made by the Issuer or any Restricted Subsidiary, including through mergers or consolidations, or by any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any Restricted Subsidiary, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the annualized two consecutive-fiscal quarter reference period or subsequent to such reference period and on or prior to the relevant Calculation Date, or that are to be made on the relevant Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated cost synergies and expense and cost reductions) as if they had occurred on the first day of the annualized two consecutive-fiscal quarter reference period;

(2) if since the beginning of such two consecutive fiscal quarter reference period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "*Sale*") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated L2QA EBITDA for such period will be reduced by an amount equal to the Consolidated L2QA EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if

positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(3) any Person that is a Restricted Subsidiary on the relevant Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such two consecutive fiscal quarter reference period; and

(4) any Person that is not a Restricted Subsidiary on the relevant Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such two consecutive fiscal quarter reference period.

"*Consolidated Secured Net Leverage Ratio*" means, as of any date of determination, with respect to any specified Person, the Consolidated Net Leverage Ratio of such Person calculated in respect of such Person's Secured Indebtedness in lieu of Indebtedness.

"*Consolidated Tangible Assets*" means, with respect to any Person, as of any date, the Total Assets of such Person and its Subsidiaries less goodwill and intangibles (other than intangibles arising from, or relating to, intellectual property, licenses, frequencies or permits of such Person), in each case calculated in accordance with IFRS based upon the most recent internal financial statements available as of such date; *provided* that in the event that such Person or any of its Subsidiaries assumes or acquires any assets in connection with the transaction for which Consolidated Tangible Assets is being calculated, then Consolidated Tangible Assets will be calculated giving *pro forma* effect to such assumption or acquisition of assets, as if the same had occurred at the beginning of the applicable period.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that, in each case, does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

 (a) for the purchase or payment of any such primary obligation; or

 (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Credit Facility*" means, one or more debt facilities, instruments or arrangements incurred or commercial paper facilities and overdraft facilities or indentures or trust deeds or note purchase agreements, in each case, with banks, other institutions, funds or investors, providing for revolving credit loans, term loans, performance guarantees, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit, bonds, notes debentures or other corporate debt instruments or securities or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether or not with the original administrative agent, banks, lenders and other investors or another administrative agent or agents or trustees or other banks, lenders, investors or institutions or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facilities" shall include any agreement or instrument (1) changing the maturity of any Indebtedness incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (3) increasing the amount of

Indebtedness incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Exchange Protection Agreement*" means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

"*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.

"*Designated Preference Shares*" means, with respect to the Issuer, preferred stock (other than Disqualified Stock) (1) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (2) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the net proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments."

"*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, (1) 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 six-month anniversary of the date that the Notes mature or (2) provides for, either mandatorily or at the option of the holder of the Capital Stock, the payment of dividends or distributions (other than in the form of Equity Interests that are not Disqualified Stock). 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 issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under "—Certain Covenants—Limitation on Restricted Payments." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein.

"*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 any sale of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer pursuant to which the net cash proceeds are contributed to the Issuer in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock) of the Issuer.

"*Excluded Contributions*" means the net cash proceeds, property or assets received by the Issuer after the Issue Date from:

(1) contributions to its Equity Interests; and

(2) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer,

in each case designated as "Excluded Contributions" pursuant to an Officer's Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received by the Issuer), the net cash proceeds of which are excluded from the calculation set forth in the clause (c)(ii) of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments."

"*fair market value*" wherever such term is used in this "Description of Notes" or the Indenture (except as otherwise specifically provided in this "Description of Notes" section or the Indenture), is as determined in good faith by the Issuer's Chief Executive Officer or Chief Financial Officer or a responsible accounting or financial officer of the Issuer.

"*Fitch*" means Fitch Ratings Ltd.

"*Government Securities*" means direct non-callable and non-redeemable obligations of, or obligations guaranteed by the United States government, and the payment for which the United States government pledges its full faith and credit.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, of all or any part of any Indebtedness (whether arising by agreements to keep-well, to take or pay or to maintain financial statement conditions, pledges of assets or otherwise).

"*Guarantors*" means the Subsidiaries of the Issuer that guarantee the Notes, including the Initial Guarantor and any other Person that provides a Note Guarantee in accordance with the provisions of the Indenture, and their 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.

"*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, including Currency Exchange Protection Agreements, or commodity prices.

"*IFRS*" means International Financial Reporting Standards or any variation thereof with which the Issuer complies as in effect on the Issue Date or, with respect to the covenant described under "—Certain Covenants—Reports," as in effect from time to time. Except as otherwise set forth in the Indenture, all ratios, calculations and determinations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables):

(1) in respect of borrowed money;

(2) evidenced by bonds, debentures, notes, loan stock, commercial paper, acceptance credits, letters of credit, bills or promissory notes drawn, accepted, endorsed or issued by such Person (but not Trade Instruments);

(3) representing non-contingent obligations of such Person to reimburse any other Person for amounts paid by that Person under a letter of credit or similar instrument (excluding any letters of credit or similar instrument incurred and payable in the ordinary course of business and excluding any such obligations that are satisfied within 365 days of the date such obligations were incurred);

(4) representing Capital Lease Obligations;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than one year after such property is acquired or such services are completed;

(6) representing any Hedging Obligations in respect of interest rate or currency hedging; and

(7) the principal component of all obligations, or liquidation preferences, with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any preferred stock (but excluding, in each case, any accrued dividends),

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS.

In addition, the term "Indebtedness" includes (i) 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); *provided* that to the extent such Indebtedness is not assumed by the specified Person, the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at the date of determination and (b) the amount of such Indebtedness, and (ii) to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

The term "Indebtedness" shall not include:

(1) Contingent Obligations incurred in the ordinary course of business;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or other financial metric or such payment depends on the performance of such business after the closing;

(3) purchase price hold-backs in respect of a portion of the purchase price of an asset to satisfy warranty claims or other nonperforming obligations of the seller;

(4) obligations under or in respect of a Qualified Receivables Financing to the extent such obligations (other than Standard Securitization Undertakings) are non-recourse to the Issuer or any Restricted Subsidiary; or

(5) for the avoidance of doubt, any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

"*Investment Grade Rating*" means "Baa3" or better by Moody's, "BBB-"or better by S&P and "BBB-" or better by Fitch (or, if any such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency).

"*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 of Indebtedness, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel 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 of another Person, together with all items that are or would be classified as Investments on a balance sheet (excluding the footnotes) prepared in accordance with IFRS.

If the Issuer 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 Restricted Subsidiary, the Issuer 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 Issuer'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 under "—Certain Covenants—Limitation on Restricted Payments." The acquisition by the Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person in an amount equal to the fair market value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described under "—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 and, to the extent applicable, shall be determined based on the equity value of such Investment.

"*Issue Date*" means September 20, 2021.

"*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 or any lease in the nature thereof.

"*Management Advances*" means loans or advances not exceeding U.S.$5.0 million in aggregate amount outstanding at any time, and in each case made to, or guarantees with respect to loans or advances made to, directors, officers or employees of the Issuer or any Restricted Subsidiary: (1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business; (2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or (3) otherwise in the ordinary course of business.

"*Moody's*" means Moody's Investors Service, Inc.

"*Net Proceeds*" means the aggregate cash proceeds received by the Issuer or any Restricted Subsidiary in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or Cash Equivalents substantially concurrently received in any Asset Sale), net of (1) the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, (2) taxes paid or payable as a result of the Asset Sale, (3) all distributions and other payments required to be made to minority interest holders (other than the Issuer or any of its Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Sale, (4) any reserve for adjustment or indemnification obligations in respect of the sale price of such asset or assets established in accordance with IFRS, and (5) all payments made on any Indebtedness incurred pursuant to clause (4) of the definition of "Permitted Debt" secured by any assets subject to such Asset Sale, as required in accordance with the terms of any Lien upon such assets, or which by applicable law is required be repaid out of the proceeds from such Asset Sale.

"*Non-Recourse Debt*" means Indebtedness as to which neither the Issuer nor any Restricted Subsidiary (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (2) is directly or indirectly liable as a guarantor or otherwise.

"*Obligations*" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"*OECD Member*" means any member country of the Organisation for Economic Co-Operation and Development as of the Issue Date.

"*Offering Memorandum*" means this offering memorandum, dated September 13, 2021, relating to the sale of the Notes.

"*Officer*" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, a member of the Board of Directors, a manager or a responsible accounting or financial officer of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by an Officer of such Person.

"*Pari Passu Indebtedness*" means (1) with respect to the Issuer, any Indebtedness that ranks *pari passu* in right of payment to the Notes and (2) with respect to a Guarantor, any Indebtedness that ranks *pari passu* in right of payment to the Note Guarantee of such Guarantor.

"*Permitted Business*" means (1) any businesses activities engaged in by the Issuer or any of its Subsidiaries on the Issue Date and (2) any businesses, services and activities engaged in by the Issuer or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Permitted Holders*" means Ricardo B. Salinas Pliego, his spouse, his children and any Affiliates of the foregoing. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investments*" means:

(1) any Investment in the Issuer or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer 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 Issuer 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 under "—Repurchase at the Option of Holders—Asset Sales";

(5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;

(6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary, 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 or foreclosure of Liens;

(7) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(8) Investments represented by Hedging Obligations, which obligations are permitted by clause (8) of the second paragraph under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock";

(9) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary (other than Indebtedness constituting Subordinated Obligations);

(10) any guarantee of Indebtedness permitted to be incurred by the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock";

(11) guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course of the business of the Issuer and the Restricted Subsidiaries, including obligations under licenses, concessions or operating leases related to the ordinary course of the business of the Issuer and the Restricted Subsidiaries;

(12) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date by the Issuer or any Restricted Subsidiary and any Investment consisting of an extension, modification or renewal of any such Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(13) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary in a transaction that is not prohibited by the covenant described under "—Certain Covenants—Merger, Consolidation or Sale of Assets" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(14) any Investment to the extent made using as consideration Capital Stock of the Issuer (other than Disqualified Stock); and

(15) other Investments in any Person 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 (15) that are at the time outstanding not to exceed the greater of (a) U.S.$75.0 million and (b) 25.0% of Consolidated L2QA EBITDA at any time outstanding; *provided* that if an Investment is made pursuant to this clause (15) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "—Certain Covenants—Limitation on Restricted Payments," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (3) of this definition of Permitted Investments and not this clause (15).

"*Permitted Liens*" means:

(1) Liens in favor of the Issuer or any Restricted Subsidiary;

(2) Liens on property (including Capital Stock) of a Person existing at the time such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted

Subsidiary; *provided* that such Liens do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary or is merged with or into or consolidated with the Issuer or any Restricted Subsidiary;

(3) Liens to secure the performance of statutory obligations, trade contracts, insurance, surety or appeal bonds, workers compensation obligations, leases (including, without limitation, statutory and common law landlord's liens), performance bonds, surety and appeal bonds or other obligations of a like nature incurred (including Liens to secure letters of credit issued to assure payment of such obligations) or Liens in connection with bids, tenders, contracts or leases to secure licenses, public or statutory obligations, in each case, incurred in the ordinary course of business;

(4) Liens securing Indebtedness under Hedging Obligations, which obligations are permitted by clause (7) of the second paragraph under "—Certain Covenants— Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock";

(5) Liens existing on the Issue Date;

(6) Liens for taxes, assessments or governmental charges or claims that (a) are not yet due and payable or (b) are being contested in good faith and for which adequate reserves have been made in accordance with IFRS;

(7) any Liens imposed by the operation of law in the ordinary course of business;

(8) 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 and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(9) Liens created for the benefit of (or to secure) the Notes or the Note Guarantees;

(10) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;

(11) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (1) or (30) of this definition) permitted to be incurred under the Indenture; *provided, however*, that:

  (a) the new Lien is 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 (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(12) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(13) Liens arising in favor of the Trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred; *provided, however*, that such Liens are solely for the benefit of the trustees, agents or representatives in their capacities as such and not for the benefit of the holders of the Indebtedness;

(14) bankers' Liens, rights of setoff or similar rights and remedies as to deposit accounts, Liens arising out of judgments or awards not constituting an Event of Default and notices of *lis pendens* and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(15) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;

(16) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(17) leases (including operating leases), licenses, subleases and sublicenses of assets in the ordinary course of business;

(18) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of assets entered into in the ordinary course of business;

(19) (a) mortgages, liens, security interests, pledges, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary (including any rental deposits) and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) (a) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities; or (b) Liens in connection with specified bank accounts (and cash therein) in connection with the incurrence and repayment of Indebtedness under any daylight facilities permitted to be incurred under the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock";

(22) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(23) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer or any Restricted Subsidiary' business or operations as Liens only for Indebtedness to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(24) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15.0% of the net proceeds of such disposal;

(25) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(26) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;

(27) Liens (a) on escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in the case of each of clause (a) and (b), to the extent such cash or government securities prefund the payment of interest on such Indebtedness or the or the escrowed proceeds are held pending satisfaction of conditions precedent and are held in an escrow account or similar arrangement to be applied for such purpose;

(28) Liens (a) on Receivables Assets incurred in connection with a Qualified Receivables Financing or Liens securing Indebtedness or other obligations of a Receivables Subsidiary or (b) securing Indebtedness or other financing arrangements described in clause (20)(b) of the second paragraph

of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock";

(29) Liens on property or assets of a Restricted Subsidiary that is not a Guarantor to secure Indebtedness of such Restricted Subsidiary or any other Restricted Subsidiary that is not a Guarantor;

(30) Liens securing Indebtedness permitted to be incurred pursuant to the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock"; *provided* that at the time such Lien is incurred, and after taking account thereof, the Consolidated Secured Net Leverage Ratio shall not exceed 3.00 to 1.00; and

(31) Liens incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary securing Indebtedness of the Issuer and the Restricted Subsidiaries that does not exceed at the time the Lien is incurred, and after taking account thereof, the greater of U.S.$80.0 million and 5.0% of Consolidated Tangible Assets at any one time outstanding.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Issuer or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, exchange, defease or discharge other Indebtedness of the Issuer or any Restricted Subsidiary (other than intercompany Indebtedness); *provided* that:

(1) the aggregate principal amount (or accreted value, if applicable), or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, 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) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged is expressly, contractually subordinated in right of payment to the Notes or a Note Guarantee, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes or such Note Guarantee, as the case may be, 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, exchanged, defeased or discharged; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer or a Guarantor.

Permitted Refinancing Indebtedness in respect of any Indebtedness may be incurred from time to time after the termination, discharge or repayment of any such Indebtedness.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Public Equity Offering*" means, with respect to any Person, a *bona fide* public offering of the ordinary shares or common equity of such Person (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

"*Qualified Receivables Financing*" means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests in accounts receivable or Accounts Receivable Collection Rights) and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by an Officer or the Board of Directors of the Issuer), and (3)

the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests in accounts receivable or Accounts Receivable Collection Rights) of the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) to secure Indebtedness under Credit Facilities or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

"*Rating Agencies*" means Moody's, S&P and Fitch (or, if any such entity ceases to rate the Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency).

"*Rating Decline*" means the occurrence, at any time within 90 days after the earlier of the date of public notice of the occurrence of a Change of Control or of the Issuer's intention to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies), of any of the following events expressly stated by the applicable Rating Agency to have been as a result of such Change of Control (i) in the event the Notes have an Investment Grade Rating by at least two of the Rating Agencies on the date of such public notice, the rating of the Notes by at least two Rating Agency shall be below an Investment Grade Rating; (ii) in the event the Notes have an Investment Grade Rating by any, but not two or more, of the Rating Agencies on the date of such public notice, the rating of the Notes by such Rating Agency will be changed to below an Investment Grade Rating; or (iii) in the event the Notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by at least two Rating Agency shall be decreased by one or more gradations (including gradations within rating categories as well as between rating categories).

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"*Receivables Assets*" means any assets that are or will be the subject of a Qualified Receivables Financing.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (2) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests in accounts receivable or Accounts Receivable Collection Rights) (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests therein), all contracts and all guarantees or other obligations in respect of such accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests therein), proceeds of such accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests therein) and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests in accounts receivable or Accounts Receivable Collection Rights) and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests therein).

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables (or participations or beneficial interests in receivables) arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means either (x) a Wholly-Owned Subsidiary of the Issuer or (y) another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any Restricted Subsidiary

in which the Issuer or any Restricted Subsidiary of the Issuer may make an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests in accounts receivable or Accounts Receivable Collection Rights) and any related assets, which engages in no activities other than in connection with the financing of such accounts receivable or Accounts Receivable Collection Rights (or participations or beneficial interests therein) of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which, in either such case, is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary, (c) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings,

(2) with which neither the Issuer nor any Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, and

(3) to which neither the Issuer 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.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer that is not an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Group.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Secured Indebtedness*" means any Indebtedness of a Person secured by a Lien.

"*Significant Subsidiary*" means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries that are Restricted Subsidiaries (1) for the most recent fiscal year, accounted for more than 10.0% of the consolidated revenues of the Issuer or (2) as of the end of the most recent fiscal year, was the owner of more than 10.0% of the consolidated Total Assets of the Issuer.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*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.

"*Subordinated Obligation*" means, with respect to any Person, any Indebtedness of the Issuer or any Restricted Subsidiary which is expressly subordinated in right of payment to the Notes or any Note Guarantee pursuant to a written agreement.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50.0% 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 or limited liability company of which (a) more than 50.0% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax). "*Taxes*" and "*Taxation*" shall be construed to have corresponding meanings.

"*Tax Jurisdiction*" means (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated, organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision or taxing authority thereof or therein or (2) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any Paying Agent) or any political subdivision or taxing authority thereof or therein.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's length terms entered into with an Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

"*Trade Instruments*" means any performance bonds, advance payment bonds or documentary letters of credit issued in respect of the trade obligations of any of the Issuer or any Restricted Subsidiary arising in the ordinary course of business which, in each case, is not (or will not be) outstanding for a period longer than nine months from the date such instrument is issued.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) which has become publicly available on a day no earlier than two Business Days prior to the redemption date (or, if such statistical release is not so published or available, any publicly available source of similar market date selected by the Issuer in good faith)) most nearly equal to the period from the redemption date to September 20, 2025; *provided, however*, that if the period from the redemption date to September 20, 2025 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields to U.S. Treasury securities for which such yields are given, except that if the period from the redemption date to September 20, 2025 is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year shall be used.

"*Total Assets*" means, with respect to any specified Person as of any date, the total assets of such Person, calculated on a consolidated basis in accordance with IFRS, excluding all intra-group items and investments in any Subsidiaries of such Person of or by such Person or any Restricted Subsidiary.

"*Unrestricted Subsidiary*" means any Subsidiary of the Issuer that is designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors but only to the extent that such Subsidiary at the time of such designation:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by the covenant described under "—Certain Covenants— Limitation on Transactions with Affiliates," is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of any such agreement, contract,

arrangement or understanding are no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Issuer; and

(3) is a Person with respect to which neither the Issuer nor any Restricted Subsidiary 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.

"*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 amounts of such Indebtedness.

"*Wholly-Owned Subsidiary*" means a Restricted Subsidiary of the Issuer, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly-Owned Subsidiary) is owned by the Issuer or another Wholly-Owned Subsidiary.

CLEARING AND SETTLEMENT

Global Notes

The Notes will be issued in the form of two or more registered Notes in global form, without interest coupons (the "*Global Notes*"), as follows:

- Notes sold to qualified institutional buyers under Rule 144A will be represented by one or more Rule 144A Global Notes; and
- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Regulation S Global Notes.

Upon issuance, each of the Global Notes will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each Global Note will be limited to persons who have accounts with DTC, or DTC participants, or persons who hold interests through DTC participants, including Euroclear and Clearstream.

We expect that under procedures established by DTC:

- upon deposit of each Global Note with DTC's custodian, DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the Initial Purchasers; and
- ownership of beneficial interests in each Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the Global Note).

Beneficial interests in the Global Notes may not be exchanged for Notes in physical, certificated form except in the limited circumstances described under "—Certificated Notes."

Each Global Note and beneficial interests in each Global Note will be subject to restrictions on transfer as described under "Transfer Restrictions."

Transfers Within and Between Global Notes

Beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Note only if the transfer is made pursuant to Rule 144A and the transferor first delivers to the trustee a certificate (in the form provided in the indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Note only upon receipt by the trustee of a written certification (in the form provided in the indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Transfers of beneficial interests within a Global Note may be made without delivery of any written certification or other documentation from the transferor or the transferee. Transfers of beneficial interests in a Regulation S Global Note for beneficial interests in the Rule 144A Global Note or vice versa will be effected by DTC by means of an instruction originated by DTC participants through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long

as it remains such an interest. Such transfer shall be made on a delivery free of payment basis and the buyer and seller will need to arrange for payment outside the clearing system.

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, the trustee, nor the Initial Purchasers (or any of our respective agents) are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the New York State Banking Law;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the Initial Purchasers; banks and trust companies; clearing corporations; and certain other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC (including Euroclear or Clearstream).

So long as DTC or its nominee is the registered owner of a Global Note, DTC or its nominee will be considered the sole owner or holder of the Notes represented by that Global Note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a Global Note:

- will not be entitled to have Notes represented by the Global Note registered in their names;
- will not receive or be entitled to receive physical, certificated Notes; and
- will not be considered the registered owners or holders of the Notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the Notes represented by a Global Note will be made by the trustee to DTC's nominee as the registered holder of the Global Note. Neither we nor the trustee (or any of our respective agents) will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or us.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers within a Rule 144A Global Note or a Regulation S Global Note between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within

DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a Global Note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear or Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a Global Note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a Global Note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither we nor the trustee (or any of our respective agents) will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Beneficial interests in the Global Notes may not be exchanged for Notes in physical, certificated form unless:

- DTC notifies us at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Exchange Act, and a successor depositary is not appointed within 90 days;
- we, at our option, notify the trustee that we elect to cause the issuance of certificated Notes; or
- certain other events provided in the indenture should occur, including the occurrence and continuance of an event of default with respect to the Notes.

In all cases, certificated Notes delivered in exchange for any Global Note will be registered in the names, and issued in any approved denominations, requested by DTC and will bear a legend indicating the transfer restrictions of that particular Global Note.

For information concerning paying agents and transfer agents for any Notes issued in certificated form, see “Description of the Notes—Paying Agent, Registrar and Transfer Agent for the Notes.”

TAXATION

This is a general summary of certain U.S. and Mexican federal income tax considerations in connection with an investment in the Notes. This summary does not address all aspects of U.S. and Mexican federal income tax law and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Offering Memorandum, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the U.S. and Mexican federal income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules. Prospective investors are advised to consult their tax advisors with respect to the U.S. and Mexican federal income tax consequences of the purchase, ownership or disposition of the Notes (or beneficial interests therein), as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction. For the purposes of this summary, any reference to the purchase, ownership or disposition of the Notes shall mean reference to the purchase, ownership or disposition of the Notes or beneficial interests therein.

Certain U.S. Federal Income Tax Consequences

The following is a general discussion of the material U.S. federal income tax considerations that may be relevant with respect to the purchase, beneficial ownership and disposition of the Notes. This discussion deals only with Notes that are beneficially held as capital assets (as that term is defined in Section 1221 of the Internal Revenue Code of 1986, as amended, or the "*Code*") by a purchaser of the Notes at their original offering price when originally offered by us.

This discussion is based on the Code, regulations issued under the Code and associated administrative and judicial interpretations, all as they currently exist as of the date of this Offering Memorandum. The Code, regulations and interpretations, however, may change at any time, and any change could be retroactive. This discussion does not represent a detailed description of the U.S. federal income tax consequences to purchasers of the Notes in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to beneficial owners of Notes subject to special treatment under the U.S. federal income tax laws (including, without limitation, insurance companies, tax-exempt organizations, banks or other certain financial institutions, retirement plans, real estate investment trusts, regulated investment companies, dealers or traders in securities or currencies, persons holding a Note as a position in a straddle, hedging, constructive sale or conversion transaction, persons who mark their securities to market for U.S. federal income tax purposes, partnerships or other pass-through entities (or partners or owners therein or thereof), "controlled foreign corporations," "passive foreign investment companies," government instrumentalities and agencies, certain former citizens or residents of the United States, persons subject to the special timing rules prescribed under Section 451(b) of the Code, and "United States persons" (within the meaning of the Code) whose functional currency is other than the U.S. dollar). This discussion does not address United States federal estate and gift tax consequences, alternative minimum tax consequences, any non-U.S., state or local tax consequences, tax treaties or any non-income tax consequences of the purchase, ownership and disposition of the Notes to the beneficial owner of a Note. Furthermore, this summary does not address the tax consequences to any shareholder, beneficiary or other owner of a holder of Notes. There can be no assurance that a change in law will not alter significantly the tax considerations described in this discussion. No rulings have been sought or are expected to be sought from the Internal Revenue Service, or the IRS, with respect to any of the tax consequences discussed below and no assurances can be given that the IRS will not successfully assert contrary positions.

If an entity or an arrangement treated as a partnership (or other flow-through entity) for U.S. federal income tax purposes holds a Note, the tax consequences to a partner (or other owner) of the entity or arrangement will generally depend upon the status of the partner (or other owner) and the activities of the entity or arrangement. Partners or other owners in an entity or arrangement treated as a partnership (or other flow-through entity) holding a Note should consult their tax advisors.

U.S. Holders

The following is a summary of the material U.S. federal income tax consequences that will apply to a U.S. Holder. As used herein, the term U.S. Holder means a beneficial owner of a Note that, for U.S. federal income tax purposes, is: (i) an individual that is a citizen or resident of the United States, including an alien individual who is a lawful permanent resident of the United States or meets the "substantial presence" test under Section 7701(b) of the Code; (ii) a corporation or other entity taxable as a corporation that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate, the income of which is subject

to U.S. federal income taxation regardless of its source; or (iv) a trust if such trust has in effect a valid election to be treated as a "United States person" (within the meaning of the Code) for U.S. federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration and (2) one or more "United States persons" (within the meaning of the Code) have the authority to control all substantial decisions of such trust.

Interest

Interest on a Note generally will be taxed to a U.S. Holder as ordinary interest income at the time it accrues or is received, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. For these purposes, interest on a Note includes any Mexican tax withheld from the interest payment and any Additional Amounts paid in respect of any such Mexican withholding tax.

Subject to generally applicable restrictions and conditions, any Mexican withholding tax imposed on interest payments at the appropriate rate applicable to the U.S. Holder will be treated as a foreign income tax eligible (i) for credit against the U.S. Holder's U.S. federal income tax liability, or (ii) at the election of such U.S. Holder, for deduction in computing such U.S. Holder's taxable income (*provided* that the U.S. Holder elects to deduct, rather than credit, all foreign income taxes paid or accrued for the relevant taxable year). Interest will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category income." The calculation of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of such deduction, involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in their particular situations.

Disposition of a Note

Upon the sale, exchange, redemption or other taxable disposition of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, redemption or other taxable disposition (not including any amount attributable to accrued but unpaid interest) and the U.S. Holder's adjusted tax basis in the Note. Any amount attributable to accrued but unpaid interest will be treated as a payment of interest and taxed in the manner described above under "—Interest." In general, a U.S. Holder's adjusted tax basis in a Note will be equal to the initial purchase price of the Note paid by the U.S. Holder.

Gain or loss recognized on the sale, exchange, redemption or other taxable disposition of a Note generally will be capital gain or loss, and will be long-term capital gain or loss if at the time of sale, exchange, redemption or other taxable disposition the Note has been held for more than one year. For individuals and other noncorporate U.S. Holders, the excess of net long-term capital gains over net short-term capital losses generally is taxed at a lower rate than ordinary income. The distinction between capital gain or loss and ordinary income or loss is also relevant for purposes of, among other things, limitations on the deductibility of capital losses. Capital losses are, with very limited exception, deductible only to the extent of capital gains recognized during the taxable year. Any excess capital losses may be carried over to, and deducted in, other taxable years, subject to certain limitations.

Capital gain or loss recognized by a U.S. Holder generally will be U.S.-source gain or loss. Consequently, if any such gain is subject to Mexican income tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. U.S. Holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Notes.

Tax on Net Investment Income

A 3.8% tax is imposed on all or a portion of the "net investment income," or undistributed "net investment income" (in the case of an estate or trust), of certain individuals, trusts and estates if their income exceeds certain thresholds. In the case of an individual, the net investment income tax will be imposed on the lesser of (i) an individual's "net investment income" or (ii) the amount by which an individual's modified adjusted gross income exceeds U.S.$250,000 (if the individual is married and filing jointly or a surviving spouse), U.S.$125,000 (if the individual is married and filing separately) or U.S.$200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed "net investment income" or (ii) the excess of adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

For these purposes, "net investment income" will generally include interest (including interest paid on a Note), net gain attributable to the disposition of property (including gain from the sale, exchange, redemption or other

taxable disposition of a Note) not held in a trade or business, other than a trade or business that consists of certain passive or trading activities, and certain other types of income, reduced by permitted deductions properly allocable to the income or gain. Prospective U.S. Holders should consult their own tax advisors regarding the implications of this net investment income tax based upon their particular circumstances.

"Specified Foreign Financial Asset" Reporting

Individuals and certain domestic entities who own "specified foreign financial assets" with an aggregate value exceeding certain U.S. dollar thresholds are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (1) stocks and securities issued by non-U.S. persons, (2) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties, and (3) interests in foreign entities. The Notes are expected to constitute specified foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution).

Penalties apply to any failure to file a required information report. Additionally, in the event a U.S. Holder does not file the information report relating to disclosure of specified foreign financial assets, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year may not close before such information is filed. U.S. Holders should consult their own tax advisor as to the possible application of this information reporting requirement and the related statute of limitations tolling provision.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest and principal payments made to, and to the proceeds of sales or other dispositions before maturity by, certain noncorporate U.S. Holders. In addition, backup withholding is generally required on such payments unless a U.S. Holder furnishes a correct taxpayer identification number (which for an individual is generally the individual's Social Security Number), certifies on an IRS Form W-9, under penalties of perjury, that such U.S. Holder is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules, or such U.S. Holder otherwise establishes an exemption.

Backup withholding does not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Non-U.S. Holders

The following is a summary of the material U.S. federal income tax consequences that will apply to a Non-U.S. Holder. As used herein, the term Non-U.S. Holder means a beneficial owner of Notes that is an individual, corporation, estate or trust (other than a grantor trust) for U.S. federal income tax purposes and that is not a U.S. Holder.

Interest

Subject to the discussion below under "—Information Reporting and Backup Withholding," all payments of interest on the Notes made to a Non-U.S. Holder will be exempt from U.S. federal income tax, provided that such interest is not effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder (or, if required under an applicable income tax treaty, is not attributable to a U.S. permanent establishment or fixed base maintained by such Non-U.S. Holder).

Disposition of a Note

Subject to the discussion below under "—Information Reporting and Backup Withholding," a Non-U.S. Holder generally will not be subject to U.S. federal income tax on gain realized on the sale, exchange, redemption or other disposition of a Note unless (i) the gain is effectively connected with the conduct of a trade or business in the United States by such Non-U.S. Holder (and, if required under an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base maintained by such Non-U.S. Holder) or (ii) in the case of a Non-U.S. Holder who is a nonresident alien individual, the individual is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met.

Information Reporting and Backup Withholding

Information reporting and, depending on the circumstances, backup withholding generally will apply to the proceeds of a disposition of Notes effected within the United States or through certain U.S.-related financial intermediaries by a Non-U.S. Holder, unless the Non-U.S. Holder certifies under penalties of perjury that it is not a United States person (and certain other conditions are met) or otherwise establishes an exemption from such requirements.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability (if any), provided the required information is timely furnished to the IRS.

The United States federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a holder's particular situation. Prospective holders of the Notes should consult their own tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of Notes, including the tax consequences under state, local, non-U.S. and other tax laws, any applicable tax treaties and the possible effects of changes in United States or other tax laws.

Certain Mexican Tax Considerations

General

The following summary contains a description 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 tax purposes, and that do not own such Notes through a permanent establishment in Mexico for tax purposes to which income under the Notes is attributable (a "*Non-Mexican Holder*").

This summary is based on the federal tax laws of Mexico (and regulations issued thereunder) as in effect on the date of this Offering Memorandum, which are subject to change or to new interpretations. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. In addition, it does not describe any tax consequences (i) arising under the laws of any taxing jurisdiction other than Mexico, (ii) arising under laws other than the federal tax laws of Mexico (it excludes the laws of any state or municipality within Mexico), or (iii) that are applicable to a resident of Mexico for tax purposes that may purchase, hold or dispose of the Notes.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the Notes under the federal laws of Mexico (and the laws of any state or municipality of Mexico) or any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.

Under the Mexican Federal Tax Code (*Código Fiscal de la Federación*), an individual is a resident of Mexico if he has established his dwelling in Mexico, unless he has another domicile in a foreign country and his "center of vital interest" is not located in Mexico (except for Mexican public officers or governmental employees). The center of vital interest of an individual is deemed to be located in Mexico: (i) if the source of wealth accounting for more than 50% of the total income obtained by such individual in a calendar year is located in Mexico, or (ii) if the principal place of business of such individual is located in Mexico.

An individual of Mexican nationality is presumed to be a resident of Mexico for tax purposes unless such person proves otherwise. A corporation is a resident of Mexico if its main administration or effective management is located in Mexico. If a non-Mexican tax resident has a permanent establishment (i.e., a place of business) in Mexico, such permanent establishment shall be required to pay taxes in Mexico on taxable income attributable to such permanent establishment in accordance with relevant Mexican tax provisions.

Furthermore, according to the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*), non-residents with no permanent establishment in Mexico (or whose income is not attributable to any such permanent establishment) shall be subject to the payment of income tax in Mexico only in respect of the Mexican sourced income they may receive.

In this sense, the Mexican Income Tax Law sets forth specific provisions that establish the regime applicable to the different types of income obtained by non-Mexican tax residents that shall be considered sourced in Mexico and, therefore, taxable.

Interest payments shall be deemed sourced in Mexico when the capital is placed or invested in Mexico, or when interest payments are made by a Mexican resident or by a foreign resident with a permanent establishment in Mexico.

Accordingly, interest paid by Mexican tax residents to non-Mexican tax residents will generally be subject to an income tax withholding (the "*Withholding Tax*"), at rates that vary depending on the nature of the beneficial owner of the interest and the characteristics of the transactions that give rise to the interest. The applicable Withholding Tax rates contemplated under the Mexican Income Tax Law range from 4.9% to 40% (applicable in specific cases to entities who are residents in tax haven jurisdictions).

Taxation of Interest

Pursuant to the Mexican Income Tax Law, payments of interest made by us in respect of the Notes (including payments of principal in excess of the issue price of such Notes and, under certain circumstances, any gain realized upon the transfer of the Notes which, for Mexican tax purposes, is deemed to be interest) to a Non-Mexican Holder will generally be subject to a 4.9% Withholding Tax if (i) the relevant Notes are placed among the general public; or (ii) the Notes are placed, through banks or brokerage houses, in a country which has entered into a treaty to avoid double taxation with Mexico and *provided that* the following requirements are met:

- The notice set forth in article 7, second paragraph, of the Securities Market Law is filed by us with the CNBV describing the most relevant terms and conditions of the issuance of the Notes (the "*CNBV Notice*"); and
- The relevant reporting requirements set forth by the SAT through general rules are complied with.

Under the SAT general rules (*Resolución Miscelánea Fiscal*, or the "*Mexican Tax Rules*"), we must comply with the following requirements: (i) file with the SAT a copy of the CNBV Notice, (ii) file with the SAT within the first 15 business days after the placement date of the Notes, a tax notice describing certain information related to the Notes; (iii) file with the SAT within the first 15 business days of January, April, July and October of each tax year, information related to the interest payments derived from the Notes, as well as a statement representing that the persons or entities referred to in sections (x) and (y) below are not the effective beneficiaries of 5.0% or more of the aggregate amount of each such interest payment, and (iv) maintain such notices and records required by the Mexican Tax Rules and submit such information to the SAT, if so required.

We expect that such requirements will be met. If the requirements under the Mexican Tax Rules are not complied with, Withholding Tax on the payment of interest on the Notes will be assessed at a rate of 10% for holders other than parties related to us, who may be subject to the regime further detailed below.

Said Mexican Tax Rules, together with other tax regulations, are enacted on an annual basis, and therefore, no assurances can be given that the Mexican Tax Rules will be extended or that equivalent rules will be enacted.

The Withholding Tax rates of 4.9% and 10% mentioned above will not be applicable and may increase to the maximum applicable tax rate (currently 35%) if the effective beneficiaries receive, either directly or indirectly, individually or in conjunction with related parties, more than 5% of the interest derived from the Notes and such beneficiaries are:

(x) shareholders that own, directly or indirectly, individually or collectively, with related persons, more than 10% of our voting stock, as the case may be, or

(y) corporations more than 20% of the stock of which is owned by us, directly or indirectly, individually or collectively with our related persons, as the case may be.

For such purposes, parties are deemed to be related parties when one of them holds an interest in the business of the other; when they have common interests; or when a third party has an interest in the business or assets of both parties.

As of the date of this Offering Memorandum, no tax treaty is expected to have effect on the Mexican tax consequences described in this summary, because, as described above, under the Mexican Income Tax Law, we expect to be entitled to withhold taxes in connection with interest payments under the Notes at a 4.9% rate.

If applicable, holders or beneficial owners of the Notes may be requested to provide certain information or documentation necessary to apply the appropriate Withholding Tax rate on interest payments under the Notes to such

holders or beneficial owners. The Mexican Income Tax Law provides that, in order for a Non-Mexican Holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico and which are in effect, it is necessary to meet certain requirements that relate to the evidencing of tax residence. In the event that such information or documentation concerning the holder or beneficial owner is not timely provided, tax from interest payments may be withheld at the maximum applicable rate in effect.

Payments of interest made by us or the Guarantor with respect to the Notes to a Non-Mexican Holder that is a pension or retirement fund will be exempt from Withholding Tax, provided that any such fund (i) is the effective beneficiary of the interest, (ii) is duly incorporated pursuant to the laws of its country of origin (regardless of the type of organization), (iii) is exempt from income tax in such country, and (iv) provides the necessary information pursuant to the Mexican Tax Rules.

Taxation of Principal

Under the Mexican Income Tax Law, payments of principal on the Notes made by us to a Non-Mexican Holder will not be subject to any Mexican taxes (except to the extent such payments of principal are in excess of the issue price of the Notes, which are deemed to be interest under the Mexican Income Tax Law).

Taxation of Make-Whole Amount

Under the Mexican Income Tax Law, the payment of the make-whole amounts as a result of the optional redemption of the Notes, if applicable, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments (as applied to make-whole amounts).

Taxation of Capital Gains

As a general rule, under the Mexican Income Tax Law, gains resulting from the sale or disposition of the Notes by a Non-Mexican Holder to another Non-Mexican Holder are not subject to income or other tax in Mexico. Gains resulting from the sale of the Notes by a Non-Mexican Holder to a purchaser who is a Mexican resident for tax purposes or to a non-Mexican resident deemed to have a permanent establishment for tax purposes in Mexico will be deemed interest income and will be subject to Withholding Tax, unless a relevant double tax convention executed by Mexico provides otherwise. The acquisition of the Notes at a discount by a Non-Mexican Holder (including at the initial issuance, if applicable) will be deemed interest income and subject to income tax in Mexico, if the seller is a Mexican resident for tax purposes or a foreign resident deemed to have a permanent establishment for tax purposes in Mexico.

Other Mexican Taxes

Under current Mexican laws, a Non-Mexican Holder will not be liable for Mexican estate, gift, inheritance, succession or similar taxes with respect to the acquisition, ownership or disposition of the Notes, nor will it be liable for any Mexican stamp, issue, registration or similar taxes with respect to the Notes.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement, dated September 13, 2021, we have agreed to sell to Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Jefferies LLC and BCP Securities LLC, as Initial Purchasers, for whom Barclays Capital Inc., Credit Suisse Securities (USA) LLC and Jefferies LLC are acting as representatives, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of the Notes set forth opposite its name below:

Initial Purchaser	Principal Amount of Notes
Barclays Capital Inc.	U.S.$172,400,000
Credit Suisse Securities (USA) LLC	U.S.$172,400,000
Jefferies LLC	U.S.$172,400,000
BCP Securities LLC	U.S.$ 82,800,000
Total	U.S.$600,000,000

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.

The purchase agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent such as the receipt by the Initial Purchasers of officers' certificates and legal opinions and approval of certain legal matters by its counsel. The purchase agreement provides that the Initial Purchasers will purchase all of the Notes if any of them are purchased. Under the purchase agreement, the Issuer and the Guarantor have agreed to indemnify the Initial Purchasers and their respective controlling persons jointly and severally against certain liabilities in connection with this offering, including liabilities under the Securities Act, and to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers have advised us that they propose to resell the Notes (a) to "qualified institutional buyers," or QIBs, within the meaning of Rule 144A under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act.

In connection with sales outside the United States, each Initial Purchaser has acknowledged and agreed that it will not offer, sell or deliver the Notes to, or for the account or benefit of, U.S. persons (other than "distributors" within the meaning of Regulation S) (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering or the date the Notes were originally issued. The Initial Purchasers will send to each dealer to whom its sells the Notes in reliance on Regulation S during the 40-day distribution compliance 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. In addition, until the expiration of the 40-day distribution compliance period referred to above, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

The Notes will initially be offered at the price indicated on the cover page of this Offering Memorandum. After the initial offering of the Notes, the offering price and other selling terms of the Notes may be changed at any time without notice.

Transfer Restrictions & Liquidity

The offering of the Notes has not been registered under the Securities Act or qualified for sale under the securities laws of any U.S. state or any jurisdiction outside the United States. Accordingly, the Notes will be subject to significant restrictions on resale and transfer as described under "Transfer Restrictions." The Notes will constitute a new class of securities with no established trading market. Although we have applied for the Notes to be listed on the SGX-ST, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that, following the completion of this offering, they currently intend to make a market in the Notes as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to do so, and the Initial Purchasers may discontinue any market making activities with respect to the

Notes at any time in their sole discretion. Accordingly, no assurance can be given that a liquid trading market will develop for the Notes, that you will be able to sell any of the Notes held by you at a particular time or that the prices that you receive when you sell will be favorable. Each purchaser of the Notes, by its purchase of the Notes, will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "Transfer Restrictions."

The Notes have not been and will not be registered with the RNV maintained by the CNBV, and may not be offered or sold publicly, or otherwise be subject to intermediation (*intermediación*) activities in Mexico, except pursuant to an exception set forth in Article 8, Section 1 of the Securities Market Law.

No Sales of Similar Securities

The Issuer and the Guarantor have agreed that they will not, without the prior written consent of the representatives of the Initial Purchasers, during the period beginning from the date of this Offering Memorandum and continuing until the date that is 90 days after the date of this Offering Memorandum, offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any securities of the Issuer or the Guarantor that are substantially similar to the Notes.

Stabilization

The Initial Purchasers have advised us that certain persons participating in the offering may engage in transactions, including stabilizing bids, syndicate covering transactions or the imposition of penalty bids, which may have the effect of stabilizing or maintaining the market price of the Notes at a level above that which might otherwise prevail in the open market. A stabilizing bid is a bid for the purchase of Notes on behalf of an Initial Purchaser for the purpose of fixing or maintaining the price of the Notes. A syndicate covering transaction is the bid for or the purchase of Notes on behalf of an Initial Purchaser to reduce a short position incurred by the Initial Purchaser in connection with the offering. A penalty bid is an arrangement permitting an Initial Purchaser to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the Notes originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member. 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. The Initial Purchasers are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

Electronic Distribution

An Offering Memorandum in electronic format may be made available by e-mail or on the web sites or through other online services maintained by an Initial Purchaser or its affiliates. In those cases, prospective investors may view offering terms online. Other than this Offering Memorandum in electronic format, the information on an Initial Purchaser's web site and any information contained in any other web site maintained by an Initial Purchaser is not part of this Offering Memorandum, has not been approved and/or endorsed by us or the Initial Purchasers and should not be relied upon by investors.

Other Activities and Relationships

The Initial Purchasers and certain of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Initial Purchasers and certain of their respective affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or may in the future receive customary fees and expenses.

In the ordinary course of their various business activities, the Initial Purchasers and certain of their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. If an Initial Purchaser or its affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The Initial Purchasers and their respective affiliates may 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 or the securities of our affiliates, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes

offered hereby. The Initial Purchasers and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such 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.

Prohibition of Sales to European Economic Area Retail Investors

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of the Insurance Distribution 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 the Prospectus Regulation. Consequently no key information document required by 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.

Prohibition of Sales to United Kingdom Retail Investors and Notice to Prospective Investors in the United Kingdom

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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in the UK Prospectus Regulation. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In the UK, this Offering Memorandum is being distributed only to, and is directed only at, qualified investors (as defined in the UK Prospectus Regulation) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Order, or (ii) high net worth entities and other persons to whom it may be lawfully be communicated falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes in the UK will be engaged in only with, relevant persons. Any person in the UK who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

Notice to Prospective Investors in Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("*FinSA*") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in Singapore

This Offering Memorandum has not been 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 any person in Singapore other than

(i) to an institutional investor (as defined in Section 4A 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) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, 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) 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

(b) 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 or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred 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, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the "*SFA*" is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers 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 Brazil

The Notes (and the related Note Guarantees) have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or the "*CVM*"). The Notes (and the related Note Guarantees) may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or unauthorized distribution under Brazilian laws and regulations. The Notes (and the related Note Guarantees) are not being offered into Brazil. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil, nor be used in connection with any public offer for subscription or sale of the Notes to the public in Brazil.

Notice to Prospective Investors in Chile

The offer of the Notes is subject to General Rule No. 336 of the Chilean Securities Commission (*Comisión para el Mercado Financiero*, or the "*CMF*"). The Notes being offered will not be registered under the Chilean Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros)* both kept by the CMF and, therefore, the Notes are not subject to the oversight of the CMF. As unregistered securities in Chile, we are not required to disclose public information about the Notes in Chile. Accordingly, the Notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding Securities Registry. The Notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the CMF. Pursuant to the Chilean Securities Market Law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law and, as such, subject to registration in Chile. However, pursuant to General Rule No. 336 of the CMF, the Notes may be privately offered in Chile to certain "qualified investors" identified as such therein (which in turn are further described in General Rule No. 216, dated June 12, 2008, of the CMF).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: September 13, 2021. The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the CMF.

2. The subject matter of this offer are securities not registered with the Securities Registry *(Registro de Valores)*, nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) both kept by CMF. As a consequence, the Notes are not subject to the oversight of the CMF.

3. Since the Notes are not registered in Chile, the Issuer is not obliged to provide publicly available information about the Notes in Chile.

4. The Notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry kept by the CMF.

CMF Rule 336 further requires the following information to be included in the Spanish language:

Aviso a los Inversionistas Chilenos

La oferta de los bonos se acoge a la Norma de Carácter General No. 336 de la Comisión para el Mercado Financiero. Los bonos que se ofrecen no están inscritos bajo la Ley de Mercado de Valores en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratarse de valores no inscritos en Chile, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. Los bonos no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente. Los bonos solo podrán ser ofrecidos en Chile en circunstancias que no constituyan una oferta pública o cumpliendo con lo dispuesto en la Norma de Carácter General No. 336 de la Comisión para el Mercado Financiero. De conformidad con la Ley de Mercado de Valores Chilena, se entiende por oferta pública de valores la dirigida al público en general o a ciertos

sectores o a grupos específicos de éste. Considerando lo amplio de dicha definición, incluso una oferta dirigida a un pequeño grupo de inversionistas puede ser considerada como una oferta dirigida a ciertos sectores o a grupos específicos del público y por lo tanto considerada como pública y sujeta a inscripción en Chile bajo la ley aplicable. Sin embargo, en conformidad con lo dispuesto por la Norma de Carácter General No. 336, los bonos podrán ser ofrecidos privadamente a ciertos "inversionistas calificados," identificados como tal en dicha norma (y que a su vez están descritos en la Norma de Carácter General No. 216 de la Comisión para el Mercado Financiero de fecha 12 de junio de 2008).

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. *La oferta de los bonos comienza el 13 de septiembre de 2021, y se encuentra acogida a la Norma de Carácter General No. 336, de fecha 27 de junio de 2012, de la CMF.*

2. *La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la CMF, por lo tanto, tales valores no están sujetos a la fiscalización de esa Comisión.*

3. *Por tratarse de valores no inscritos en Chile, no existe la obligación por parte del emisor de entregar en Chile información pública respecto de 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 China

The Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in The People's Republic of China (the "*PRC*," for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Notice to Prospective Investors in Colombia

The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the Notes to their Colombian clients.

Notice to Prospective Investors in Hong Kong

Each Initial Purchaser (i) has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the "*SFO*") and any rules made thereunder; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "*CO*") or which do not constitute an offer to the public within the meaning of the CO; and (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Notice to Prospective Investors in Ireland

The Notes will not and may not be offered, sold, transferred or delivered, whether directly or indirectly, otherwise than in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Act, 1963-2006, and the Notes will not and may not be the subject of an offer in Ireland which would require the publication of a prospectus pursuant to Article 3 of Directive 2003/71/EC.

Notice to Prospective Investors in Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, therefore, no Notes may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "*Financial Services Act*") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "*Banking Act*"); and

(ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan. Accordingly, none of the Notes nor any interest therein may be offered or sold, directly or indirectly, 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 a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Notice to Prospective Investors in Luxembourg

In relation to the Grand Duchy of Luxembourg ("*Luxembourg*"), which has implemented the Prospectus Directive by the law of 10 July 2005 *relative aux prospectus pour valeurs mobilières* (the "*Prospectus Law*"), the Notes which are subject of the offering contemplated by this Offering Memorandum may not be offered to the public in Luxembourg, except that the Notes may be offered to the public in Luxembourg:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- to fewer than 100 natural persons or entities (other than qualified investors as defined in the Prospectus Law); or

- any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 5 of the Prospectus Law.

For the purposes of this provision, the expression an "*offer of notes to the public*" in relation to any notes in Luxembourg means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes and the expression "*Prospectus Directive*" means Directive 2003/71/EC.

Notice to Prospective Investors in Norway

No prospectus has been filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or the Norwegian Registry of Business Enterprises. No offer will be made to the public in Norway unless it is in compliance with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (as amended or replaced from time to time) (*Verdipapirhandelloven*) and any other applicable Norwegian legislation.

Notes denominated in Norwegian kronor may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway unless the requirements in the Norwegian Registration of Financial Instruments Act of 5 July 2002 no. 64 (as amended or replaced from time to time, the "*CSD Act"*) (*Verdipapirregisterloven*) are complied with, including, but not limited to, the requirement to register such Notes in a licensed central securities depository in accordance with the CSD Act.

Notice to Prospective Investors in Peru

The Notes and the information contained in this Offering Memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and, therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this Offering Memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the *Superintendencia del Mercado de Valores* (Peruvian capital market regulator) (the "*SMV*") nor have they been registered with the SMV's Securities Market Public Registry (*Registro Público del Mercado de Valores*). Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian law and regulations and complies with the provisions on private offerings set forth therein.

TRANSFER RESTRICTIONS

The Notes have not been registered, and will not be registered, under the Securities Act or any other applicable securities laws, and the Notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the Notes are being offered and sold only:

(1) in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and

(2) outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

The Notes have not been and will not be registered in Mexico with the RNV maintained by the CNBV. Accordingly, the Notes may not be offered or sold publicly or otherwise be the subject of brokerage activities (*intermediación*) in Mexico, absent an available exemption under Article 8, Section 1 of the Securities Market Law.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of Notes (other than the Initial Purchasers in connection with the initial issuance and sale of Notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed 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 it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made in reliance on Rule 144A or (b) a non-U.S. person that is outside the United States.

(2) It acknowledges that the Notes have not been registered under the Securities Act or with any securities regulatory authority of any jurisdiction and 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 qualified institutional buyers will be represented by one or more Global Notes and that Notes offered outside the United States in reliance on Regulation S will also be represented by one or more Global Notes.

(4) It will not resell or otherwise transfer any of such Notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act.

(5) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(6) It acknowledges that prior to any proposed transfer of Notes (other than pursuant to an effective registration statement or exchange for interest between Global Notes), the holder of such Notes may be required to provide certifications relating to the manner of such transfer or qualification for exchange as provided in the indenture.

(7) It acknowledges that the trustee, registrar or transfer agent for the Notes will not be required to accept for registration transfer of any Notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee, registrar or transfer agent that the restrictions set forth herein have been complied with.

(8) It acknowledges that we, the Initial Purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify us and the Initial Purchasers. 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 acknowledgements, representations, and agreements on behalf of each account.

The following is the form of restrictive legend which will appear on the face of each Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

> "**This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to us, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act ("*Rule 144A*"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to another exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act and, in each of such cases, in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it will notify any purchaser of this Note from it of the resale restrictions referred to above.**
>
> **The foregoing legend may be removed from this Note only with the consent of the issuer."**

The following is the form of restrictive legend which will appear on the face of each Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.**
>
> **The foregoing legend may be removed from this Note with the consent of the Issuer after 40 days beginning on and including the later of (a) the date on which the Notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note."**

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in Global Notes and certificated Notes, see "Clearing and Settlement."

LEGAL MATTERS

The validity of the Notes and the guarantee will be passed upon for us by Winston & Strawn LLP, New York, New York and for the Initial Purchasers by Simpson Thacher & Bartlett LLP. Certain matters of Mexican law relating to the Notes will be passed upon for us by Nader, Hayaux y Goebel, S.C. and for the Initial Purchasers by Jones Day México, S.C.

INDEPENDENT AUDITORS

Our Annual Consolidated Financial Statements as of and for each of the years ended December 31, 2020 and 2019 and as of and for each of the years ended December 31, 2019 and 2018, included in this Offering Memorandum, have been audited by Mazars Auditores, S. de R.L. de C.V., independent auditors, as stated in their reports appearing herein.

With respect to our unaudited Interim Consolidated Financial Statements as of June 30, 2021 and for the six months ended June 30, 2021 and 2020 included herein, Mazars Auditores, S. de R.L. de C.V., independent auditors, have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on our unaudited Interim Consolidated Financial Statements. Accordingly, the degree of reliance placed on their report on such information should be measured in light of the limited nature of the review procedures applied.

INDEX TO TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

Page

Unaudited Condensed Consolidated Interim Financial Statements as of June 30, 2021 and December 31, 2020 and for the six-month periods ended June 30, 2021 and 2020

Review Report of Independent Auditors F-4

Unaudited Condensed Consolidated Interim Statements of Financial Position as of June 30, 2021, June 30, 2020 and December 31, 2020 ..... F-6

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income (Loss) for the six-month periods ended June 30, 2021 and 2020 ..... F-7

Unaudited Condensed Consolidated Interim Statements of Changes in Equity for the six-month periods ended June 30, 2021 and 2020 ..... F-8

Unaudited Condensed Consolidated Interim Statements of Cash Flows for the six-month periods ended June 30, 2021 and 2020 ..... F-9

Notes to the Unaudited Condensed Consolidated Interim Financial Statements F-10

Audited Consolidated Financial Statements as of and for the years ended December 31, 2020 and 2019

Report of Independent Auditors F-32

Consolidated Statements of Financial Position as of December 31, 2020 and 2019 ..... F-35

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2020 and 2019 ..... F-36

Consolidated Statements of Changes in Equity for the years ended December 31, 2020 and 2019 ..... F-37

Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019 ..... F-38

Notes to the Consolidated Financial Statements F-39

Audited Consolidated Financial Statements as of and for the years ended December 31, 2019 and 2018

Report of Independent Auditors F-88

Consolidated Statements of Financial Position as of December 31, 2019 and 2018 ..... F-91

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019 and 2018 ..... F-92

Consolidated Statements of Changes in Equity for the years ended December 31, 2019 and 2018 ..... F-93

Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018 ..... F-94

Notes to the Consolidated Financial Statements F-95

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V.
AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V.
AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

INDEX

Contents	Page
Independent auditor's report	1 and 2
Condensed consolidated interim statements of financial position	3
Condensed consolidated interim statements of comprehensive income (loss)	4
Condensed consolidated interim statements of changes in equity	5
Condensed consolidated interim statements of cash flows	6
Condensed notes to the condensed consolidated interim financial statements	7 to 26

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LIMITED REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Total Play Telecomunicaciones, S.A. de C.V. and Subsidiaries
(Subsidiary of Corporación RBS, S.A. de C.V.)

Introduction

We have performed a limited review on the accompanying condensed consolidated interim financial statements at June 30, 2021 (hereinafter "the interim financial statements") of Total Play Telecomunicaciones, S.A. de C.V. and Subsidiaries (hereinafter the "Group), which comprise the condensed consolidated statement of financial position as at June 30, 2021, and the statements of comprehensive income (loss), of changes in equity and cash flows, as well as explanatory notes, all of them condensed and consolidated, corresponding to the six-months period ended on such date. The Group´s management is responsible for the preparation of such interim financial statements in accordance with the requirements laid down in International Accounting Standard (IAS) 34, *Interim Financial Information*. Our responsibility is to express a conclusion on such interim financial statements based on our limited review.

Scope of the review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of interim financial information performed by independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFA). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a scope substantially less than an audit carried out in accordance with International Standards on Auditing (ISA) and consequently, does not enable us to obtain assurance that all significant matters that may have been identified in an audit have come to our attention. Consequently, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that would lead us to believe that the accompanying condensed consolidated interim financial statements for the six-months period ended June 30, 2021 have not been prepared, in all material respects, in accordance with the requirements laid down by International Accounting Standard 34, *Interim Financial Information*, for the preparation of interim condensed consolidated financial statements.

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Emphasis matter

We draw your attention to accompanying Note 2a., in which it is mentioned that the accompanying interim financial statements do not include all information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS), therefore, the accompanying interim financial statements should be read jointly with the consolidated financial statements of the Group corresponding to the year ended December 31, 2020. This matter does not modify our conclusion.

Report on other legal and regulatory requirements

The accompanying Offering Circular on the placement of Senior Notes (the "Offering Circular") contains the explanations that the Group´s management deems appropriate on the relevant events occurring during the six-month period ended June 30, 2021 and their effect on the interim financial statements presented, of which it is not a part of. We have verified that accounting information contained in said Offering Circular agrees with the interim financial statements as at June 30, 2021 and with the six-month period ended on such date. Our work is limited to the verification of the Offering Circular with the scope previously mentioned and does not include the review of information different from that obtained from the accounting records of Total Play Telecomunicaciones, S.A. de C.V. and Subsidiaries.

Mazars Auditores, S. de R.L. de C.V.

Martín Pérez García, CPA
Partner

Mexico City, Mexico
August 24, 2021.

(2)

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	June 30 2021	June 30 2020	December 31 2020
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	$ 1,129,503	$ 130,151	$ 1,786,852
Restricted cash in trusts	1,081,350	1,596,708	1,271,910
Customers – Net	2,839,810	2,317,976	2,376,186
Other receivables and recoverable taxes	3,926,241	2,557,272	3,387,484
Inventories	1,517,611	1,396,159	1,621,341
Prepaid expenses	371,590	523,747	407,255
Total current assets	**10,866,105**	**8,522,013**	**10,851,028**
NON-CURRENT ASSETS:			
Property, plant and equipment – Net	37,797,197	27,121,578	32,756,010
Right-of-use assets – Net	4,174,373	3,619,460	4,142,487
Other non-current assets	1,502,991	1,411,329	1,496,302
Total non- current assets	**43,474,561**	**32,152,367**	**38,394,799**
Total assets	**$ 54,340,666**	**$ 40,674,380**	**$ 49,245,827**
Liabilities and Equity			
SHORT-TERM LIABILITIES:			
Short-term portion of long-term debt	$ 1,230,331	$ 1,726,503	$ 443,025
Trade payables	6,952,851	7,319,542	6,714,011
Lease liabilities	1,514,611	1,366,602	1,681,024
Reverse factoring	1,503,048	1,120,281	1,621,715
Other payables	2,205,455	1,487,839	1,756,903
Related parties	451,324	420,640	233,969
Total short-term liabilities	**13,857,620**	**13,441,407**	**12,450,647**
LONG-TERM LIABILITIES:			
Long-term debt	28,890,749	16,570,290	25,749,567
Trade payables	19,602	69,193	14,120
Lease liabilities	3,061,089	2,353,458	2,748,883
Other payables	80,733	213,811	103,575
Total long-term liabilities	**32,052,173**	**19,206,752**	**28,616,145**
Total liabilities	**45,909,793**	**32,648,159**	**41,066,792**
Commitments and contingencies	-	-	-
EQUITY:			
Capital stock	2,336,992	2,336,992	2,336,992
Paid-in capital	1,539,398	1,539,398	1,539,398
Contributions for future capital stock increases	5,000,000	5,000,000	5,000,000
Cumulative losses	(2,068,395)	(2,573,664)	(2,412,162)
Other comprehensive income	1,622,878	1,723,495	1,714,807
Total equity	**8,430,873**	**8,026,221**	**8,179,035**
Total liabilities and equity	**$ 54,340,666**	**$ 40,674,380**	**$ 49,245,827**

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	Six-months period ended June 30, 2021	Six-months period ended June 30, 2020
Revenue from services	**$ 13,195,484**	**$ 8,877,631**
Cost of services	(3,273,273)	(2,386,606)
Gross profit	9,922,211	6,491,025
General expenses		
Network-related	(1,300,529)	(1,097,958)
Sales and administration	(2,937,746)	(2,248,206)
Depreciation and amortization	(4,091,504)	(2,920,660)
Other expense – Net	(50,991)	(3,093)
	(8,380,770)	(6,269,917)
Operating profit	**1,541,441**	**221,108**
Financial cost:		
Accrued interest income	21,202	18,045
Accrued interest expense:		
Financial debt	(935,331)	(388,174)
Leases	(237,063)	(125,345)
Other financial expenses	(123,944)	(46,141)
Foreign exchange gain (loss) – Net	94,354	(375,187)
	(1,180,782)	(916,802)
Income (loss) before income tax provisions	**360,659**	**(695,694)**
Income tax provisions	(16,892)	(12,830)
Net income (loss)	**343,767**	**(708,524)**
Other comprehensive income (loss):		
Result from foreign subsidiary translation	(13)	(16,329)
Hedge fair value	(91,916)	23,550
	(91,929)	7,221
Net comprehensive income (loss)	**$ 251,838**	**$ (701,303)**

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2021 AND 2020
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	Capital stock	Paid-in capital	Contribution for future capital stock increases	Cumulative losses	Other comprehen-sive income	Total equity
Balances as of January 1, 2020	**$ 2,336,992**	**$ 1,539,398**	**$ 5,000,000**	**($ 1,865,140)**	**$ 1,716,274**	**$ 8,727,524**
Comprehensive loss for the period	-	-	-	(708,524)	7,221	(701,303)
Balances as of June 30, 2020	**$ 2,336,992**	**$ 1,539,398**	**$ 5,000,000**	**($ 2,573,664)**	**$ 1,723,495**	**$ 8,026,221**
Balances as of January 1, 2021	$ 2,336,992	$ 1,539,398	$ 5,000,000	($ 2,412,162)	$ 1,714,807	$ 8,179,035
Comprehensive income for the period	-	-	-	343,767	(91,929)	251,838
Balances as of June 30, 2021	**$ 2,336,992**	**$ 1,539,398**	**$ 5,000,000**	**($ 2,068,395)**	**$ 1,622,878**	**$ 8,430,873**

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	Six-month periods ended June 30, 2021	2020
Operating activities:		
Income (loss) before income tax provision	$ 360,659	$ (695,694)
Items not requiring the use of resources:		
Depreciation and amortization	4,091,504	2,920,660
Items related to investing or financing activities:		
Accrued interest income	(21,202)	(18,045)
Accrued interest expense	1,172,394	513,519
	5,603,355	2,720,440
Resources (used in) generated by operating activities:		
Customers	(463,624)	(162,035)
Other receivables and prepaid expenses	(503,092)	(826,510)
Related parties	217,355	174,996
Inventories	103,730	(135,675)
Trade payables	244,322	3,766,470
Other payables	316,889	309,816
Cash flows generated by operating activities	**5,518,935**	**5,847,502**
Investing activities:		
Acquisition of property, plant and equipment	(7,994,389)	(6,229,460)
Other assets	(6,689)	(25,036)
Collected interest	21,202	18,045
Cash flows used in investing activities	**(7,979,876)**	**(6,236,451)**
Financing activities:		
Loans received	3,920,354	3,174,958
Leases	(734,882)	(1,394,666)
Interest payment	(1,453,773)	(994,139)
Reverse factoring	(118,667)	155,542
Restricted cash in trusts	190,560	(649,807)
Net cash flows generated by financing activities	**1,803,592**	**291,888**
Net decrease in cash and cash equivalents	(657,349)	(97,061)
Cash and cash equivalents at the beginning of the year	1,786,852	227,212
Cash and cash equivalents at the end of the year	**$ 1,129,503**	**$ 130,151**

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

NOTE 1 – DESCRIPTION OF TOTAL PLAY GROUP (TPG):

a. Entity and corporate purpose:

Total Play Telecomunicaciones, S.A. de C.V. ("the Company") was incorporated on May 10, 1989 under Mexican laws. The Company is a 99% direct subsidiary of Corporación RBS, S.A. de C.V (parent company at the last level of consolidation).

The head office of the Company is domiciled at Ave. San Jerónimo 252, Colonia La Otra Banda, 04519, Alcaldía Alvaro Obregón, Mexico City, Mexico.

The Company has no employees and obtains personnel services from its subsidiaries.

b. Activity:

The main businesses activities of the Company and its subsidiaries are:

(i) to install, operate and exploit public telecommunication networks and/or cross-border links, through concession rights granted, as appropriate, by the Mexican Communications and Transportation Secretary (SCT by its Spanish acronym);
(ii) the purchase - sale, distribution, installation, lease and trading of telecommunication devices;
(iii) the operation of the concessions, authorizations or rights granted by SCT;
(iv) to provide restricted television/audio services, internet access and fixed telephony services;
(v) the leasing of dedicated links to corporate customers; and
(vi) to provide international long-distance services.

The Company´s operation is regulated by the Federal Telecommunications Law (LFT for its Spanish acronym) through the Federal Telecommunications Institute (FTI or IFT for its Spanish acronym).

The Company has been granted the following concessions or amendments to the concessions by the Mexican Federal Government:

- October 16, 1995 – concession to operate in the national and international long-distance segments, as well as to provide value added services (the "Concession Title"). On March 25, 2020, the Company announced that the FTI had renewed its concession to operate and exploit a public telecommunications network for a 30-year period from October 16, 2025 through October 16, 2055.

- December 19, 2005 – basic local telephony services on a national basis, through the amendment of the Concession Title.

- November 6, 2009 – an authorization was added to provide restricted television/audio services through an amendment to the Concession Title.

c. Consolidated subsidiaries:

The Company is the controlling shareholder of the following entities:

Company	Date of incorporation	% direct or indirect interest 2021	2020	Activity
Iusatel USA, Inc. (Iusatel USA)	2001	100%	100%	Participant in the long-distance market in the United States of America
Tendai, S.A. de C.V.	April 3, 2013	100%	100%	No operations
Total Box, S.A. de C.V.	March 5, 2014	100%	100%	Lease of decoders
Gesalm Consultores, S.A. de C.V.	December 11, 2014	100%	100%	Personnel services
Gesalm Asesores, S.A. de C.V.	December 11, 2014	100%	100%	Personnel services
Gesalm Servicios, S.A. de C.V.	May 12, 2015	100%	100%	Personnel services
Total Telecom Play, S.A. de C.V. (Mexico)	September 29, 2015	100%	100%	Dormant
Total Play Comunicaciones Colombia, SAS (Colombia)	September 12, 2019	100%	100%	Dormant
TPE Comunicaciones Colombia, SAS (Colombia)	October 15, 2019	100%	100%	Operation and exploitation of public telecommunication networks
Hogar Seguro TP, S.A. de C.V.	August 11, 2020	100%	100%	Dormant

The Company and its subsidiaries are jointly referred to as TPG.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of preparation and presentation of the financial information

The accompanying condensed consolidated interim financial statements (the interim financial statements) correspond to the six-month periods ended June 30, 2021 and 2020, and were prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IAS 34) and do not include all required information for annual financial statements under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The information comprised in these interim financial statements has not been audited and must be read in conjunction with the consolidated audited financial statements as of December 31, 2020.

The interim financial statements have been prepared in accordance with IFRS issued by the International Accounting Standard Board (IASB).

IFRSs are comprised by the IFRS and by the International Accounting Standards (IAS), their Amendments and Interpretations to both IFRS and IAS (IFRIC and SIC, respectively).

Preparation of the interim financial statements in accordance with the adopted IFRS requires the use of certain critical accounting estimates. It also requires TPG Management to use its judgment when applying TPG accounting policies. The areas in which significant judgments and estimates have been made when preparing the consolidated financial statements and their effects, are described in Note 2e.

TPG interim financial statements as of June 30, 2021 were approved by Mr. Alejandro Enrique Rodríguez Sánchez (Chief Financial Officer, TPG) and by Mr. Gildardo Lara Bayón (Corporate Controlling Director, Grupo Salinas) on August 24, 2021.

b. Interim financial statements

TPG interim financial statements include the Company and all of its subsidiaries as of June 30, 2021 and 2020 (see Note 1). The Company controls a subsidiary when it is exposed to or has the right to variable returns derived from its involvement with the subsidiary and has the ability of affecting those returns through its power over the subsidiary. All of the Company's subsidiaries present their financial information for consolidation purposes as of June 30, 2021 and 2020, in compliance with TPG accounting policies.

All operations and balances between the Company and its subsidiaries have been eliminated in consolidation, including unrealized gains and losses in transactions between them. In cases in which an unrealized gain or loss arises from an intercompany sale of fixed asset, it is reversed in consolidation, in order to test the related asset for impairment from a consolidated perspective. The reported amounts in the Company's subsidiaries have been adjusted as necessary in order to assure the consistency with TPG accounting policies.

The subsidiaries' assets, liabilities and results are included or excluded in consolidation on the date those subsidiaries were acquired and up to the approval date of the disposal plan. Subsidiary gains or losses and other items of comprehensive income, are recognized starting from the date of acquisition and up to the disposal date, as applicable, considering that through the acquisition, control is obtained and lost at the time of the disposal.

c. Functional currency

The interim financial statements are presented in Mexican pesos ($), the currency under which the Company and its Mexican subsidiaries must keep their accounting records pursuant to Mexican law. Said currency is also the Company's reporting and functional currency.

d. Changes in accounting policies from the adoption of new IFRS and Improvements to IFRS

The interim financial statements have been prepared in accordance with the accounting policies described in Note 2d to the audited consolidated financial statements as of December 31, 2020. There are no new accounting standards, improvements or interpretations to be applied on or after January 1, 2021, which may have a significant effect on TPG's financial information.

e. Critical accounting estimates and judgments

The preparation of interim financial statements, in accordance with IFRS, requires TPG Management to make estimates and judgments that affect the assets and liabilities reported in the interim financial statements. Actual results may differ from those having been estimated. The interim financial statements were prepared at historical acquisition cost base, and where applicable, at fair value. The main estimates and judgments that have been identified are the following:

(i) Obsolete inventory and expected credit loss reserve. TPG uses estimates to determine the obsolete inventory and its receivables' expected credit loss reserve. Some of the factors considered by TPG for calculating the inventory allowance are the installations volume and demand trends for certain products. The factors considered by TPG to determine the receivables' expected credit loss reserve include customer risk related to its financial situation, unsecured accounts and the portfolio aging in accordance with the credit terms and conditions set down (see Notes 5 and 7 for more detail).

(ii) Property, plant and equipment. TPG reviews the estimated useful life of property, plant and equipment at the end of each annual period, to determine their depreciation. Useful lives are determined in accordance with technical studies prepared by specialized internal staff, but external specialists may also participate. The uncertainty degree from the useful lives' estimates is related to the market changes and the use of the assets. Likewise, TPG performs estimates of recovered equipment value when a user cancels the service.

(iii) Capitalization of cost of loans. TPG uses its judgment to determine: (1) the qualifying assets in which the cost of loans will be capitalized; (2) the starting, suspension and ending periods of the capitalization, and (3) the foreign exchange losses that may be capitalized.

(iv) Impairment of long-lived assets. When performing the asset impairment tests, TPG makes estimates on the value of use allocated to its property, plant and equipment, trademarks, and to cash generating units (CGU), in the case of certain assets. Calculations of the value of use require TPG to determine the future cash flows that should proceed from the CGUs and the appropriate discount rate to calculate the present value. TPG uses the revenue cash flow projections applying estimates of market conditions, prices, market share and volume of installations.

(v) Leases. At the time of registering its lease contracts under IFRS 16, Management has had to use certain estimates in respect to: (1) the possible contract renewals; (2) the discount rate to determine their present value; and (3) the applications of allowed exceptions.

(vi) Employee benefits. Measurement of the liability for employee benefits is performed by independent specialists based on actuarial calculations. Some of the assumptions that may have an important impact, among other, are: (1) discount rates, (2) expected salary increase rates, and (3) rotation and mortality rates based on recognized tables. A change in the economic, labor or tax conditions could modify the estimates.

(vii) Deferred taxes. TPG has tax loss carry forwards and certain temporary differences, which are susceptible to be used in the following years. Based on projected revenue and taxable profit TPG is expected to generate in future years, TPG Management has considered that a portion of current tax loss carry forwards and temporary differences will not be used prior to their expiration date and, therefore, it was considered appropriate to account for a valuation allowance to the deferred tax asset from those tax losses and temporary differences.

(viii) Contingencies. TPG is subject to legal procedures on which the likelihood of materialization as a payment obligation is assessed, for which the legal situation as of the date of the estimate and the opinion of TPG's legal advisers are considered. Such assessments are periodically reviewed and in case that the payment obligation becomes probable, the corresponding liability is recognized.

(ix) Revenue from contracts with customers. In the process of applying TPG accounting policies, Management has performed the following judgments that have had the most significant effects on the figures recognized in the financial statements: (1) determination of performance obligations; (2) the timing in which a revenue must be recognized based on the fulfillment of performance obligations; (3) the average time of equipment installation; (4) cancellations percentage; and (5) registration of the consideration as agent or principal.

NOTE 3 – RELEVANT DEVELOPMENTS:

A description of the most relevant events occurring from December 31, 2020 (date of the most recent audited consolidated financial statements) and up to June 30, 2021, are the following:

a. China Eximbank credit facility

During the first semester of 2021, the Company has drawn down from the Export and Import Bank of China (China Eximbank) credit facility an amount equivalent to $1,500,000 at an annual interest rate of 550 basis points. The proceeds were used to fund capital expenditures.

b. Operating expansion

During the six-month period ended June 30, 2021, TPG continued with its expansion in three cities across Mexico.

Additionally, the subscriber base grew as follows: (1) residential users reached the number of 2,938,004 (a 20% increase as compared to December 31, 2020); and (2) business-oriented subscribers reached the number of 85,603 (2% increase as compared to December 31, 2020).

c. New contracts with customers

Also, during the six-month period ended June 30, 2021, TPG entered into new important contracts, including the following:

(i) Internet service provided to the Mexico City High Court of Justice (Tribunal Superior de Justicia de la Ciudad de México). The contract value amounts to $222,647.
(ii) Preventive and corrective maintenance services to the equipment, installations and systems serving the 'Command, control, IT, communications and public attention center of the Mexico City Government' (Centro de comando, control, cómputo, comunicaciones y contacto ciudadano del Gobierno de la Ciudad de México). The contract value amounts to $94,106.
(iii) Internet service provided to the Mexico City Ministry of Public Safety and Security. The contract value amounts to $26,851.

NOTE 4 – CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are comprised as follows:

	As of June 30, 2021	As of June 30, 2020	As of December 31, 2020
Petty cash funds	$ 926	$ 872	$ 861
Checking accounts	49,728	21,660	23,391
Short-term investments	1,078,849	107,619	1,762,600
Total cash and cash equivalents	$ 1,129,503	$ 130,151	$ 1,786,852

NOTE 5 – ACCOUNTS RECEIVABLE FROM CUSTOMERS:

a. Accounts receivable are comprised in the following manner:

	As of June 30, 2021	As of June 30, 2020	As of December 31, 2020
Restricted television and audio subscribers	$ 2,820,547	$ 2,304,848	$ 2,376,847
Telecommunications operators	96,649	114,016	12,554
Other	204,244	90,460	159,818
Gross balance	3,121,440	2,509,324	2,549,219
Expected credit loss reserve	(281,630)	(191,348)	(173,033)
Total accounts receivable from customers – net	$ 2,839,810	$ 2,317,976	$ 2,376,186

b. Movements of the expected credit loss reserve:

	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020	Year ended December 31, 2020
Opening balance	$ 173,033	$ 260,808	$ 260,808
Increases	264,279	208,821	472,941
Write-offs	(155,682)	(278,281)	(560,716)
Closing balance	$ 281,630	$ 191,348	$ 173,033

NOTE 6 – RELATED PARTIES:

Accounts receivable and payable to related parties are shown below:

	As of June 30, 2021	As of June 30, 2020	As of December 31, 2020
a. Accounts receivable			
Grupo Elektra, S.A.B. de C.V. and subsidiaries (GEKT)	$ 47,404	$ 55,868	$ 4,865
TV Azteca, S.A.B. de C.V. and subsidiaries (GTVA)	21,410	12,342	30,149
Azteca Comunicaciones Colombia S.A.S.	11,789		-
Other	-	-	564
Total accounts receivable from related parties	$ 80,603	$ 68,210	$ 35,578
b. Accounts payable			
Corporación RBS, S.A de C.V. (CRBS)	$ 110,946	$ -	$ 78,577
TV Azteca, S.A.B. de C.V. and subsidiaries (GTVA)	100,422	100,621	71,449
Procesos BOFF, S. de R.L. de C.V. (BOFF)	70,012	66,457	-
Selabe Diseños, S.A. de C.V.	49,613	31,568	33,459
Totalsec, S.A. de C.V. (Totalsec)	44,569	149,489	47,215
UPAX GS, S.A. de C.V. (UPAX)	36,229	25,568	161
Servicios de Asesoría en Medios de Comunicación GS, S.A. de C.V.	17,467	16,052	440
Grupo Elektra, S.A.B. de C.V. and subsidiaries (GEKT)	15,392	25,797	1,979
Other	6,674	5,088	689
Total accounts payable to related parties	$ 451,324	$ 420,640	$ 233,969

Transactions with Grupo Salinas companies

Accounts receivable stem from fixed telephony services, internet and link rent provided to GEKT and GTVA.

In turn, services received by TPG from Grupo Salinas companies consist of:

- CRBS – administrative services
- GEKT – leasing and administrative services.
- GTVA – advertising and leasing.
- BOFF, S. de R.L. de C.V. – administrative services.
- Totalsec – information security services.
- UPAX – marketing, polls, market research, among other services.
- Selabe – administrative services.

NOTE 7 – INVENTORIES:

a. Balance integration:

	As of June 30, 2021	As of June 30, 2020	As of December 31, 2020
Set-top boxes	$ 914,475	$ 805,215	$ 1,043,929
Installation materials warehouse	644,960	636,566	615,507
Gross balance	1,559,435	1,441,781	1,659,436
Allowance for obsolescence	(41,824)	(45,622)	(38,095)
Total inventories – net	$ 1,517,611	$ 1,396,159	$ 1,621,341

b. Movements of the obsolescence allowance:

	Six-month periods ended June 30, 2021	Six-month periods ended June 30, 2020	Year ended December 31, 2020
Opening balance	$ 38,095	$ 39,729	$ 39,729
Increases	4,000	6,000	12,000
Write-offs	(271)	(107)	(13,634)
Closing balance	$ 41,824	$ 45,622	$ 38,095

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT - NET:

a. Integration by type of asset

As of the dates of presentation, property, plant and equipment – net, consisted of the following:

	As of June 30, 2021	As of June 30, 2020	As of December 31, 2020
Decoders and Installation expenses	$ 24,330,396	$ 14,930,513	$ 19,633,993
Fiber optic	13,270,715	10,632,202	12,063,296
Telecommunications equipment	8,345,793	6,478,000	7,650,370
Licenses and software	2,423,228	1,838,994	2,057,802
Laboratory machinery and equipment	1,124,274	920,304	1,018,337
Computers	1,053,179	834,087	934,799
Leasehold improvements	407,947	301,038	352,283
Vehicles	205,027	220,270	227,707
Furniture and fixtures	161,609	143,385	155,009
Gross depreciable balance	51,322,168	36,298,793	44,093,596
Accumulated depreciation	(14,218,727)	(10,183,404)	(12,153,975)
Net depreciable balance	37,103,441	26,115,389	31,939,621
Land	21,408	21,408	21,408
Projects in-progress	672,348	984,781	794,981
Total property, plant and equipment, net	$ 37,797,197	$ 27,121,578	$ 32,756,010

TPG has secured the tax credit mentioned in Note 13b with certain of these assets. As of June 30, 2021 the guaranty amounts to $869,136.

The carrying amount of property, plant and equipment is subject to an annual impairment test.

b. Reconciliation of balances

The reconciliation of balances for the periods ended June 30, 2021 and 2020 and for the year ended December 31, 2020, is as follows

	As of June 30, 2021	As of June 30, 2020	As of December 31, 2020
Opening balance	$ 32,756,010	$ 22,604,821	$ 22,604,821
Purchases, net of disposals[1]	8,283,902	6,709,645	15,036,519
Depreciation and subscribers acquisition cost	(3,242,715)	(2,192,888)	(4,885,330)
Closing balance	$ 37,797,197	$ 27,121,578	$ 32,756,010

[1] Includes capitalized loan costs (interest and exchange loss) of $308,550 and $480,185 for the periods ended June 30, 2021 and 2020 respectively.

NOTE 9 – LEASES (RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES)

a. Balance integration:

As of June 30, 2021 and 2020 and at December 31, 2020 the rights-of-use assets were comprised as follows:

	As of June 30, 2021	As of June 30, 2020	As of December 31, 2020
Property	$ 2,658,762	$ 1,946,915	$ 2,263,041
Decoders	2,407,814	1,677,420	2,304,015
Furniture, fixture and other	256,794	256,794	256,794
Communication equipment	217,525	217,525	217,525
Vehicles	730,397	167,056	431,761
Computers	210,505	34,025	210,505
Others	2,390	-	3,989
Gross balance	6,484,187	4,299,735	5,687,630
Accumulated depreciation	(2,309,814)	(680,275)	(1,545,143)
Net balance	$ 4,174,373	$ 3,619,460	$ 4,142,487

b. Lease liabilities:

	As of June 30, 2021		
Payable to:	Short-term	Long-term	Total
Real estate lessors	$ 388,095	$ 1,421,540	$ 1,809,635
Unifin Financiera, S.A.B. de C.V.	318,809	545,638	864,447
Gravitas Motion, S.A.P.I. de C.V.	111,975	214,062	326,037
Mexarrend S.A. de C.V.	94,282	224,026	318,308
Lease Plan S.A. de C.V.	112,708	172,552	285,260
Lumo Financiera del Centro, S.A. de C.V. SOFOM	151,630	58,510	210,140
Arrendadora Internacional Azteca S.A. de C.V.	71,901	122,798	194,699
Solucionika S.A. de C.V.	44,335	98,968	143,303
Arrendadora Actinver, S.A. de C.V.	48,035	64,037	112,072
Avant Lease S.A. de C.V.	19,207	53,071	72,278
Serfimex Capital, S.A.P.I. de C.V. SOFOM, E.N.R.	26,255	33,239	59,494
Liquid Capital S.A. de C.V.	45,463	10,418	55,881
Others	81,916	42,230	124,146
	$ 1,514,611	$ 3,061,089	$ 4,575,700

Payable to:	As of June 30, 2020 Short-term	Long-term	Total
Real estate lessors	$ 423,100	$ 1,072,904	$ 1,496,004
Unifin Financiera, S.A.B. de C.V.	344,036	566,114	910,150
Lumo Financiera del Centro, S.A. de C.V. SOFOM	168,337	179,579	347,916
Gravitas Motion, S.A.P.I. de C.V.	107,153	196,436	303,589
Arrendadora Actinver, S.A. de C.V.	50,915	103,576	154,491
Liquid Capital S.A. de C.V.	48,636	48,749	97,385
Avant Lease S.A. de C.V.	22,746	65,000	87,746
Serfimex Capital, S.A.P.I. de C.V. SOFOM, E.N.R.	27,835	54,509	82,344
Arrendadora Internacional Azteca S.A. de C.V.	75,052	-	75,052
Hewlett Packard Operations México, S. de R.L.	55,373	-	55,373
Others	43,419	66,591	110,010
	$ 1,366,602	$ 2,353,458	$ 3,720,060

Payable to:	As of December 31, 2020 Short-term	Long-term	Total
Real estate lessors	$ 470,355	$ 1,165,100	$ 1,635,455
Unifin Financiera, S.A.B. de C.V.	397,153	575,975	973,128
Gravitas Motion, S.A.P.I. de C.V.	130,892	242,369	373,261
Lumo Financiera del Centro, S.A. de C.V. SOFOM	169,594	109,577	279,171
Mexarrend S.A. de C.V.	70,142	167,362	237,504
Arrendadora Internacional Azteca S.A. de C.V.	92,989	120,543	213,532
Solucionika S.A. de C.V.	57,472	112,000	169,472
Arrendadora Actinver, S.A. de C.V.	54,636	79,305	133,941
Avant Lease S.A. de C.V.	22,311	58,628	80,939
Liquid Capital S.A. de C.V.	52,858	24,137	76,995
Serfimex Capital, S.A.P.I. de C.V. SOFOM, E.N.R.	29,762	41,553	71,315
Brame Comunicación Digital S.A. de C.V.	53,867	303	54,170
Hewlett Packard Operations México, S. de R.L.	30,114	-	30,114
Others	48,879	52,031	100,910
	$ 1,681,024	$ 2,748,883	$ 4,429,907

c. **Maturities of long-term liabilities for leases at June 30, 2021 were the following:**

Year	Amount
2023	$ 1,095,135
2024	820,659
2025	316,801
2026	131,530
2027 and thereafter	696,964
	$ 3,061,089

NOTE 10 – REVERSE FACTORING:

As a financing alternative, TPG offers its suppliers to participate in a factoring credit facility, through which intermediary liquidates to supplier debt originally contracted by TPG, less an agreed discount. Subsequently, TPG pays the amounts owed to the intermediary at nominal value, but in an extended period of time.

The following table shows liabilities resulting from factoring operations with suppliers as of June 30, 2021 and 2020 and at December 31, 2020:

	As of June 30, 2021		
	Short-term	Long-term	Total
FGS Bridge, S.A. de C.V. SOFOM, E.N.R (FGS)	$ 1,449,054	$ -	$ 1,449,054
Cintercap S.A. de C.V. SOFOM, E.N.R (CIN)	942	-	942
Arrendadora Internacional Azteca, S.A. de C.V. (AIA)	53,052	-	53,052
	$ 1,503,048	$ -	$ 1,503,048

	As of June 30, 2020		
	Short-term	Long-term	Total
FGS Bridge, S.A. de C.V. SOFOM, E.N.R (FGS)	$ 603,704	$ -	$ 603,704
Greensill Capital (UK) Limited (Greensill)	475,507	-	475,507
Arrendadora Internacional Azteca, S.A. de C.V. (AIA)	41,070	-	41,070
	$ 1,120,281	$ -	$ 1,120,281

	December 31, 2020		
	Short-term	Long-term	Total
FGS Bridge, S.A. de C.V. SOFOM, E.N.R (FGS)	$ 1,590,221	$ -	$ 1,590,221
Arrendadora Internacional Azteca, S.A. de C.V. (AIA)	24,881	-	24,881
Cintercap S.A. de C.V. SOFOM, E.N.R (CIN)	6,613	-	6,613
	$ 1,621,715	$ -	$ 1,621,715

NOTA 11 – FINANCIAL DEBT:

As of the condensed consolidated financial statement presentation dates, TPG had the following outstanding financings:

	As of June 30, 2021		
	Short-term	Long-term	Total
a. 7.50% Senior Notes Due 2025	$ -	$ 11,446,065	$11,446,065
b. The Export and Import Bank of China	-	3,066,291	3,066,291
c. Universidad ICEL S. C.	-	2,537,000	2,537,000
d. Fideicomiso 3370	-	2,500,000	2,500,000
e. Capiprom, S.A.P.I. de C.V.	216,919	1,345,529	1,562,448
f. Fideicomiso 1135	279,861	1,270,139	1,550,000
g. Postulando Ideas S.A. de C.V.	-	1,196,685	1,196,685
h. Desarrollo JNG Coyoacán, S.A. de C.V.	-	960,972	960,972
i. Banco del Bajío S. A.	87,500	827,500	915,000
j. Interpretaciones Económicas S.A. de C.V.	-	902,153	902,153
k. Desarrollo JNG Azcapotzalco S.A. de C.V.	-	887,651	887,651
l. Negocios y Visión en Marcha S.A. de C.V.	-	870,050	870,050
m. Inmobiliaria Ciudad del Sol Guadalajara S.A. de C.V.	-	835,488	835,488
n. Banco Invex S.A. IBM	-	700,000	700,000
ñ. Arrendadora Internacional Azteca S.A. de C.V.	345,409	-	345,409
o. Banco Monex S.A. IBM	300,000	-	300,000
p. QH Productos Estructurados S.A.P.I.	1,445	-	1,445
Transaction costs	(803)	(454,774)	(455,577)
Total debt recognized at amortized cost	$ 1,230,331	$ 28,890,749	$30,121,080

	As of June 30, 2020		
	Short-term	Long-term	Total
q. FGS Bridge, S.A. de C.V. SOFOM, E.N.R.	$ 674,996	$ 2,917,267	$ 3,592,263
c. Universidad ICEL S. C.	-	2,537,000	2,537,000
d. Fideicomiso 3370	-	2,500,000	2,500,000
e. Capiprom, S.A.P.I. de C.V.	61,342	1,582,448	1,643,790
i. Banco del Bajío S. A.	57,500	915,000	972,500
g. Postulando Ideas S.A. de C.V.	-	889,085	889,085
r. Sentir Común México SOFOM, S.A. de C.V.	77,273	704,545	781,818
p. QH Productos Estructurados S.A.P.I.	239,589	521,354	760,943
h. Desarrollo JNG Coyoacán, S.A. de C.V.	-	713,962	713,962
j. Interpretaciones Económicas S.A. de C.V.	-	670,254	670,254
k. Desarrollo JNG Azcapotzalco S.A. de C.V.	-	659,530	659,530
l. Negocios y Visión en Marcha S.A. de C.V.	-	646,434	646,434
m. Inmobiliaria Ciudad del Sol Guadalajara S.A. de C.V.	-	620,735	620,735
n. Banco Invex S.A. IBM	175,000	350,000	525,000
f. Fideicomiso 1135	-	450,000	450,000
o. Banco Monex S.A. IBM	300,000	-	300,000
ñ. Arrendadora Internacional Azteca S.A. de C.V.	149,166	-	149,166
Transaction costs	(8,363)	(107,324)	(115,687)
Total debt recognized at amortized cost	$ 1,726,503	$ 16,570,290	$18,296,793

	As of December 31, 2020		
	Short-term	Long-term	Total
a. 7.50% Senior Notes Due 2025	$ -	$ 11,447,503	$ 11,447,503
c. Universidad ICEL S. C.	-	2,537,000	2,537,000
d. Fideicomiso 3370	-	2,500,000	2,500,000
e. Capiprom, S.A.P.I. de C.V.	53,277	1,564,999	1,618,276
b. The Export and Import Bank of China	-	1,574,781	1,574,781
f. Fideicomiso 1135	-	1,550,000	1,550,000
i. Banco del Bajío S. A.	71,610	873,390	945,000
g. Postulando Ideas S.A. de C.V.	-	889,085	889,085
h. Desarrollo JNG Coyoacán, S.A. de C.V.	-	713,962	713,962
j. Interpretaciones Económicas S.A. de C.V.	-	670,254	670,254
k. Desarrollo JNG Azcapotzalco S.A. de C.V.	-	659,530	659,530
l. Negocios y Visión en Marcha S.A. de C.V.	-	646,433	646,433
m. Inmobiliaria Ciudad del Sol Guadalajara S.A. de C.V.	-	620,735	620,735
o. Banco Monex S.A. IBM	300,000	-	300,000
p. QH Productos Estructurados S.A.P.I.	18,138	-	18,138
Transaction costs	-	(498,105)	(498,105)
Total debt recognized at amortized cost	$ 443,025	$ 25,749,567	$ 26,192,592

As of June 30, 2021, maturities of long-term portions are the following:

Year	Face value	Transaction costs	Amortized cost
2023	$ 3,068,621	($ 47,317)	$ 3,021,304
2024	3,043,310	(49,241)	2,994,069
2025	2,137,389	(34,998)	2,102,391
2026	12,030,120	(298,279)	11,731,841
2027 and thereafter	9,066,083	(24,939)	9,041,144
	$ 29,345,523	($ 454,774)	$ 28,890,749

NOTE 12 – FINANCIAL INSTRUMENTS:

a. Fair value

Fair value of financial instruments was determined by TPG using information available in the market and other valuation techniques that require Management´s judgment. Moreover, the use of different assumptions and valuation methods may have a material effect on the estimated amounts of fair value.

Financial instruments which, after initial recognition, are quantified at fair value are grouped in Levels from 1 to 3 based on the degree to which fair value is observed, as shown below:

- **Level 1** – valuation based on prices quoted in the market (unadjusted) for identical assets or liabilities;
- **Level 2** – valuation with indicators other than the quoted prices included in Level 1, but include observable indicators for an asset or liability, either directly (quoted prices) or indirectly (derivations of these prices); and
- **Level 3** – valuation techniques are applied that include indicators for assets and liabilities that are not based on observable market information (unobservable indicators).

As of June 30, 2021 and 2020 and at December 31, 2020, financial assets and liabilities are classified as follows:

	Amortized cost	FVTPL	FVOCI	Total
As of June 30, 2021:				
Financial Assets:				
Cash and cash equivalents	$ 1,129,503	$ -	$ -	$ 1,129,503
Restricted cash in trusts	1,081,350	-	-	1,081,350
Customers	2,839,810	-	-	2,839,810
Other receivables	62,169	-	-	62,169
Related parties	80,603	-	-	80,603
	$ 5,193,435	$ -	$ -	$ 5,193,435
Financial Liabilities:				
Total financial debt (short and long-term)	$30,121,080	$ -	$ -	$30,121,080
Interest payable	127,180	-	-	127,180
Trade payables	6,972,453	-	-	6,972,453
Short and long-term lease liabilities	4,575,700	-	-	4,575,700
Reverse factoring	1,503,048	-	-	1,503,048
Other payables (short and long-term)	2,022,116	-	-	2,022,116
Related parties	451,324	-	-	451,324
Derivative financial instruments	-	73,600	63,292	136,892
	$45,772,901	$ 73,600	$ 63,292	$45,909,793

	Amortized cost	FVTPL	FVOCI	Total
As of June 30, 2020				
Financial Assets:				
Cash and cash equivalents	$ 130,151	$ -	$ -	$ 130,151
Restricted cash in trusts	1,596,708	-	-	1,596,708
Customers	2,317,976	-	-	2,317,976
Other receivables	20,386	-	-	20,386
Related parties	68,210	-	-	68,210
Derivative financial instruments	-	58	26,394	26,452
	$ 4,133,431	$ 58	$ 26,394	$ 4,159,883
Financial Liabilities:				
Total financial debt (short and long-term)	$18,296,336	$ -	$ -	$18,296,336
Interest payable	457	-	-	457
Trade payables	7,388,735	-	-	7,388,735
Short and long-term lease liabilities	3,720,060	-	-	3,720,060
Reverse factoring	1,120,281	-	-	1,120,281
Other payables (short and long-term)	1,701,650	-	-	1,701,650
Related parties	420,640	-	-	420,640
	$32,648,159	$ -	$ -	$32,648,159

	Amortized cost	FVTPL	FVOCI	Total
As of December 31, 2020				
Financial Assets:				
Cash and cash equivalents	$ 1,786,852	$ -	$ -	$ 1,786,852
Restricted cash in trusts	1,271,910	-	-	1,271,910
Customers	2,376,186	-	-	2,376,186
Other receivables	41,430	-	-	41,430
Related parties	35,578	-	-	35,578
	$ 5,511,956	$ -	$ -	$ 5,511,956
Financial Liabilities:				
Total financial debt (short and long-term)	$ 26,192,592	$ -	$ -	$ 26,192,592
Interest payable	119,046	-	-	119,046
Trade payables	6,728,131	-	-	6,728,131
Short and long-term lease liabilities	4,429,907	-	-	4,429,907
Reverse factoring	1,621,715	-	-	1,621,715
Other payables (short and long-term)	1,527,212	-	-	1,527,212
Related parties	233,969	-	-	233,969
Derivative financial instruments	-	242,844	(28,624)	214,220
	$ 40,852,572	$ 242,844	$ (28,624)	$ 41,066,792

[1] Fair value through profit or loss (FVTPL).
[2] Fair value through other comprehensive income (FVOCI)

b. Hedging activities and derivatives

i. Derivatives not designated as hedges

TPG uses foreign currency loans and foreign currency purchases/sales, for the purpose of managing some of the risks stemming from its transactions, mainly market risks as exchange rates and interest rates. Installment purchases/sales of foreign currency are not designated as cash flow hedges, and they are agreed for periods consistent with the foreign exchange risk exposure of the related transactions, generally between 1 to 24 months.

ii. Cash flow hedges

Non-dominant credit risk

The credit risk of counterparts does not have a material influence on the Fair Value of Derivative Financial Instruments. The rating of both financial entities and the most recent of the Company are the following:

Company	Rating	Agency
Banco Monex, S.A.	AA -	Fitch Ratings
Corporación Actinver, S.A.B de C.V.	AA -	Fitch Ratings
Total Play Comunicaciones, S.A. de C.V.	AA	HR Ratings

Foreign exchange risk

Installment purchases of foreign currency, measured at fair value with changes through other comprehensive income, are designated as hedges of the cash flows from expected sales in U.S. dollars. These expected transactions are highly probable and comprise a high percentage of the total expected purchases in U.S. dollars.

Although TPG has other installment purchases/sales of foreign currencies with the intention of mitigating the foreign exchange risk of expected purchases and sales, these other agreements are not designated as hedges and are consequently measured at fair value through profit and loss.

The balances of installment purchases/sales of foreign currency vary depending on the level of expected sales and purchases in foreign currency and on foreign exchange rates.

	As of June 30, 2021		
Derivative financial instrument:	Asset	Liability	Net
Currency Swap (CCS)	$ -	$ 93,549	($ 93,549)
Foreign exchange options (FX options)	-	42,851	(42,851)
Exchange rate forward	-	492	(492)
Mark-to market at the closing period	$ -	$ 136,892	($ 136,892)

	As of June 30, 2020		
Derivative financial instrument:	Asset	Liability	Net
Bonus swap (IRS)	$ 3,759	$ -	$ 3,759
Foreign exchange options (FX options)	22,693	-	22,693
Mark-to market at the closing period	$ 26,452	$ -	$ 26,452

Derivative financial instrument:	Asset		Liability		Net
			As of December 31, 2020		
Bonus swap (IRS)	$	-	$	180,928	($ 180,928)
Foreign exchange options (FX options)		-		33,292	(33,292)
Mark-to market at the closing period	$	-	$	214,220	($ 214,220)

The terms of the installment purchases/sales of foreign currency match with the highly probable expected transactions. Consequently, there is no inefficiency to be recognized in the income statement.

Cash flow hedges of expected future purchases in 2021, were assessed as highly efficient and an unrealized loss of $63,292 was recorded in OCI.

The amount transferred during the period from January 1 through June 30, 2021 and 2020 from OCI to the carrying amount of the hedged elements was $73,600 and $58 respectively and is shown in Note 12a. It is expected that some amounts included in OCI as of June 30, 2021 become due and affect the income statement as of December 31, 2021.

NOTE 13 – COMMITMENTS AND CONTINGENCIES:

As of June 30, 2021, TPG had the following commitments:

a. Commitments arising from financial debt.

As some of the credit contracts described in Note 11, TPG has the following commitments:

i. TPG and other credited subsidiaries must comply with the covenants included on each of debt contracts.

ii. Some of the assets are granted in guarantee for the credits describe in Note 11.

b. Tax credit

On December 3, 2015, the Mexican Internal Revenue Service (SAT for its acronym in Spanish) issued notification no. 900-04-05-2015-52432 through which it was determined a tax claim amounting to $645,764 (historical amount) corresponding to income tax for the year 2011, allegedly failed, plus inflation-restatement, surcharge and penalties.

SAT points out: (i) that the Company has not proved the strict indispensability of certain commissions and advances from commercializing telecommunications services; and (ii) that it rejects the deduction for tax purposes of travel expenses, administrative services, and uncollectable receivables from a reorganization procedure.

On January 19, 2016 the Company interposed a resource of appeal before the corresponding authority (*Administración de lo Contencioso de Grandes Contribuyentes –Administration of Large Taxpayer Disputes*). Subsequently, during April and May 2016, the Company delivered a series of additional evidence in its favor. On June 16, 2016 the appeal was resolved, confirming the tax credit imposed and on August 19, 2016 the Company filed a claim of nullity (*demanda de nulidad*); said claim was admitted on September 6, 2017 by the Federal Court of Tax and Administrative Justice (*Tribunal Federal de Justicia Fiscal y Administrativa*).

On November 28, 2017, the Company filed a direct 'amparo' trial. The Company is waiting for the resolution of the Mexican tax authorities and the Company's external advisors consider that it is probable that the process will result in a nullity trial (*juicio de nulidad*).

In court session held on February 7, 2020, the judges of the Sixth Collegiate Court determined to withdraw the sentencing project, for the purpose of remitting the file to the Second Chamber of the Supreme Court of Justice of the Nation, since the Ministry of Finance and Public Credit ("Hacienda") asked the Supreme Court to assert jurisdiction when appraising that the matter is important and transcendent. In session held on September 23, 2020, it was resolved to bring the matter for resolution in the Supreme Court of Justice of the Nation, registering with the file DA 29/2020.

The challenged amount is duly guaranteed through the administrative seizure of several assets of the Company, which was expressly accepted by the tax authorities, and they were ordered the final suspension of the administrative procedure of execution.

c. Labor contingencies

Some of the Company´s subsidiaries are involved in legal procedures for labor disputes of a lesser quantitative importance. In the opinion of TPG's external legal advisors, these disputes do not represent a relevant contingency that may materially affect TPG since they arise from the ordinary course of business.

d. Related party transactions

In accordance with Mexican Income Tax Law, those entities carrying out transactions with their related parties are subject to certain limitations and to some fiscal obligations related to the agreed prices, since they must be similar to prices used with independent parties in comparable operations.

In case that a review of the prices by the Mexican tax authorities results in a rejection of the amounts under review, they could seek, in addition to the omitted tax plus interest, penalties that could represent 100% of the updated amount of the omitted taxes.

NOTE 14 – SEASONALITY:

TPG does not have a defined seasonality on its operations.

NOTE 15 – EQUITY:

a. Contributed capital

Shares of the Company's capital stock are fully voting and of free subscription, and may be acquired by any person or corporation, local or foreign, provided applicable legal regulations regarding foreign investment are met.

On June 30, 2020, a general stockholders meeting was held, in which it was decided to decrease the variable capital stock in $9,800 and increase the fixed capital stock by same amount.

After the movement described above the equity is comprised as follows:

	As of June 30, 2021	
	Number of outstanding shares	Amount
Fixed capital stock	88,815	$ 10,000
Variable capital stock	21,037,407	2,368,664
Unpaid shares	(464,947)	(52,372)
Inflation restatement	-	10,700
Fully paid and subscribed capital stock	20,661,275	$ 2,336,992

	As of December 31, 2020		
	Number of outstanding shares		Amount
Fixed capital stock	88,815	$	10,000
Variable capital stock	21,037,407		2,368,664
Unpaid shares	(464,947)		(52,372)
Inflation restatement	-		10,700
Fully paid and subscribed capital stock	20,661,275	$	2,336,992

Legal reserve

Under Mexican law, net income for the year is subject to the legal provision requiring that at least 5% of net income be appropriated to increase the legal reserve until that reserve equals one-fifth of total capital stock. The balance of the legal reserve may not be distributed to the stockholders but may be used to reduce accumulated losses or be converted to capital stock.

b. Distribution of earnings

As of December 31, 2020, the balance of "Net Tax Income Account" (CUFIN for its acronym in Spanish) was $3,009,284. Starting from 2014 earnings generated and distributed to the stockholders are subject to a 10% income tax withholding, provided they do not come from CUFIN. Dividends paid that come from income previously taxed by Income Tax, will not be subject to any withholding or additional tax payment prior to December 31, 2013.

The Company has certain restrictions on dividend payments due to covenants under its credit agreements.

c. Capital stock reductions

As of December 31, 2020, the inflation-restated balance of the "Restated Contributed Capital Account" (CUCA for its acronym in Spanish) amounted to $4,145,739. In case of a reimbursement or capital decreases in favor of the stockholders, the excess of that reimbursement over this amount will be treated as distributed earnings for tax purposes.

Likewise, in the case that equity should exceed the balance of the CUCA, the spread will be considered as dividend or distributed earnings subject to the payment of income tax. If the earnings referred to above are paid out of the CUFIN, there will be no corporate tax payable due to the capital decrease or reimbursement. Otherwise, it should be treated as dividends or earnings distribution, as provided in Mexican Income Tax Law.

NOTE 16 – REVENUE, COST AND EXPENSES BY NATURE:

TPG presents consolidated revenue, cost and expenses by their function; however, IFRS require disclosing additional information regarding the nature of said items.

For the six-month periods ended June 30, 2021 and 2020, consolidated revenue, cost and expenses according to their nature are as follows:

	Six-month period ended June 30,			
		2021		2020
Revenues from services provided:				
Pay television and audio, fixed telephony and internet access	$	9,558,567	$	5,892,029
Business-oriented services		3,148,619		2,755,898
Activation and installation fees		208,211		94,376
Advertising		103,315		53,798
Interconnection and long-distance fees		14,870		7,162
Other		161,902		74,368
Total revenues from services provided	$	13,195,484	$	8,877,631

	Six-month period ended June 30,			
		2021		2020
Cost of services:				
Content	$	(1,335,015)	$	(991,254)
Cost of sold equipment		(538,554)		(447,026)
Commissions		(465,350)		(354,350)
Allowance for expected credit losses		(264,279)		(208,821)
Rent of dedicated links		(195,948)		(154,246)
Other		(474,127)		(230,909)
Total cost	$	(3,273,273)	$	(2,386,606)
General expenses:				
Personnel	$	(1,935,873)	$	(1,687,409)
Advertising		(541,360)		(399,241)
Maintenance		(471,993)		(292,363)
Professional fees		(256,077)		(198,295)
Administrative services		(192,943)		(142,986)
Leases		(92,520)		(97,023)
Other		(747,509)		(528,847)
Total general expenses	$	(4,238,275)	$	(3,346,164)

NOTE 17 – INFORMATION BY SEGMENTS:

Management of TPG identifies two major service lines as operating segments. These operating segments are supervised by those making strategic decisions, which are made taking as a basis the adjusted operating results of the segment:

a. Totalplay Residential. Offers a state-of-the-art IPTV system (*Internet Protocol TV*) and is commercialized through the *Double Play* or *Triple Play* packages. The main services offered consist of:

- Linear Television. The customer is provided with a decoder of state-of-the-art technology and a Wi-fi Extender. Among the additional services at no cost: VOA (*Video on Demand*), parental control and *Anytime* (up to seven days' deferral of certain channels).
- Internet. Provided by a FTTH network (*Fiber to-the home*) of fiber optic unique in Mexico (*backbone* of 200 gigabits), which permits high speed and quality.
- Apps contents. The Company has internally developed a TV interface for its users, allowing the integration of popular apps, offering its subscribers all services under the same platform.
- Telephony. In addition to the traditional service, from a mobile app, customers may have worldwide coverage as if they were calling or receiving calls on their fixed line.

b. **Totalplay Empresarial** (business-oriented). Offers telecommunication solutions and Information Technologies to resolve connectivity issues for better improving operations and business processes of private sector entities and public sector institutions. Among the main solutions:

- Plans for businesses. With high-speed internet (symmetrical or asymmetric), telephony and value-added services.
- Plans with backup included. Dedicated internet, LAN (*Local Area Network*) to LAN, MPLS (*Multiprotocol Label Switching*), and management portal for business services, among other.
- Cloud-base solutions such as G-Suite, virtual servers, fleets, video surveillance, and safe navigation. These solutions offer a secure network, available, private and competitive.
- Comprehensive technological solutions for: video surveillance, corporate and branches, and security, under a managed services model.

The table below presents the information by segments:

	Six-month period ended June 30, 2021		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Revenue from services	$ 10,047,189	$ 3,148,295	$ 13,195,484
Cost of services	(2,306,244)	(967,029)	(3,273,273)
Operating expenses	(3,571,959)	(666,316)	(4,238,275)
Depreciation and amortization, financial cost and others	(5,163,375)	(176,794)	(5,340,169)
Net income	($ 994,389)	$ 1,338,156	$ 343,767

	At June 30, 2021		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Customers	$ 901,419	$ 1,938,391	$ 2,839,810
Property, plant and equipment – Net	28,779,170	9,018,027	37,797,197
Right-of-use assets – Net	3,178,410	995,963	4,174,373

	Six-month period ended June 30, 2020		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Revenue from services	$ 6,121,733	$ 2,755,898	$ 8,877,631
Cost of services	(1,547,196)	(839,410)	(2,386,606)
Operating expenses	(2,792,511)	(553,653)	(3,346,164)
Depreciation and amortization, financial cost and others	(3,769,051)	(84,334)	(3,853,385)
Net income	($ 1,987,025)	$ 1,278,501	($ 708,524)

	At June 30, 2020		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Customers	$ 838,000	$ 1,479,976	$ 2,317,976
Property, plant and equipment – Net	18,713,889	8,407,689	27,121,578
Right-of-use assets – Net	2,497,428	1,122,032	3,619,460

	Year ended December 31, 2020		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Revenue from services	$ 14,090,789	$ 5,466,288	$ 19,557,077
Cost of services	(3,461,582)	(1,569,321)	(5,030,903)
Operating expenses	(6,040,371)	(1,188,080)	(7,228,451)
Depreciation and amortization, financial cost and others	(7,636,245)	(208,501)	(7,844,746)
Net income	($ 3,047,409)	$ 2,500,386	($ 547,023)

	At December 31, 2020		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Customers	$ 812,638	$ 1,563,548	$ 2,376,186
Property, plant and equipment – Net	23,607,226	9,148,784	32,756,010
Right-of-use assets – Net	2,985,486	1,157,001	4,142,487

NOTE 18 – SUBSEQUENT EVENTS:

As of the release date of these condensed consolidated interim financial statements, there have been no events that require any adjustment or that do not require adjustment, but that were significant, between the reporting date and the authorization date, except for the following:

FGS loan

During July 2021, the Company drew down from the FGS Bridge, S.A.P.I. credit facility an amount equivalent to $1,100,000 at an annual interest rate of TIIE plus 425 basis points. The proceeds were used to repay suppliers.

* * * *

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V.
AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V.
AND SUBSIDIARIES

(Subsidiary of Corporación RBS, S.A. de C.V.)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

INDEX

Contents	Page
Independent auditor’s report	1 to 3
Consolidated statements of financial position	4
Consolidated statements of comprehensive (loss) income	5
Consolidated statements of changes in equity	6
Consolidated statements of cash flows	7
Notes to the consolidated financial statements	8 to 54

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of
Total Play Telecomunicaciones, S.A. de C.V. and Subsidiaries
(Subsidiary of Corporación RBS, S.A. de C.V.)

Opinion

We have audited the accompanying consolidated financial statements of Total Play Telecomunicaciones, S.A. de C.V., and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive (loss) income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including 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 Total Play Telecomunicaciones, S.A. de C.V., and its subsidiaries as at December 31, 2020 and 2019, and of its financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Emphasis of matter

We draw your attention to accompanying Note 11 to the consolidated financial statements, on November 9, 2020, the Group made an issuance of Senior Notes for an amount of US$575 million dollars (The Senior Notes), with an annual interest rate of 7.50%, and maturity in 2025. The Senior Notes were listed in the Singapore Stock Exchange (SGX-ST). The Senior notes were issued through a private offering intended only for qualified institutional investors in the United States, in conformity with Rule 144A of the U.S. Securities Act of 1933 as amended (Securities Act) and outside of the United States in conformity with regulation S, under the Securities Act. The purpose of the Senior Notes issuance was to use the proceeds to increase the Group's geographical coverage in Mexico, as well to refinance liabilities, in order to reduce the Group's debt cost of debt and improve the maturity profile.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in manner that achieves fair presentation.

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

Mazars Auditores, S. de R.L. de C.V.

Martín Pérez García, CPA
Partner

Mexico City,
April 20, 2021.

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	Notes	December 31, 2020	December 31, 2019
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	2i and 3	$ 1,786,852	$ 227,212
Accounts receivable:			
Customers – Net	2k and 4	2,376,186	2,155,941
Other receivables	2k	41,430	39,846
Recoverable taxes		3,310,476	1,968,410
Related parties	5	35,578	101,415
Fiduciary rights	4d	1,271,910	946,901
Inventories	2l and 6	1,621,341	1,260,484
Prepaid expenses	2m and 7	407,255	142,863
Derivative financial instruments	2j and 15b	-	1,975
Total current assets		10,851,028	6,845,047
NON-CURRENT ASSETS			
Property, plant and equipment - Net	2n and 8	32,756,010	22,604,821
Right-of-use assets - Net	2r and 9a	4,142,487	3,620,453
Trademarks and other assets	2p and 10	1,057,749	1,065,139
Deferred income tax asset	2t and 14c	438,553	321,154
Total non-current assets		38,394,799	27,611,567
Total Assets		$ 49,245,827	$ 34,456,614

	Notes	December 31, 2020	December 31, 2019
Liabilities and Equity			
SHORT-TERM - LIABILITIES:			
Short-term portion of long-term debt	2s and 11	$ 443,025	$ 1,395,401
Derivative financial instruments	2j and 15b	214,220	-
Lease liabilities	2r and 9	1,681,024	1,453,430
Trade payables		6,714,011	3,546,950
Reverse factoring	12	1,621,715	964,739
Other payables payable taxes	2v	1,154,358	878,197
Related parties	5	233,969	245,644
Unearned revenue	2x	269,279	195,126
Interest payable		119,046	892
Total short-term liabilities		12,450,647	8,680,379
LONG-TERM LIABILITIES:			
Long-term debt	2s and 11	25,749,567	13,725,543
Lease liabilities	2r and 9d	2,748,883	2,934,517
Trade payables		14,120	75,315
Other payables	2v	37,391	279,003
Employee benefits	2u and 13	66,184	34,333
Total long-term liabilities		28,616,145	17,048,711
Total liabilities		41,066,792	25,729,090
Commitments and contingencies	2v and 17	-	-
EQUITY:	2w, 18 and 19		
Capital stock		2,336,992	2,336,992
Paid-in capital		1,539,398	1,539,398
Contributions for future capital stock increases		5,000,000	5,000,000
Retained (losses) earnings:			
Legal reserve		183,368	183,368
Prior years		(2,048,507)	(2,711,056)
For the year		(547,023)	662,549
Other comprehensive income		1,714,807	1,716,273
Total equity		8,179,035	8,727,524
Total liabilities and equity		$ 49,245,827	$ 34,456,614

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	Notes	Years ended December 31, 2020	2019
Revenue from services	2x and 20	**$ 19,557,077**	**$ 14,267,364**
Cost of services	2y and 21	(5,030,903)	(3,506,105)
Gross profit		14,526,174	10,761,259
General expenses			
Network-related	2y and 21	(2,307,360)	(1,811,861)
Sales and administration	2y and 21	(4,921,091)	(3,434,739)
Depreciation and amortization	2n, 2z, 8, 9 and 21	(6,440,174)	(4,378,514)
Other income (expenses) – Net		37,711	(55,049)
		(13,630,914)	(9,680,163)
Operating profit		**895,260**	**1,081,096**
Financial cost:			
Accrued interest income	2x	44,593	56,119
Accrued interest expense:			
Financial debt	11	(1,070,569)	(284,170)
Leases	9	(370,386)	(136,262)
Other financial expenses		(135,425)	(55,025)
Foreign exchange gain – Net	2aa	1,500	100,094
		(1,530,287)	(319,244)
(Loss) income before income tax provisions		**(635,027)**	**761,852**
Income tax provisions	2t and 14a	88,004	(99,303)
Net (loss) income		**(547,023)**	**662,549**
Other comprehensive (loss) income:			
Fair value of intangibles	2p	-	790,000
Hedge fair value	15b	25,780	(3,717)
Actuarial losses	2u and 13	(23,473)	(2,155)
Result from foreign subsidiary translation	2aa	(3,773)	3,041
		(1,466)	787,169
Net comprehensive (loss) income for the year	**2cc**	**($ 548,489)**	**$ 1,449,718**

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Notes 1 and 2)
Figures expressed in thousands of Mexican pesos

					Retained (losses) earnings				
	Notes	Capital stock	Paid in capital	Contributions for future capital stock increases	Legal reserve	Prior years	For the year	Other comprehen-sive income	Total equity
Balances at January 1, 2019		**$2,336,992**	**$ 1,539,398**	**$ -**	**$ 183,368**	**($ 2,477,350)**	**($ 233,706)**	**$ 929,104**	**$ 2,277,806**
Appropriation of prior year net loss		-	-	-	-	(233,706)	233,706	-	-
Contributions for future capital stock increases	18a	-	-	5,000,000	-	-	-	-	5,000,000
Comprehensive income for the period	2cc	-	-	-	-	-	662,549	787,169	1,449,718
Balances at December 31, 2019		**$2,336,992**	**$ 1,539,398**	**$ 5,000,000**	**$ 183,368**	**($ 2,711,056)**	**$ 662,549**	**$ 1,716,273**	**$ 8,727,524**
Appropriation of prior year net loss		-	-	-	-	662,549	(662,549)	-	-
Comprehensive (loss) for the period	2cc	-	-	-	-	-	(547,023)	(1,466)	(548,489)
Balances at December 31, 2020		**$2,336,992**	**$ 1,539,398**	**$ 5,000,000**	**$ 183,368**	**($ 2,048,507)**	**($ 547,023)**	**$ 1,714,807**	**$ 8,179,035**

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Notes 1, 2 and 3)

Figures expressed in thousands of Mexican pesos

	Years ended December 31, 2020	2019
Operating activities:		
(Loss) income before income tax provision	($ 635,027)	$ 761,852
Items not requiring the use of resources:		
Depreciation and amortization	6,440,174	4,378,514
Employee benefits	8,378	14,791
Items related to investing or financing activities:		
Accrued interest income	(44,593)	(55,250)
Accrued interest expense and other financial transactions	1,573,729	420,432
Unrealized foreign exchange gain – Net	(357,420)	-
Measurement of derivative financial instruments' valuation	241,975	-
	7,227,216	5,520,339
Resources (used in) generated by operating activities:		
Customers and unearned revenue	(146,092)	(1,084,017)
Other receivables	(1,584)	(39,846)
Related parties - Net	54,162	(96,797)
Recoverable taxes	(1,342,066)	(803,800)
Inventories	(360,857)	(306,210)
Prepaid expenses	(264,392)	93,863
Trade payables	3,105,866	(1,010,480)
Other payables	34,549	285,509
Income taxes paid	(29,395)	(29,058)
Others	(3,773)	-
Cash flows generated by operating activities	**8,273,634**	**2,529,503**
Investing activities:		
Acquisition of property, plant and equipment	(14,201,308)	(7,896,255)
Other assets	7,390	(98,047)
Collected interest	44,593	55,250
Cash flows used in investing activities	**(14,149,325)**	**(7,939,052)**
Financing activities:		
Contributions for future capital stock increases	-	5,000,000
Loans received	11,296,294	3,024,648
Lease cash flows	(2,405,304)	1,150,647
Fiduciary rights	(325,009)	(289,941)
Reverse factoring	656,976	(1,605,129)
Interest payment	(1,787,626)	(1,690,476)
Net cash flows generated by financing activities	**7,435,331**	**5,589,749**
Net (decrease) increase in cash and cash equivalents	1,559,640	180,200
Cash and cash equivalents at the beginning of the year	227,212	47,012
Cash and cash equivalents at the end of the year	**$ 1,786,852**	**$ 227,212**

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

NOTE 1 – DESCRIPTION OF TOTAL PLAY GROUP (TPG):

a. Entity and corporate purpose:

Total Play Telecomunicaciones, S.A. de C.V. ("the Company") was incorporated on May 10, 1989 under Mexican laws. The Company is a 99% direct subsidiary of Corporación RBS, S.A. de C.V (parent company at the last level of consolidation).

The head office of the Company is domiciled at Ave. San Jerónimo 252, Colonia La Otra Banda, 04519, Alcaldía Alvaro Obregón, Mexico City, Mexico.

The Company has no employees and obtains personnel services from its subsidiaries.

b. Activity:

The main businesses activities of the Company and its subsidiaries are:

(i) to install, operate and exploit public telecommunication networks and/or cross-border links, through concession rights granted, as appropriate, by the Mexican Communications and Transportation Secretary (SCT by its Spanish acronym);
(ii) the purchase - sale, distribution, installation, lease and trading of telecommunication devices;
(iii) the operation of the concessions, authorizations or rights granted by the SCT;
(iv) to provide restricted television/audio services, internet access and fixed telephony services;
(v) the leasing of dedicated links to corporate customers; and
(vi) to provide international long-distance services.

The Company´s operation is regulated by the Federal Telecommunications Law (LFT for its Spanish acronym) through the Federal Telecommunications Institute (FTI or IFT for its Spanish acronym).

The Company has been granted the following concessions or amendments to the concessions by the Mexican Federal Government:

- October 16, 1995 – concession to operate in the national and international long-distance segments, as well as to provide value added services (the Concession Title). On March 25, 2020, the Company announced that the FTI had renewed its concession to operate and exploit a public telecommunications network for a 30 year period from October 16, 2025 through October 16, 2055.

- December 19, 2005 – basic local telephony services on a national basis, through the amendment of the Concession Title.

- November 6, 2009 – an authorization was added to provide restricted television/audio services through an amendment to the Concession Title.

c. Consolidation companies:

The Company is the controlling shareholder of the following entities:

Company	Year of incorporation	% of direct or indirect interest		Activity
		2020	2019	
Iusatel USA, Inc. (Iusatel USA)	2001	100%	100%	Participant in the long-distance market in the United States of America.
Tendai, S.A. de C.V.	2013	100%	100%	No operations.
Total Box, S.A. de C.V.	2014	100%	100%	Lease of decoders.
Gesalm Consultores, S.A. de C.V.	2014	100%	100%	Personnel services.
Gesalm Asesores, S.A. de C.V.	2014	100%	100%	Personnel services.
Gesalm Servicios, S.A. de C.V.	2015	100%	100%	Personnel services.
Total Telecom Play, S.A. de C.V. (Mexico)	2015	100%	100%	Dormant
Total Play Comunicaciones Colombia, SAS (Colombia)	2019	100%	100%	Dormant
TPE Comunicaciones Colombia, SAS (Colombia)	2019	100%	100%	Dormant
Hogar Seguro TP, S.A. de C.V.	2020	100%	-	Dormant

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of preparation and presentation of the consolidated financial information

The accompanying consolidated financial statements of the Company have been prepared under the accrual basis and historical costs premise, except for the revaluation of properties, investments, trademarks and derivative financial instruments. The amounts are rounded to thousands, except as otherwise noted.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

IFRSs are comprised by the IFRS and by the International Accounting Standards (IAS), their Amendments and Interpretations to both IFRS and IAS (IFRIC and SIC, respectively).

The preparation of the consolidated financial statements in accordance with the adopted IFRSs requires the use of certain critical accounting estimates. It also requires TPG Management to use its judgment when applying TPG accounting policies. The areas in which significant judgments and estimates have been made when preparing the consolidated financial statements and their effect, are described in Note 2f.

The Group is required to report its financial information to the Institutional Stock Exchange (Bolsa Institucional de Valores, S.A. de C.V. or BIVA for its Spanish acronym) and to the National Securities and Exchange Commission (Comisión Nacional Bancaria y de Valores or CNBV for its Spanish acronym) while being the manager of the Irrevocable trust number CIB/3370, which was created due to the issuance of securitized certificates (Certificados Bursátiles o CEBURES) on March 2, 2020; as well as to the Singapore Stock Exchange (SGX) due to the Senior Notes issuance described in Note 11.

TPG consolidated financial statements as of December 31, 2020 were approved by Mr. Alejandro Enrique Rodríguez Sánchez (Chief Financial Officer, TPG) and by Mr. Gildardo Lara Bayón (Corporate Controlling Director, Grupo Salinas) on April 20, 2021. Said consolidated financial statements will be subject to the Board of Directors' and Stockholders approval at their upcoming meetings. The Stockholders can modify the financial statements after their issuance in accordance with the Mexican General Corporate Law.

b. Consolidated financial statements

Consolidation rules

TPG's consolidated financial statements include the Company and all of its subsidiaries as of December 31, 2020 and 2019 (see Note 1). TPG controls a subsidiary when it is exposed to or has the right to variable returns derived from its involvement with the subsidiary and has the ability of affecting those returns through its power over the subsidiary. All Company's subsidiaries present their financial information for consolidation purposes as of December 31, 2020 and 2019, in compliance with TPG policies.

All the operations and balances between the Company and its subsidiaries have been eliminated in consolidation, including unrealized gains and losses in transactions between them. In those cases in which an unrealized gain or loss arises from an intercompany sale of fixed asset, it is reversed in consolidation, in order to test the related asset for impairment from a consolidated perspective. The reported amounts in the Company's subsidiaries have been adjusted when necessary in order to assure consistency with TPG accounting policies.

The subsidiaries' assets, liabilities and results are included or excluded in consolidation on the date those subsidiaries were acquired and up to the approval date of the disposal plan. Subsidiaries' gains or losses and other items of their comprehensive income, are recognized starting from the date of acquisition and up to the disposal date, as applicable, considering that through the acquisition, control is obtained and lost at the time of the disposal.

Likewise, the subsidiaries' financial statements were audited by independent auditors.

Changes in the subsidiaries' participation and loss of control.

Changes in the subsidiaries' owning participation, without losing control, are accounted as capital transaction. If the Company loses control of a subsidiary, proceeds as follows:

i. Derecognize assets, including goodwill, and the subsidiary liabilities
ii. Derecognize the accounting value of the non-controlling interest
iii. Derecognize the accumulated translation effect accounted as equity.
iv. Recognize the fair value of the consideration received.
v. Recognize the fair value of the retained investment.
vi. Recognize any surplus or deficit in income for the period.
vii. To reclassify the participation previously recognized as other comprehensive result ítems to gains, losses or retained earnings, as may be the case, as if the Company would have sold the related assets or liabilities directly.

Discontinued operations

A discontinued operation is a component of the business of TPG that has been disposed of and whose operations and cash flows can be clearly identified from the rest of TPG and that:

- Represents a business unit or geographical area, that is significant and can be considered separately from the rest of the Company.
- Is part of a unique coordinated plan to dispose of a business unit or of an operative geographical area that is significant and can be considered separately from the rest; or
- Is a subsidiary entity acquired exclusively with the intent to be resold.

The classification of a discontinued operation occurs at the time it is disposed of, or when the operation complies whit the criteria to be classified as held for sale, whichever happens first.

When an operation is classified as discontinued operation, the comparative statement of comprehensive income of the period has to be presented as if the operation would have been discontinued since the beginning of the comparative year.

The effects in the current period over discontinued operations entries and that are directly related with their disposal in a previous period, are classified in a separately within the related information to such discontinued operations.

c. Functional currency

The consolidated financial statements are presented in Mexican pesos ($), the currency under which the Company and its Mexican subsidiaries must keep their accounting records pursuant to Mexican law. Said currency is also the TPG's reporting and functional currency. On an individual basis, some of the foreign subsidiaries have other accounting currencies different to the Mexican peso (see Note 1c).

d. Changes in accounting policies from adoption of new IFRS and Improvements to IFRS

Following are the standards and improvements which may have an effect in TP Group's financial information, in force as of the date of the accompanying consolidated financial statements. TP Group evaluated the effect of these standards and improvements on its consolidated financial statements as detailed in subsections i and ii.

i. New standards, interpretations and amendments which became effective since January 1, 2020.

Some of the accounting pronouncements that became effective since January 1, 2020, that have been adopted, but do not have a significant impact in the TPG's results of financial position were as follows:

- Conceptual framework (revised)
- Amendments to IFRS 3, Business' definition
- Amendments to IAS 1 and IAS 8, Definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7. Interest rate benchmark reform (Phase 1)
- Amendments to IFRS 16, COVID-19 related rent concessions

These modifications, interpretations and improvements to existing standards do not mean changes in accounting policies and do not have a significant impact on the consolidated financial statements of TP Group.

ii. New standards not effective, not adopted early by the TPG.

As of the authorization date of these consolidated financial statements, there are new standards, amendments and interpretations to existing standards released by the IASB, none of which have been adopted early by the TPG:

- Annual improvements to IFRS – 2018-2020 cycle
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Interest rate benchmark reform (Phase 2)
- Amendments to IFRS 3 – References to the conceptual framework
- Amendments to IAS 16, Products obtained before the intended use.
- Amendments to IAS 37, Onerous contracts – Costs of fulfilling a contract
- Amendments to IAS 1, Classification of liabilities as current or non-current

These modifications are not expected to have a material impact on the consolidated financial statement on the initial application period, and consequently there are no further disclosures.

Annual Improvements to IFRSs 2018-2020 cycle, published in June 2018, provide modifications to certain current standards and will be in force starting 2022; the topics dealt with by such modifications are as follows:

Standard	Standard affected	Nature of the amendment
IFRS 9	Financial Instruments	Clarification over the commissions included in the test to determine the derecognition of a financial liability that has been modified or exchanged while evaluating if the contractual terms are substantially different.
IFRS 16	Leases	Amendment to illustrative example 13 accompanying IFRS, removing what refers to lessor payments related to improvement to leased properties, with the objective to avoid potential for confusion regarding lease incentives.

e. Business segments

Management while identifying their operating business segments, follows the TPG service lines which represent the main products and services provided by TPG (see Note 22)

Each of the operating segments are managed separately since each service line requires different technologies and other resources, besides the different marketing approaches. All intra-segment transfers are carried out at arm lengths basis, based on operations with customers on individual sales of identical products and services.

The measurement policies of TPG used for reporting segments in accordance with IFRS 8 are the same as those used for the financial statements.

f. Critical accounting estimates and judgments

The preparation of consolidated financial statements, in accordance with IFRS, requires TPG Management to make estimates and judgments that affect the assets and liabilities reported in the consolidated financial statements. Actual results may differ from those having been estimated. The consolidated financial statements were prepared at historical acquisition cost base, and where applicable, at fair value. The main estimates and judgments that have been identified are the following:

(i) Inventory and receivables allowances. TPG uses estimates to determine the inventory and receivables impairment allowances. Some of the factors considered by TPG for calculating the inventory allowance are the installations volume and demand trends for certain products. The factors considered by TPG in order to determine impairment allowance of receivables include customer's risk related to its financial situation, unsecured accounts and the portfolio aging in accordance with the credit terms and conditions set down (see Notes 4 and 6 for more detail).

(ii) Property, plant and equipment. TPG reviews the estimated useful life of property, plant and equipment at the end of each annual period, to determine their depreciation. Useful lives are determined in accordance with technical studies prepared by specialized internal staff, but external specialists may also participate. The uncertainty degree from to the useful lives estimates is related to the market changes and the use of the assets. Likewise, TPG performs estimates of recovered equipment value when a user cancels the service.

(iii) Capitalization of cost of loans. TPG uses its judgment in order to determine: (1) the qualifying assets in which the cost of loans will be capitalized; (2) the starting, suspension and ending periods of the capitalization, (3) the foreign exchange losses that may be capitalized.

(iv) Impairment of long-lived assets. When performing the asset impairment tests, TPG makes estimates on the value of use allocated to its property, plant and equipment, trademarks, and to cash generating units (CGU), in the case of certain assets. Calculations of the value of use require TPG to determine the future cash flows that should proceed from the CGUs and the appropriate discount rate to calculate the present value. TPG uses the revenue cash flow projections using estimates of market conditions, prices, market share and volume of installations.

(v) Leases. At the time of registering its lease contracts under IFRS 16, Management has had to use certain estimates in respect to: (1) the possible contract renewals; (2) the discount rate to determine their present value; and (3) the applications of allowed exceptions.

(vi) Employee benefits. Measurement of the liability for employee benefits is performed by independent specialists based on actuarial calculations. Some of the assumptions that may have an important impact, among other, are: (1) discount rates, (2) expected salary increase rates, and (3) rotation and mortality rates based on recognized tables. A change in the economic, labor or tax conditions could modify the estimates.

(vii) Deferred taxes. TPG has tax loss carry forwards and certain temporary differences, which are susceptible to be used in the following years. Based on projected revenue and taxable profit TPG is expected to generate in future years, TPG Management has considered that a portion of current tax loss carry forwards and temporary differences will not be used before their expiration date and, therefore, it was considered appropriate to account for a valuation allowance to the deferred tax asset from those tax losses and temporary differences.

(viii) Contingencies. TPG is subject to legal procedures on which the possibility of materialization as a payment obligation is assessed, for which the legal situation as of the date of the estimate and the opinion of TPG's legal advisers are considered. Such assessments are periodically reviewed and in case that the payment obligation becomes probable, the corresponding liability is recognized.

(ix) Revenue from contracts with customers. In the process of applying TPG accounting policies, Management has performed the following judgments that have had the most significant effects on the figures recognized in the financial statements: (1) determination of performance obligations; (2) the timing in which a revenue must be recognized based on the fulfillment of performance obligations; (3) the average time of equipment installation; (4) cancellation percentage; and (5) registration of the consideration as agent or principal.

g. Consolidated statement of comprehensive (loss) income

TP Group presents the consolidated comprehensive (loss) income in a single statement denominated "Consolidated statement of comprehensive (loss) income", which includes those items comprising net loss and other comprehensive income (OCI).

The expenditures shown in TPG's consolidated statements of comprehensive (loss) income are presented in a combined manner, since the grouping of costs and expenses in a general fashion, allows knowing the different levels of (loss) income. Additionally, TPG presents the operating (loss) profit in its consolidated statements of comprehensive (loss) income, since such presentation is a common disclosure practice in the industry that TPG operates in.

h. Consolidated statements of cash flows

Consolidated statements of cash flows have been prepared using the indirect method which consists in presenting firstly income or loss before tax provisions and then the changes in working capital, investment activities and lastly, financing activities.

i. Cash and cash equivalents

Cash and cash equivalents consist of petty cash funds, bank deposits and high-liquidity short-term investments which may be easily converted into cash and which are subject to a small risk of changes in their value.

j. j. Financial instruments

Recognition, initial measurement and de-recognition of financial instruments

Financial assets and liabilities are recognized when TP Group is part of the contractual clauses of a financial instrument.

Financial assets are de-recognized when the contractual rights to the cash flows of a financial asset expire, or when the financial asset and all the substantial risks and rewards have been transferred.

A financial liability is de-recognized when the obligation is extinguished, discharged, canceled or due.

An equity instrument like any contract that brings out a residual participation in Company´s assets, after having deducted all liabilities, that is, in net assets.

Classification and initial measurement of financial assets

Except for accounts receivable from customers, which do not contain a significant financing component and are measured at the price of the transaction in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted by the transaction costs (in case that this applies).

Financial assets that are not designated and effective as hedging instruments, are classified in the following three categories for measurement purposes:

- Amortized cost.
- Fair value through profit or loss (FVTPL).
- Fair value through other comprehensive income (FVTOCI).

The abovementioned classification is determined considering the following:

- The entity's business model for the management of the financial asset.
- The contractual features of the financial assets cash flows.

All revenues and expenses related with financial assets are recognized in the income statement and presented as part of financial income, financial expense or other financial operations, except for the impairment of accounts receivable from customers, which are presented under operating expenses.

Subsequent measurement of financial assets

- Financial assets at amortized cost

Financial assets are measured at their amortized cost if those assets meet the following conditions (and are not FVTPL designated):

- They are kept into a business model with the objective of holding the financial assets and to collect its contractual cash flows.
- The contractual terms of the financial assets lead to cash flows that are only payments of principal and interest on the outstanding balance.

If the financial asset fair value at the initial recognition date differs from the price of the transaction, the instrument is recognized by adjusting it and differing the difference between both values. Afterwards the deferred difference is recognized in the income statement to the extent that a change arises that implies a change in the financial instrument value.

After initial recognition, these assets are measured at their amortized cost by using the effective interest rate method. The discount is omitted when the discount effect is immaterial. Cash and cash equivalents, other receivables and related parties, and most of other accounts receivable are recognized under this financial instrument category.

- Financial assets at fair value through profit and loss (FVTPL)

Financial assets held within a business model different to "holding for collection" or "held to collect and to sell" are categorized at fair value with changes in results. Moreover, aside from the business model, financial assets whose contractual cash flows are not only principal and interest payments are recorded at FVTPL. All derivative financial instruments fall into this category, except those designated and effective as hedge instruments, for which hedge accounting requirements are applied (see below).

The assets qualifying in this category are measured at fair value with gains or losses recognized in results. Fair values of financial assets in this category are determined by reference to transactions on an active market or using a valuation technique when an active market does not exist.

- Financial assets at fair value through other comprehensive income (FVOCI)

TP Group accounts for financial assets at FVOCI if said assets comply with the following conditions:

- They are held under a business model whose objective is ´held to collect' the associated cash flows, and sell, and
- The financial assets contractual terms result in cash flows that are only principal and interest payments of the outstanding amount.

Any gain or loss recorded in other comprehensive income (OCI) will be recycled when the related asset is de-recognized.

As of December 31, 2019, TPG held financial assets measured at FVOCI amounting $1,975.

Impairment of financial assets

The impairment requirements under IFRS 9 use more future information in order to recognize expected credit losses and said requirements are comprised under the 'expected credit loss model'. This replaces the 'incurred loss model' under IAS 39. The instruments under the scope of the new requirements include loans and other financial assets of debt type measured at amortized cost and at FVOCI, accounts receivable from customers, assets from contracts with customers recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) which are measured at FVTPL.

Recognition of credit losses no longer depends on TPG identifying a credit loss event. Instead, TPG considers a wider range of information when assessing the credit risk and measures the expected credit losses, including past events, current conditions, as well as reasonable and backed up forecasts that affect the expected recovery of the instrument's future cash flows. When applying this approach, a distinction is made between:

- Financial instruments whose credit quality has not deteriorated significantly since their initial recognition or with a low credit risk ('Stage 1'), and
- Financial instruments whose credit quality has deteriorated significantly since their initial recognition or whose credit risk is not low ('Stage 2').
- The Stage 3 would consider financial assets with a strong evidence of impairment as of the reporting date.

The 'twelve month expected credit loss' is recognized for the first category, while the 'asset's lifetime expected credit loss' is recognized for the second category.

The measurement of the expected credit loss is determined through a weighted estimate of the default probability during the expected lifetime of the financial instrument.

Accounts receivable from clients and other receivables and assets from contracts with clients

TP Group uses a simplified approach to register accounts receivable from customers and other receivables, as well as the assets of contracts with customers, and recognizes the impairment allowance as the expected credit losses during the lifetime of the instrument. These are expected deficits in contractual cash flows, considering the potential default at any time during the life of the financial instrument. TP Group uses its historical experience, external indicators and forecasted information to calculate the expected credit losses through a provision matrix. TPG assesses impairment of accounts receivable from customers on a collective basis, by grouping the portfolio based on the number of days overdue, since the receivables groups share similar credit risk characteristics.

Classification and subsequent measurement of financial liabilities

Financial liabilities of TPG include financial debt, suppliers, related parties and other accounts payable.

Financial liabilities are measured initially at fair value and, as applicable, are adjusted for transaction costs, unless TPG would have designated the financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortized cost by using the effective interest rate method, except for derivatives and financial liabilities that have been designated at FVTPL, which subsequently are booked at fair value with gains or losses recognized in profit or loss (that are not derivative financial instruments designated and effective as hedging instruments).

All the charges related with interest and, if applicable, changes in fair value of an instrument are reported in income and are included under 'interest expense'.

Derivative financial instruments and hedge accounting
As at December 31, 2020 and 2019, TPG had financial instruments qualified as hedges.

Derivative financial instruments are accounted for at FVTPL, except for those derivatives designated as hedging instruments in the cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedge relationship must comply with all of the following:

- There is an economic relationship between the hedged item and the hedging instrument,
- The effect of the credit risk does not dominate the changes of value resulting from said economic relationship, and
- The hedge index in the hedge relationships is the same as the resulting from dividing the amount of the hedged item that the entity is really hedging by the amount of the hedging instrument that the entity really uses to hedge said amount of the hedged item.

All the derivative instruments used in the hedge accounting are initially recognized at fair value and subsequently reported at fair value in the statement of financial position. Provided the hedge is effective, changes in fair value of the derivatives designated as hedge instruments in the cash flow hedging operations are recognized under other comprehensive income and included in other equity components.

Any ineffectiveness in the hedging relationship is immediately recognized in profit and loss. At the time the hedged item affects the profit and loss, any gain or loss previously recorded in OCI is reclassified from equity to profit and loss and presented as a reclassification within OCI. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, gains or losses previously recognized in OCI are included in the initial measurement of the hedged item.

If a forecasted transaction is not expected to occur, any related gain or loss recognized in the OCI is immediately transferred to profit and loss. If the hedge relationship ceases to comply with the effectivity conditions, the hedge accounting is discontinued, and the related gain or loss is kept in the equity accounts until the forecasted transaction occurs.

Fair value coverage
The change in the fair value of a coverage instrument is recognized as other expenses in the statement of comprehensive income. The change in fair value of the hedge item attributable to the hedged risk is accounted as part of the hedged item carrying amount and also recognized in profit and loss as other expenses.

For fair value coverage related to items recognized at amortized cost, the adjustment to the carrying amount is amortized through profit and loss over the remaining period until expiration date, using the effective interest rate method. The effective interest rate amortization may begin as soon as adjustment exists and must begin the latest when the hedged item ceases to be adjusted due to changes in fair value attributable to the hedge risk.

If the hedged item ceases to be recognized, the fair value not yet amortized will be recognized immediately in profit and loss.

Classification and measurement of equity instruments

In accordance with IAS 32, the issuer of a financial instrument shall classify it in its entirety or in each of its components, at the time of initial recognition, as an equity instrument, in accordance with the economic essence of the contractual agreement and with the definitions of financial liability, financial asset and equity instrument.

An instrument shall be of equity if, and only if, it complies with the following:

a. The instrument does not incorporate a contractual obligation of: (i) deliver cash or other financial asset to another entity; or (ii) exchange financial assets or liabilities with another entity under terms potentially unfavorable to the issuer.

b. If the instrument will or may be liquidated with the equity instruments owned by the issuer, it is (i) a non-derivative instrument; or (ii) a derivative that will be liquidated only by the issuer through the exchange of a fixed amount in cash or other financial asset for a fixed amount of equity instruments of its own.

k. Accounts receivable from customers and other receivables

(i) Accounts receivable from customers

Accounts receivable from customers represent the collection rights stemming from sale of telecommunication services provided in the normal course of the operations of TPG. These assets are initially valued at the fair value of the agreed upon consideration; subsequently, they are adjusted for the estimated changes in the fair value at which they will be recovered, as a result of the accorded deductions and the recoverability estimates. When it is expected to collect them within a one-year period or less from the date of closing (or in the normal business operations cycle in case the cycle exceeds this period), they are presented as current assets. In the event on non-compliance with the foregoing, they are presented as non-current assets.

The increases and reductions of the expected credit losses estimates are determined based on valuation studies and applied to income when determined and are presented as part of general expenses in the consolidated statement of comprehensive (loss) income.

The allowance for doubtful accounts represents the probable loss inherent to all accounts receivable due to the historic trends of accounts receivable.

Those accounts in foreign currency are measured at the exchange rate prevailing at the end of the accounting period.

(ii) Other receivables

The other receivables refer mainly to advances for expenses, recoverable taxes and sundry debtors. Assets under this category are presented as current assets, except if they are expected to be recovered in a lapse higher than twelve months from the date of report, in which case they are classified as non-current assets.

l. Inventories

Inventories are valued at the lower of their cost or their net realizable value. The exchangeable items cost is originally assigned using the weighted average cost formula. The net realizable value corresponds to the estimated sale price in the ordinary course of business reduced by any applicable sales expense.

m. Advance payments

Prepaid expenses represent benefits for which the risks inherent to the assets to be acquired or the services to be received are not yet transferred to TPG.

n. Property, plant and equipment

TPG´s Management decided to change the recording to the revaluation model for the fiber optic and decoders, since it is considered it reflects their value in a better way, and consequently, the acquisition of those items up to December 31, 2017 are shown at their fair value, as determined by independent appraisers.

The average annual depreciation rates used by TPG for years 2020 and 2019 are the following:

	2020 (%)	2019 (%)
Communication equipment	10.0	10.0
Fiber optic	4.0	4.0
Decoders and installation expenses	12.5-20.0	12.5-20.0
Computers	33.0	33.0
Vehicles	25.0	25.0
Constructions	5.0	5.0
Furniture and fixtures	10.0	10.0

o. Borrowing costs

Costs from borrowings directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during period necessary to complete and prepare the asset to its intended use or sale. Other borrowing costs are charged to income when accrued and are reported under caption “interest expense” (see Notes 9 and 11). For the years ended December 31, 2020 and 2019, TPG capitalized borrowing costs which amounted to $835,211 and $1,307,867, respectively.

p. Intangible assets

Intangible assets acquired individually are initially recognized at acquisition cost. Intangible assets acquired through business combinations are identified and recorded at fair value at the date of acquisition. After initial recognition, intangible assets are recognized at cost reduced by their accumulated amortization and the accumulated impairment losses. Intangible assets internally developed, excluding capitalized development costs, are not capitalized, and the related expenses are booked in the income, in the period they were incurred.

TPG assess at the initial recognition whether the useful life of intangible assets is finite or undefined.

All finite-lived intangible assets are amortized during the economic useful life and are assessed when indicator that the intangible assets may be deteriorated are present. The amortization period and the amortization method for intangibles with finite- useful live are reviewed at least at each reporting date. The changes in the expected useful life or in the expected period to obtain the future economic benefits materialized in the assets, are taken as a basis to change either the period or the amortization method, if applicable, and are treated as a change in accounting estimate. The intangible assets with finite-life amortization expense is recognized in the comprehensive income statement as part of the expenses according to the intangible usage.

Intangible assets with undefined useful life are not amortized, instead those assets are subject to annual assessment regardless of any impairment indicator, individually or at cash-generating unit level. The useful life of an intangible asset with undefined useful life is reviewed annually to determine if such definition is still applicable, otherwise, the change in the assessment of undefined useful life to finite-lived is applied prospectively.

Trademarks

Trademarks represent the acquired rights to exploit certain intellectual property (names, logos, etc.).

During year ended December 31, 2019, the Company adopted the revaluation method for the Trademark, in accordance with IAS 28 “Intangibles”, generating an increase in non-current assets and equity for $790,000.

Concessions

Those costs related to the acquisition of concessions rights granted from the Mexican government to provide long-distance services and the lease of links through a public telephone network have been capitalized and are included under caption “Trademarks and other assets”. Such costs are amortized by using the straight-line method during the initial term of each concession. The Mexican government requires TPG to comply with certain specific provisions stated in each concession title. As at December 31, 2020 and 2019, TPG has fulfilled all of those requirements.

Internally developed software
Disbursements in the research phase of projects to develop specific software for the computer and telecommunication systems are recognized as expense when incurred.

Costs that are directly attributable to the development phase of the projects are recognized as intangible assets as long they comply with the following requirements to be recognized:

- Costs can be reliably measured;
- The project if technical and commercially viable;
- TPG intends and has enough resources to complete the project;
- TPG has the ability to use or sale the intangible asset;
- The intangible asset will generate probable future economic benefits.

Development costs not complying with these capitalization criteria are charged to income or loss as incurred.

The costs directly attributable include the cost of employees incurred during the software development, in addition to the adequate portion of general expenses and debt costs.

q. Long-lived assets assessment

TP Group periodically assesses the recoverability of its tangible and intangible long-lived assets, to identify the existence of circumstances indicating that their carrying values exceed their value of use.

In order to perform the impairment tests, assets are grouped to the lowest level for which there is an adequate independent cash inflow (cash generating units or CGU). As a result, assets are individually tested for impairment and some are tested at a CGU level.

Those CGUs to which goodwill is allocated, intangible assets with undefined life and intangible assets not available for use are tested for impairment at least once a year. The rest of the individual assets or CGUs are tested for impairment if any event or changes in the circumstances indicate that the carrying amount may not be recovered.

An impairment loss is accounted for in the amount for which the assets or CGU' carrying amount exceeds its recovery value, which in turn corresponds to the higher amount between fair value less selling expenses and the value of use. To determine the value of use, Management estimates the expected future cash flows of each CGU and determines a discount rate to calculate the present value of such cash flows. Data used when performing the impairment test are directly linked to TPG's most recent authorized budget, adjusted as necessary to exclude the effects of future reorganizations and asset improvements. Discount factors are individually determined for each CGU and reflect their respective risk profiles as assessed by Management.

CGU impairment losses reduce first the carrying amount of any goodwill assigned to the related CGU. The remaining impairment loss is split pro rata between the long-lived assets of the CGU. Except goodwill, all the assets are subsequently assessed to confirm that any impairment loss previously recognized no longer exists. An impairment charge may be reverted if the CGU recoverable value exceeds carrying amount.

Impairment test
For the impairment annual test purposes, there were defined two valuation approaches adequate for each CGU maintained by TPG, privileging the use of level 1 and 2 inputs, in accordance with IFRS 13, Measurement at fair value. Recovery value is obtained as the higher between the value in use and fair value less disposition costs. For the annual impairment test working capital assets, fixed assets, concessions and other intangibles were considered as a single CGU, considering that TP Group has its own assets to operate independently as a going concern and generates economic cash flows and its own financial information, which allows its analysis individually.

The technique used to determine the recoverable value is the fair value less the disposal costs.

Fair value (market approach). This approach was carried out through the arm's length public companies technique, which estimates the sustainable level of future revenues for a business, and applies an appropriate multiple to those revenues and are capitalized to obtain the business value. This technique presumes that companies operating in the same industry sector will share similar characteristics, and the values of the company are co-related to those characteristics.

Value-in-use (revenue approach). To determine the value-in-use, Management estimates the expected future cash flows of each cash generating unit and determines an adequate interest rate to be able to calculate the present value of those cash flows. The data used upon carrying out impairment testing procedures are directly linked to the most recent budget approved by the TPG, adjusted as necessary to exclude the effects of future reorganizations and improvements of assets. Discount factors are determined individually for each cash generating unit and reflect their respective risk profiles, as evaluated by Management.

As at December 31, 2020 and 2019, TP Group does not present impairment in its assets with indefinite and definite lives.

r. Leased assets

TPG as lessee

TPG enters into lease agreements for communication equipment, decoders, vehicles, furniture, offices, points of sale, among others. All leases are negotiated individually and have a wide variety of terms and different conditions as purchasing options and scalability clauses.

TPG asses if the contract is or contain a lease at the commencement date. A lease conveys the right to direct the use and obtain substantially all the economic benefits of an identified asset for a period of time in exchange of a consideration.

Some lease contracts contain lease components and other non-lease components. The non-lease components used to be associated with the offices management services and the maintenance and vehicle repair contracts. TPG has elected not to split from its offices leases the non-lease components, instead account for these contracts as one lease component. For the rest of leases, the components are divided in its lease components, and non-lease components based on their respective independent prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the TPG recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the TPG, and any lease payments made in advance of the lease commencement date (net of any incentives received).

TPG depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. TPG also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the TPG's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability will be reduced for payments made, split as capital payments and financial costs. The financial cost is the amount produced by a constant interest rate over the remaining balance of the financial liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the TPG's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognized in profit or loss.

Lease payments can also be modified when there is a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or rate used to determine those payments, including changes in lease market rates after a review of such market leases. The lease liability is remeasured only when the adjustment to the lease payments becomes effective, where the revised contractual payments for the remainder of the lease term are discounted using the unmodified discount rate. Except when the change in lease payments is the result of a change in variable interest rates in which case the discount rate is modified to reflect the change in interest rates.

In some cases, the TPG may increase or reduce the capacity of physical spaces or may renegotiate the amounts to be paid under the respective leases, therefore, the TPG may agree with the lessor to pay an amount that is proportional to the independent adjusted price to reflect the specific terms of the contract. In these circumstances, the contractual arrangement is treated as a new lease and accounted for accordingly.

In other cases, TPG may negotiate a change to an existing lease, such as reducing the amount of office space occupied, the term of the lease, or the total amount to be paid under the lease not being part of the original terms and conditions of the lease. In these circumstances, TPG does not account for the changes as if there were a new lease. Instead, the revised contractual payments are discounted using a revised discount rate on the effective date of the lease modification. For the reasons explained above, the discount rate used is the TPG's incremental loan rate determined on the modification date, since the implicit rate in the lease is not easily determinable.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the leases is recognized in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Group as a lessor

As a lessor the Group classifies leases as either operating or financial leases.

A lease is classified as a financial lease if it transfers substantially all the risks and rewards inherent to ownership of the underlying asset and classified as an operating lease if it does not.

s. Financial debt

Financial debt is initially accounted for fair value net of any operating expense directly attributable to the issue of the instrument. Liabilities that accrue interest are subsequently valued at amortized cost, by using the effective interest rate method, which ensures that any interest expense during the period through completion of the payments resulting in a constant rate on the outstanding liability in the statement of financial position. Interest expense includes initial transaction costs and premiums paid at the time of amortization, as well as any interest or coupon payable while the liability remains outstanding.

t. Taxes on income

The tax expense recognized in income includes the sum of the deferred tax and the tax incurred in the period, which has not been recognized in other comprehensive income items or directly in equity.

The short-term tax calculation is based on the tax rates and tax laws that have been enacted or are substantially enacted at the close of the reporting period. Deferred income taxes are calculated using the liability method

IAS 12, "Income taxes" states that the tax incurred should be determined based on the tax rules in force and is recorded in profit or loss of the period to which it is attributable. The effects of deferred taxes consist in applying the applicable tax rate to those temporary differences between the assets and liabilities carrying amounts and their tax values which are expected to materialize in the future, related to: (i) deductible and taxable temporary differences, (ii) the amounts of tax loss carry forwards, and (iii) unused tax credits.

A deferred income tax asset is only recognized if it is probable that there will be future taxable income to be offset against to. The deferred income tax liability derived from investments in subsidiaries and associates is recognized, except when the reversal of the related temporary differences can be controlled by TPG and is probable that the temporary difference will not be reverted in the foreseeable future.

Assets and liabilities from deferred taxes are only offset when TPG has the right and intention to offset the assets and liabilities from taxes of the same tax authority.

Deferred income tax assets are accounted for as long as it is probable that they may be used against future taxable income. This is determined based on projections of TPG of the future operating results, adjusted by significant items which are reconciled to the tax result and by the limits of use of tax losses or other unused tax credits. Liabilities from deferred taxes are always accounted for on its entirety

Current tax for the year is determined in accordance with the tax rules in force.

The effect of changes in tax rates on the deferred taxes is accounted for in profit or loss of the period in which such changes are approved.

u. Employee benefits

Under IAS 19, the employee benefits liabilities granted by TPG's subsidiaries are determined as follows:

Short-term employee benefits

These types of benefits, including vacation rights, are current liabilities included in 'Other accounts payable', they are measured at nominal value (without discount) that the TPG expects to pay as a result of the unused right and are recognized as expenses in the income of the period.

Retirement benefits under the defined contribution scheme

As of December 31, 2020 and 2019, these types of plans did not exist.

Retirement benefits under the defined benefits scheme

Under the defined benefit scheme, the amount of pension that an employee will receive upon retirement is determined in reference to the time of service and the employee´s final salary. The legal obligation for the benefits remains with the TPG, even if the plan assets to finance the defined benefit plan are separate. Plan assets may include specifically designated assets in a long-term benefit fund in addition to qualifying insurance policies. As of December 31, 2020 and 2019, the TPG did not have a funded pension plan and, therefore, there were no plan assets.

The liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of the plan assets. It is measured using the projected credit unit method, considering the present value of the obligation as of the date of the consolidated statement of financial position.

TP Group Management estimates DBO annually with the assistance of independent actuaries based on standard inflation rates and wage and mortality growth rate. Discount factors are determined near the end of each year with reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturities approximate to the terms of the related pension liability or, in failing which, the market rate of the bonds issued by the government should be taken as a reference.

The service costs of the defined benefit liability are included in the expense for employee benefits. Contributions that are independent of the years of service are considered a cost for services reduction. The net interest expense of the defined benefit liability is included as part of the financial costs. The gains or losses that derive from the remeasurements of the liability for defined benefits (actuarial gains or losses) are included in other comprehensive income items and are not reclassified to income in subsequent periods.

v. Provisions, contingent liabilities and contingent assets

Provisions are accounted for when present obligations, resulting from a past event, probably will lead to a cash outflow of TPG and the amounts can be estimated with some reliability. The time or the amount of such outflow can be yet uncertain. A present obligation rises from the presence of some legal or constructive commitment resulting from past events, e.g.: product warranties granted, legal controversies or onerous contracts.

Restructuring provisions are only accounted for if a restructuring detailed formal plan has been developed or implemented and, management has announced, at least, the main characteristics of the plan to the those affected persons or has begun the plan implementation. No future operating losses are recognized.

Provisions are measured by the estimated required expense to settle the present obligation, given the most reliable available evidence as of the date of the report, including the risks –and uncertainties associated to the current obligation. When there is a number of similar obligations, the possibility that an outflow is required for settling them is determined by considering them as a whole. Provisions are discounted at their present value in cases in which the value of the money in time is material.

Any reimbursement that TPG considers that is going to be collected from a third party in relation with an obligation, is considered as a separate asset. However, such assets will not exceed the amount of the related provision.

In cases where it is considered an unlikely or remote outflow of economic resources as a result of the current obligations, no liability is recognized unless a business combination is on course. In a business combination, contingent liabilities are recognized as of the acquisition date if a present obligation arises from past events and fair value can be reliably measured, even if the resources outflow is not probable. Subsequently, they are measured considering the higher amount between a comparable provision as previously described and the recognized amount as of the acquisition date, less any amortization.

w. Equity

Capital stock represents the face value of outstanding shares.

Paid-in capital includes any premium received from a capital stock issue. Any transaction cost is reduced from the paid-in capital, net from any related income tax benefit.

Retained earnings include all current and prior year earnings (losses), decreased by losses and transfers to other equity accounts.

All transactions with the controlling entity’s stockholders are accounted separately in equity.

Dividend distributions payable to the stockholders are charged against retained earnings and are included in “other payables” when dividends have been declared but remain unpaid as of the date of the report. As at December 31, 2020 and 2019, no dividends have been declared.

Under caption “other comprehensive income” are recorded all the changes in equity which do not represent contributions by or distributions to the stockholders and that are part of comprehensive income (loss) and include the following:

- The revaluation reserve - includes gains and losses related to the revaluation of property, plant and equipment, as well as intangible assets (see Notes 2p and 10).
- Remeasurements of the defined benefit liability - which includes actuarial losses due to changes in demographic and financial assumptions (see Notes 2u and 13).
- The translation effect - includes the currency translation effect of the TPG's foreign entities to Mexican pesos (see Notes 1c and 2aa)
- The cash flow hedging reserve - comprises gains and losses related to this type of financial instruments (see Note 15b).

x. Revenue recognition for contracts with customers and other income

Revenue from telecommunication services derive from the contracts executed between TPG and customers.

In certain cases, TPG incurs a number of incremental costs in order to obtain said contracts, e.g.: commissions paid to the sales force or third-party agents. When the period covered exceeds one year, those costs are capitalized, otherwise TPG applies the IFRS 15 practical approach and expense them as incurred.

For revenue recognition purposes, TPG follows a five-step process:

(i) Identify the contract(s) with the customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations;
(v) Recognize revenue when (or as) each performance obligation is satisfied.

TPG frequently conducts transactions involving a variety of products and services, e.g., for the delivery of telecommunications hardware, software and related after-sales services. In all cases, the total transaction price for a contract is allocated among the various performance obligations based on their relative independent selling prices. The transaction price for a contract excludes any amounts charged on behalf of third parties.

TP Group recognizes the contract liabilities when a payment is received before the performance obligation is satisfied and those amounts are presented as 'Customer contract liabilities' in the statement of financial position. Similarly, if TPG satisfies a performance obligation before payment is received, it is recognized either a contract asset or an account receivable in the consolidated statement of financial position, depending on whether something else than just the passage of time is required before payment is enforceable

Revenue recognition is based on information generated by the billing systems, which include individual customer data such as the type of package/type of service rendered, billing fees, and other conditions agreed with the customers.

Some of the most representative types of income and their recognition method are described below:

Revenues for bundle 'Double Play' and 'Triple play'.
'Double play' and 'Triple play' contracts offered to customers are basically bundles of internet access, fixed telephony and pay television services, which can be adjusted to the needs and taste of the subscriber; said contracts are comprised by a number of packages that range depending on: megabits offered, number of T.V. channels, number of TVs connected and number of telephone lines. Revenues are recognized when the service is provided based on the contracts with customers.

Connection, reconnection or installation fee.
They are single and non-refundable charges, which are recognized at the time the service is provided. Connection and installation charges are generated when the TPG has installed a decoder and the service is ready to be provided. Charges for reconnection refer to the charge made to the customer when customer does not pay the invoice for the contracted services on time; the cost of resuming the service is stipulated in the body of the contract.

Internet access revenues /dedicated links rent.
Internet agreements rule the provision of symmetric or asymmetric internet access through fiber optic. The asymmetric internet is when there is a gap between the download and upload speeds and the symmetric internet is when the data download and upload speeds are the same. Revenue is recognized in income of the period as the service is being provided.

Dedicated internet access is a fixed-bandwidth connection between two points which is available 24/7; its download and upload capacities are the same and are assigned to a single customer.

The provision of internet access symmetric or asymmetric, the installation fees and the cession of the equipment needed for the provision of the service, are all considered a single performance obligation since the service to be provided depends entirely on the installation of the equipment in the place designated by the customer, since such equipment runs exclusively on hardware and software for TPG technology.

Income from the rental of dedicated links is recognized when the service is provided to the lessee based on the leased capacity.

Business-oriented services

Dedicated internet access is a fixed-bandwidth connection between two points which is available 24/7; its download and upload capacities are the same and are assigned to a single customer.

LAN to LAN agreements set the conditions for the connection service between two geographically separate sites, based in an Internet Protocol (IP). This allows the customer to have absolute control and security of the information.

An IP network agreement is a communication network that uses an IP that allows the customer to connect different networks to route the traffic to an expected destination. Multiprotocol Label Switching (MPLS) is a routing technique in telecommunication networks, it may be used to route different kinds of traffic, including voice traffic and IP packages.

A cloud services agreement refers to Internet services provision where the customer can store information as e-mail, files, etc., and can be remotely accessed from any site.

Interconnection and long distance revenue

The interconnection service consists in the physical and functional connection between the networks of different telecommunications carriers, to allow their users to communicate with each other or to access other services. Services are billed to other operators when a call has been terminated in the TPG network and are recognized when the service is provided. Interconnection rates are regulated by the Federal Telecommunications Institute (IFT).

Long distance services stem from the connection of a telephonic line located in Mexico and another one in a foreign jurisdiction. Applicable tariffs are dependent on the type of contract with the customer and location of the recipient of the phone call.

Advertising Services.

Advertising services consist mainly in agreements through which TPG is obligated to transmit certain advertising material of customers in different media (paid T.V. and movie theaters mainly) in exchange of advertising of TPG transmitted through the customer's own infrastructure. Revenues are recognized in income as the advertising is transmitted on the customer screens.

Interest Revenue.

Interest revenue is accounted for considering the effective interest rate applicable to outstanding principal during the corresponding accrual period.

Commissions

This income corresponds to the considerations that TPG invoices to platforms of free transmission services or OTT services (over-the-top), and can include a variety of telecommunications services such as audiovisual broadcasting (e.g. Internet television, Internet radio, video on demand or music), but also communications (e.g. voice over IP calls and instant messaging) and other cloud computing services (web applications and cloud storage).

Commissions are charged based on the rates agreed with the companies that operate the different platforms offered by the TPG to customers (e.g., Netflix, Prime Video, Disney +, HBO, among others).

Custom solutions

The TPG also provides some customers with tailored telecommunications solutions that include custom hardware and software and an installation service that allows it to interface with the customer's existing systems. TPG has determined that hardware, software and installation service are capable of being different since, in theory, the customer could benefit from these individually by purchasing the other elements through other providers. However, TPG also provides a significant service of integrating these elements to offer a solution in such a way that, in the actual context of the contract, there is a unique performance obligation to provide such a solution.

When such products are customized or sold in conjunction with significant integration services, the goods and services represent a single combined performance obligation over which control is deemed to be transferred over time. This is because the combined product is unique to each customer (it has no alternative use) and TPG has an enforceable right to settle for the work completed to date. Income from these performance obligations is recognized over time as the customization or integration work is performed, using the cost-to-cost method to calculate progress toward completion. Since costs are generally incurred uniformly as work progresses and are considered proportional to the entity's performance, the cost-to-cost method provides a faithful representation of the transfer of goods and services to the customer. For software sales that have not been customized by TPG and are not subject to significant integration services, the license period begins upon delivery. For software sales subject to significant customization or integration services, the license period begins with the start of the related services.

Liability for contracts with customers.
Revenue already collected for services not yet provided to the customer is deferred until such services are provided. As at December 31, 2020 and 2019, unearned revenue amounted to $269,279 and $195,126, respectively, and are presented in the statement of financial position under the caption “unearned revenue”.

Revenue is integrated as shown in Note 20.

y. Costs and expenses

Costs and operating expenses are recognized as accrued, immediately under the assumption of disbursements which will not generate future economic benefits or when they do not fulfill the necessary requirements to register them accounting-wise as an asset.

Costs and expenses are comprised as shown in Note 21.

z. Subscriber acquisition cost

Subscriber acquisition cost represents depreciation of disbursements necessary to install the restricted audio and video service, as well as dedicated links to provide the service to the customers, and is mainly comprised by the following components (i) fiber optics, (ii) installation materials (outside plant), (iii) decoder equipment and (iv) installation labor.

At the time of the installation such disbursements are capitalized as part of property, plant and equipment, and subsequently amortized starting on the date the equipment is ready to provide the contracted services and during the expected service life-span of the subscriber. If service is cancelled, the unamortized portion less the amount of the recovered equipment is charged to profit or loss of the period.

aa. Foreign currency transactions

(i) Transactions in foreign currency are translated to entity functional currency, in this case TPG, by using the exchange rates prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of such operations and the valuation of monetary items at the year-end exchange rate are recognized in income.

Non-monetary items are not translated at the closing exchange rate of the period and are measured at historical cost (converted using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date on which the fair value was determined.

(ii) In the financial statements of TPG, all assets, liabilities and operations of the Group entities carried out with a functional currency other than the Mexican peso (the TPG’s presentation currency) are translated into Mexican pesos at the time of consolidation. The functional currency of the entities at TPG has remained unchanged during the reporting period.

At the time of consolidation, assets and liabilities have been converted into Mexican pesos at the closing exchange rate of the reporting date. Income and expenses have been translated into TPG's presentation currency at an average exchange rate during the reporting period. Exchange differences are charged / credited to other comprehensive income items and are recognized as a translation effect under other capital accounts. Upon disposing of a foreign operation, the accumulated translation effects recognized in equity are reclassified to income and recognized as part of the gain or loss on disposal.

Note 16 shows the foreign exchange position, as well as the exchange rates used in the translation of those balances.

bb. Fair value calculation

TP Group determines the fair value of certain financial instruments, such as derivatives and some components of property, plant and equipment and trademarks as of the date of reporting the financial statements. The detail of the fair value of financial instruments and of some components of non-financial assets valued at fair value or for those that fair value is detailed, are included in the following notes:

- Critical accounting estimates and judgments – Note 2f
- Property, plant and equipment - Note 8
- Financial instruments (including those accounted for at amortized cost) - Note 15

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. Fair value measurement is based on the assumption that a transaction to sell an asset or to transfer a liability takes place:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for those assets or liabilities.

Fair value measurement of an asset or liability is determined by using those hypothesis that a market participant would use at the time of making an offer for the asset or liability, assuming those participants act in their own economic interest.

Fair value calculation of a non-financial asset takes into consideration the ability of the market participants to generate economic benefits derived from the asset's best and greater use or through the sale to other market participant that could make the best and greater use of the asset.

TP Group uses measurement techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which measurement or disclosures of their fair value are made, are categorized into the fair value hierarchy described below, based on the lowest level input that is significant to the entire measurement:

- Level 1- Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2- Valuation techniques for which low level inputs are utilized, that are significant for the calculation, is either directly or indirectly observable.
- Level 3- Valuation techniques for which low level inputs are utilized, that are significant for the calculation, is unobservable.

For those assets and liabilities recurrently measured in consolidated financial statements at fair value, TPG determines if transfers between hierarchy levels have been deemed to have occurred through a review of their categorization at the end of the reporting date (based on the lowest significant input for the fair value measurement).

For the measurement of significant assets and liabilities, such as property, plant and equipment, assets held for sale and contingent considerations, independent experts are engaged. Criteria for the selection of independent experts considers their market knowledge, reputation, independence and professional due care.

cc. Comprehensive income (loss)

Comprehensive income (loss) for the year includes TPG's net income and any other effect which, due to specific accounting standards, is accounted for under "other comprehensive results" and which does not represent an increase, decrease or distribution of capital stock.

Comprehensive income (loss) caption included in the consolidated statement of changes in equity is the result of TPG's performance during the year.

NOTE 3 – CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are comprised as follows:

	December 31, 2020	December 31, 2019
Petty cash funds	$ 861	$ 977
Checking accounts	23,391	47,369
Short-term investments	1,762,600	178,866
Total cash and cash equivalents	$ 1,786,852	$ 227,212

NOTE 4 – ACCOUNTS RECEIVABLE FROM CUSTOMERS:

a. Balance integration:

Accounts receivable are integrated in the following manner:

	December 31, 2020	December 31, 2019
Restricted television and audio subscribers	$ 2,376,847	$ 2,339,497
Telecommunications operators	12,554	32,030
Other	159,818	45,222
Gross balance	2,549,219	2,416,749
Expected credit loss allowance	(173,033)	(260,808)
Total accounts receivable from customers – net	$ 2,376,186	$ 2,155,941

b. Receivables gross balance ageing:

	December 31, 2020	December 31, 2019
Up to 30 days	$ 875,398	$ 999,755
From 31 to 60 days	161,944	132,570
From 61 to 90 days	177,954	62,592
From 91 to 120 days	177,340	222,582
More than 121 days	1,156,583	999,250
Gross balance	$ 2,549,219	$ 2,416,749

c. Movements of the expected credit loss allowance:

	Years ended December 31,	
	2020	2019
Opening balance	$ 260,808	$ 263,815
Increases	472,941	244,750
Write-offs	(560,716)	(247,757)
Closing balance	$ 173,033	$ 260,808

d. Portfolio securitization:

On May 25, 2017 an “irrevocable administrative and source of payment master trust agreement” was entered into, identified with number 1136 (F/1136 or Master Trust) and created under Mexican laws, between the Company, Total Box, S.A. de C.V. (Total Box) as Trustors), the Company as Administrator and Banco Azteca, S.A., Institución de Banca Multiple, Fiduciary Division, as Trustee of the Master Trust (Fiduciary). The Master Trust was amended and fully redrafted on November 8, 2019.

The main purposes of the Master Trust are the following: (i) receive the contribution of Collection Rights of the Company and Total Box, and receive and administer the resources resulting from the collection; (ii) assign the Collection Rights to each “Securities Portfolio” in accordance with the allocation criteria (iii) assign the “Free Rights” to the “Individual Funds” created for carrying out new issuances, as instructed by the Technical Committee; (iv) transfer “Collection Rights” to other trusts and/or vehicles, previous authorization by the Technical Committee to, among other purposes, carry out financing operations by means of securitizations (public or private); and (v) as appropriate, and with previous authorizations, carry out one or more Securities issues.

The equity of the Master Trust is comprised by the following assets: (i) Collection Rights; (ii) amounts received by the Fiduciary as a consequence of the payment of the Collection Rights; (iii) liquid amounts and cash received by the Fiduciary of the Master Trust as a consequence of the payment or exertion of Collection Rights or as a consequence of issuances carried out; (iv) cash available in the accounts of the Master Trust, or, resulting from the Collection Rights; (v) interests and returns of cash or resulting from the Collection Rights; (vi) securities acquired by the Fiduciary for investing cash; (vii) any fixed asset, tangible or intangible, or rights affecting the equity of the Master Trust for the latter´s purposes. The assets representing the net equity contributed to the Master Trust are registered as “fiduciary rights” in the statement of financial position.

As part of its activities, the Master Trust has granted loans to TPG as shown in Note 11.

In like fashion, as of December 31, 2020 and 2019, Collection Rights contributed by TPG to the Master Trust amounted to $21,223,723 and $14,794,138, respectively.

NOTE 5 – RELATED PARTIES:

a. Balances:

Accounts receivable and payable to related parties are shown below:

	December 31,	
	2020	2019
Accounts receivable:		
TV Azteca, S.A.B. de C.V. and subsidiaries (TVA)	$ 30,149	$ -
Grupo Elektra, S.A. de C.V. and subsidiaries (GEKT)	4,865	101,085
Others	564	330
Total accounts receivable from related parties	$ 35,578	$ 101,415

	December 31, 2020	December 31, 2019
Accounts payable:		
Corporación RBS, S.A. de C.V. (CRBS)	$ 78,577	$ -
TV Azteca, S.A.B. de C.V. and subsidiaries (TVA)	71,449	30,887
Totalsec, S.A. de C.V. (Totalsec)	47,215	91,198
Selabe Diseños, S.A. de C.V. (Selabe)	33,459	19,862
Grupo Elektra, S.A.B. de C.V. and subsidiaries (GEKT)	1,979	-
Servicios de Asesoría en Medios de Comunicación GS, S.A. de C.V.	440	15,677
UPAX GS, S.A. de C.V. (UPAX)	161	23,208
Adamantium Private Security Services, S. de R.L. de C.V. (Adamantium)	15	4,394
Procesos BOFF, S. de R.L. de C.V. (BOFF)	-	60,250
Others	674	168
Total accounts payable to related parties	$ 233,969	$ 245,644

b. Transactions:

Additionally, the following operations with related parties have been included in the consolidated statement of comprehensive (loss) income:

	Years ended December 31, 2020	Years ended December 31, 2019
Revenue	$ 481,912	$ 388,764
Costs	75,671	70,588
Operating expenses	1,017,603	514,001
Other income	15,967	11,664
Interest expense	24,171	87,048
Fixed assets acquisitions	93,974	161,559
Unearned revenues	81,210	4,197

Transactions with Grupo Salinas companies

TP Group provides fixed telephony services, Internet and link rent to GEKT and TVA.

In turn, services received by TP Group from the Grupo Salinas' companies are:

- GEKT – leasing and administrative services.
- TVA – advertising and leasing.
- CRBS – administrative services
- Adamantium – surveillance and security.
- BOFF, S. de R.L. de C.V. – administrative services.
- Totalsec – information security services.
- UPAX – marketing, polls, market research, among others.
- Selabe – administrative services.

NOTE 6 – INVENTORIES:

a. Balance integration:

Inventories are comprised as follows:

	December 31, 2020		December 31, 2019	
Set-top boxes	$	1,043,929	$	694,292
Installation materials warehouse		615,507		605,921
Gross balance		1,659,436		1,300,213
Allowance for obsolescence		(38,095)		(39,729)
Total inventories – net	$	1,621,341	$	1,260,484

b. Allowance for obsolescence roll forward:

	Years ended December 31 2020		Years ended December 31 2019	
Opening balance	$	39,729	$	27,662
Increases		12,000		12,067
Write-offs		(13,634)		-
Closing balance	$	38,095	$	39,729

NOTE 7 – Advance Payments:

	December 31 2020		December 31 2019	
Compensations	$	177,619	$	-
Advertising		64,812		14,538
Maintenance		61,290		33,246
Security deposits		32,111		31,606
Insurance		29,446		23,585
Telephony services		16,882		10,873
Fees		12,755		17,625
Others		12,340		11,390
	$	407,255	$	142,863

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT - NET:

a. As of the dates of presentation, property, plant and equipment – net, consisted of the following:

	December 31, 2020	December 31, 2019
Decoders and installation expenses	$ 19,633,993	$ 11,579,107
Fiber optic	12,063,296	9,413,124
Communication equipment	7,650,370	6,121,211
Licenses and software	2,057,802	1,550,080
Laboratory machinery and equipment	1,018,337	814,755
Computers	934,799	701,496
Leasehold improvements	352,283	157,968
Vehicles	227,707	222,411
Furniture and fixtures	155,009	127,251
Gross depreciable balance	44,093,596	30,687,403
Accumulated depreciation	(12,153,975)	(8,545,519)
Net depreciable balance	31,939,621	22,141,884
Projects in progress	794,981	456,529
Land	21,408	6,408
Total property, plant and equipment, net	$ 32,756,010	$ 22,604,821

TPG has guaranteed the tax credit mentioned in Note 17b with certain of these assets up to an amount of $818,370.

The carrying amount of property, plant and equipment is subject to an annual impairment test (see Note 2q).

b. Balance reconciliation:

b. The reconciliation of balances for the periods ended December 31, 2020 and 2019 is as follows

	Net balances as of December 31, 2019	Purchases[1]	Disposals	Transfers to right- of-use assets	Depreciation of the year	Net balances as of December 31, 2020
Decoders and installation expenses	$ 8,356,660	$ 9,705,927	($ 424,602)	$ 53,015	($3,224,624)	$14,466,376
Fiber optic	8,402,275	2,624,440	-	25,734	(447,766)	10,604,683
Communication equipment	3,954,076	1,577,771	(322,734)	298,324	(670,589)	4,836,848
Laboratory machinery and equipment	621,671	203,370	(366)	668	(87,817)	737,526
Licenses and software	356,228	493,595	-	14,126	(273,085)	590,864
Computers	173,063	255,699	(75,322)	44,599	(112,554)	285,485
Leasehold improvements	135,700	67,753	-	105,527	(27,046)	281,934
Furniture and fixtures	85,338	27,758	-	-	(12,673)	100,423
Vehicles	56,873	8,404	(619)	-	(29,176)	35,482
Projects in progress	456,529	880,445	-	(541,993)	-	794,981
Land	6,408	15,000	-	-	-	21,408
Totals	$22,604,821	$15,860,162	($ 823,643)	$ -	($4,885,330)	$32,756,010

	Net balances as of December 31, 2018	Purchases	Disposals	Transfers to right of use assets	Depreciation of the year	Net balances as of December 31, 2019
Totals	$18,298,628	$ 9,204,122	$ -	($1,452,949)	($3,444,980)	$22,604,821

[1] Includes capitalized debt costs amounting $835,211 and $1,307,867 for the years ended December 31, 2020 and 2019, respectively.

c. Depreciation expense composition:

Depreciation expense is integrated as follows:

	Years ended December 31, 2020	2019
Subscribers acquisition cost depreciation	$ 3,224,624	$ 2,105,768
Depreciation of the rest of the assets	1,660,706	1,339,212
	$ 4,885,330	$ 3,444,980

NOTE 9 – LEASES (RIGHTS-OF-USE) AND LIABILITIES

a. Type of underlying asset integration:

Right of use assets were comprised as follows:

	Years ended December 31 2020	2019
Decoding equipment	$ 2,304,015	$ 2,323,339
Property	2,263,041	1,585,790
Vehicles	431,761	109,072
Furniture and fixtures	256,794	170,674
Communication equipment	217,525	474,537
Computers	210,505	79,696
Leasehold improvements	-	165,681
Machinery and equipment	-	35,292
Other	3,989	97,495
Gross balance	5,687,630	5,041,576
Accumulated depreciation	(1,545,143)	(1,421,123)
Net balance	$ 4,142,487	$ 3,620,453

b. Balance reconciliation:

	Net balances as of December 31, 2019	Additions	Disposals	Transfers	Depreciation of the year	Net balances as of December 31, 2020
Decoding equipment	$ 1,459,417	$ 2,345,888	($1,243,054)	$ -	($ 757,804)	$ 1,804,447
Property	1,241,910	699,683	(16,374)	-	(461,515)	1,463,704
Vehicles	93,764	429,592	(81,485)	-	(79,911)	361,960
Furniture and fixtures	163,563	341,251	(223,276)	-	(83,817)	197,721
Computers	49,475	210,505	(49,301)	-	(28,710)	181,969
Communication equipment	322,232	217,524	(289,240)	-	(121,817)	128,699
Leasehold improvements	158,777	-	(139,712)	-	(19,065)	-
Machinery and equipment	33,821	-	(31,616)	-	(2,205)	-
Other	97,494	-	(93,507)	-	-	3,987
Totals	$ 3,620,453	$ 4,244,443	($2,167,565)	$ -	($1,554,844)	$ 4,142,487

	Net balances as of December 31, 2018	Transfers from property, plant and equipment	Additions	Disposals	Depreciation of the year	Net balances as of December 31, 2019
Totals	$ -	$ 3,101,038	$ 1,452,949	$ -	($ 933,534)	$ 3,620,453

c. Disbursements related to leases:

	Years ended December 31, 2020	Years ended December 31, 2019
Depreciation	$ 1,554,844	$ 933,534
Accrued interest expense	370,386	136,262
Charges registered directly in income (exceptions to IFRS 16)		
Costs	363,795	303,609
Expenses	402,334	301,496
Total	$ 2,691,359	$ 1,674,901

d. Long-term liabilities maturities:

Leases were classified as long-term liabilities as of December 31, 2020 with the following contractual maturities:

Year	Amount
2022	$ 1,306,315
2023	652,035
2024	279,274
2025	154,194
2026 onwards	357,065
	$ 2,748,883

NOTE 10 – TRADEMARKS AND OTHER ASSETS – NET:

Trademarks and other assets – net, are integrated as follows:

	December 31, 2020	December 31, 2019
Trademarks[1]	$ 930,000	$ 930,000
Prepaid expenses[2]	89,372	97,250
Guaranty deposits	38,377	37,889
Total trademarks and other assets – net	$ 1,057,749	$ 1,065,139

[1] The carrying amount of the trademarks and the concession rights is subject to annual impairment tests (Note 2q).
[2] Correspond to advance payments covering a period greater than 12 months.

NOTE 11 – FINANCIAL DEBT:

As of December 31, TP Group had the following outstanding financings

	December 31, 2020		
	Short-term	Long-term	Total
a. Senior Notes – not guaranted	$ -	$ 11,447,503	$ 11,447,503
b. Universidad ICEL, S.C. (ICEL)	-	2,537,000	2,537,000
c. Fideicomiso 3370 (F/3370)	-	2,500,000	2,500,000
d. Capiprom, S.A. P.I. de C.V. (Capiprom)	53,277	1,564,999	1,618,276
e. The Import and Export Bank of China (Eximbank de China)	-	1,574,781	1,574,781
f. Fideicomiso 1135 (F/1135)	-	1,550,000	1,550,000
g. Banco del Bajío, S.A. Institución de Banca Múltiple (Bajío)	71,610	873,390	945,000
h. Postulando Ideas, S.A. de C.V. (PI)	-	889,085	889,085
i. Desarrollo JNG Coyoacán, S.A. de C.V. (DJC)	-	713,962	713,962
j. Interpretaciones Económicas, S.A. de C.V. (IE)	-	670,254	670,254
k. Desarrollo JNG Azcapotzalco, S.A. de C.V. (DJA)	-	659,530	659,530
l. Negocios y Visión en Marcha, S.A. de C.V. (NVM)	-	646,433	646,433
m. Inmobiliaria Ciudad del Sol Guadalajara, S.A. de C.V. (ICSG)	-	620,735	620,735
n. Banco Monex, S.A. Institución de Banca Múltiple (Monex)	300,000	-	300,000
o. QH Productos Estructurados, S.A.P.I. (QH)	18,138	-	18,138
Transaction costs	-	(498,105)	(498,105)
Total debt recognized at amortized cost	$ 443,025	$ 25,749,567	$ 26,192,592

	December 31, 2019		
	Short-term	Long term	Total
b. Universidad ICEL, S.C. (ICEL)	$ -	$ 2,537,000	$ 2,537,000
p. FGS Bridge, S.A.P.I. de C.V. (FGS)	1,992	2,025,685	2,027,677
f. Fideicomiso 1135 (F/1135)	500,000	1,250,000	1,750,000
d. Capiprom, S.A. P.I. de C.V. (Capiprom)	111,640	942,500	1,054,140
g. Banco del Bajío, S.A. Institución de Banca Múltiple (Bajío)	30,000	957,500	987,500
h. Postulando Ideas, S.A. de C.V. (PI)	-	889,085	889,085
q. Sentir Común México SOFOM, S.A. de C.V. (Sentir Común)	27,091	772,909	800,000
l. Negocios y Visión en Marcha, S.A. de C.V. (NVM)	-	646,434	646,434
o. QH Productos Estructurados, S.A.P.I. (QH)	102,019	660,887	762,906
i. Desarrollo JNG Coyoacán, S.A. de C.V. (DJC)	-	713,962	713,962
j. Interpretaciones Económicas, S.A. de C.V. (IE)	-	670,254	670,254
k. Desarrollo JNG Azcapotzalco, S.A. de C.V. (DJA)	-	659,530	659,530
m. Inmobiliaria Ciudad del Sol Guadalajara, S.A. de C.V. (ICSG)	-	620,735	620,735
r. Banco Invex, S.A. Institución de Banca Múltiple (Invex)	175,000	437,500	612,500
n. Banco Monex, S.A. Institución de Banca Múltiple (Monex)	300,000	-	300,000
s. Arrendadora Internacional Azteca, S.A. de C.V. (AIA)	148,709	-	148,709
Transaction costs	(1,050)	(58,438)	(59,488)
Total debt recognized at amortized cost	$ 1,395,401	$ 13,725,543	$ 15,120,944

Maturities of long-term portions are the following:

Year	Face Value	Transaction costs	Amortized cost
2022	$ 763,607	($ 29,553)	$ 734,054
2023	2,813,013	(62,147)	2,750,866
2024	3,268,342	(24,299)	3,244,043
2025	12,065,794	(328,227)	11,737,567
2026 onwards	7,336,917	(53,880)	7,283,037
	$ 26,247,673	($ 498,106)	$ 25,749,567

The following table summarizes features of the principal loans as of December 31, 2020:

Type of credit / Creditor	Currency	Annual interest rate	Dates of Initial	Dates of Maturity	Comments
a. Senior Notes – not guaranted	EU$	7.50%	09/11/2020	12/11/2025	Sets out covenants, which were in fully compliance as of December 31, 2020
b. ICEL	MXP	10.00%	13/09/2019	17/12/2027	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
c. F/3370	MXP	TiIE[1] + 240 pbs[2]	24/02/2020	28/02/2025	
d. Capiprom	MXP	TiIE[1] + 375 pbs[2]	08/04/2020	31/03/2024	
e. Eximbank of China	CNY	5.50%	23/12/2020	23/12/2027	
f. F/1135	MXP	10.50%	24/08/2020	29/05/2023	Tranche of $600,000
f. F/1135	MXP	10.00%	14/10/2020	19/07/2023	Tranche of $500,000
f. F/1135	MXP	TiIE[1] + 300 pbs[2]	21/11/2019	27/07/2023	Tranche of $450,000
g. Bajío	MXP	TiIE[1] + 225 pbs[2]	21/07/2019	21/06/2024	
h. PI	MXP	10.00%	13/09/2019	17/12/2027	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
i. DJC	MXP	10.00%	13/09/2019	17/12/2027	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
j. IE	MXP	10.00%	13/09/2019	17/12/2027	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
k. DJA	MXP	10.00%	13/09/2019	17/12/2027	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
l. NVM	MXP	10.00%	13/09/2019	17/12/2027	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
m. ICSG	MXP	10.00%	13/09/2019	17/12/2027	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
n. Monex	MXP	TiIE[1] + 200 pbs[2]	23/12/2019	23/03/2021	
o. QH	MXP	8.00%	20/06/2018	29/08/2021	

[1] TIIE: Equilibrium bank interest rate
[2] pbs: Base points

The following table summarizes features of the principal loans as of December 31, 2019:

Type of credit / Creditor	Currency	Annual interest rate	Dates of Initial	Dates of Type of credit / Creditor	Currency
b. ICEL	TIIE	TiIE[1] + 340 pbs[2]	20/09/2019	19/09/2023	
p. FGS	MXP	TiIE[1] + 655 pbs[2]	27/06/2019	30/06/2025	The credit was settled by the end of 2020
f. F/1135	MXP	TiIE[1] + 400 pbs[2]	21/11/2019	27/03/2023	Tranche of $1,100,000
f. F/1135	MXP	TiIE[1] + 400 pbs[2]	20/09/2019	21/08/2020	Tranche of $500,000
f. F/1135	MXP	TiIE[1] + 400 pbs[2]	26/09/2019	29/04/2022	Tranche of $150,000

Continues in the following page:

Type of credit / Creditor	Currency	Annual interest rate	Dates of Initial	 Type of credit / Creditor	Currency
From previous page:					
d. Capiprom	MXP	TiIE[1] + 600 pbs[2]	27/06/2019	30/06/2026	Tranche of $942,500
d. Capiprom	MXP	10.00%	01/11/2019	01/10/2020	Tranche of $111,640
g. Bajío	MXP	TiIE[1] + 225 pbs[2]	21/07/2019	21/06/2024	
h. PI	MXP	TiIE[1] + 390 pbs[2]	24/12/2019	23/12/2024	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
q. Sentir Común	MXP	TiIE[1] + 400 pbs[2]	17/08/2018	01/08/2025	The credit was settled by the end of 2020.
l. NVM	MXP	TiIE[1] + 390 pbs[2]	24/12/2019	23/12/2024	Tranche of $646,434. In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
l. NVM	MXP	TiIE[1] + 650 pbs[2]	20/06/2018	31/05/2024	Tranche of $400,000. In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
o. QH	MXP	TiIE[1] + 650 pbs[2]	15/10/2018	31/05/2024	Tranche of $315,000
o. QH	MXP	8.00%	07/11/2019	29/10/2020	Tranche of $47,906
i. DJC	MXP	TiIE[1] + 390 pbs[2]	24/12/2019	23/12/2024	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
j. IE	MXP	TiIE[1] + 390 pbs[2]	24/12/2019	23/12/2024	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
k. DJA	MXP	TiIE[1] + 390 pbs[2]	24/12/2019	23/12/2024	In June 2020, an amendment agreement was signed, through which a fixed interest rate was established and term was extended.
m. ICSG	MXP	TiIE[1] + 390 pbs[2]	24/12/2019	23/12/2024	In June 2020, an amendment modifying agreement was signed, through which a fixed interest rate was established and term was extended.
r. Invex	MXP	14.00%	12/03/2019	08/09/2023	The credit was settled by the end of 2020.
n. Monex	MXP	TiIE[1] + 200 pbs[2]	23/12/2019	23/03/2020	
s. AIA	MXP	TiIE[1] + 500 pbs[2]	31/12/2018	31/12/2020	The credit was settled by the end of 2020.

The reconciliation of debt balances is shown below:

	December 31, 2020	 2019
Opening balance	$ 15,120,944	$ 12,096,296
New loans	16,443,840	13,516,723
Settlements	(4,576,155)	(10,495,241)
Foreign exchange loss unrealized	(357,420)	-
New transaction costs	(571,391)	-
Transaction costs amortization of the period	132,774	3,166
Closing balance	$ 26,192,592	$ 15,120,944

NOTE 12 – REVERSE FACTORING:

As a financing alternative, TPG offers suppliers to participate in a factoring credit facility, through which the intermediary liquidates to supplier the debt originally contracted by TPG, less the accorded discount. At the same time, TPG pays the debt to the intermediary at nominal value, but in an extended period of time.

The following table shows liabilities resulting from factoring operations with suppliers:

	December 31, 2020	December 31, 2019
a. FGS Bridge, S.A.P.I. de C.V. (FGS)	$ 1,590,221	$ 555,618
b. Arrendadora Internacional Azteca, S.A. de C.V. (AIA)	24,881	62,132
c. Cintercap, S.A. de C.V. SOFOM E.N.R.	6,613	-
d. Greensill Capital (UK) Limited (Greensill)	-	346,989
	$ 1,621,715	$ 964,739

a. FGS:

- The Company and FGS have agreed to offer Company´s suppliers a financing scheme consisting of a reverse factoring facility.
- Through this mechanism, FGS acquires from Company´s supplier the Credit Right in favor of such supplier and borne by the Company. Through this action, such Credit Right is transmitted to FGS without any reserve nor limitation, and FGS accepts to pay the supplier the value of the documents transferred less a discount rate and a collection fee.
- The parties accept that Company pays directly to FGS the documents transmitted at face value.
- In like fashion, a maximum of transmittals is provided, so that through a revolving nature, an undefined number of concrete and individual operations are carried out.

b. AIA:

- On February 1, 2016, AIA and the Company entered into a Discount Framework Contract of notes through which it is offered a factoring program to suppliers as a means of financing, and certain points were established described below.
- Once the respective Notes Discount Contract is formalized between AIA and Company´s supplier, AIA will acquire the Collection Rights in favor of the supplier.
- The acquisition made by AIA is with discount, but the Company is compelled to pay AIA the Collection Rights on the maturity dates at face value.
- AIA will only acquire the Collection Rights with a maturity date not exceeding 90 calendar days starting from the date of issue of such Collection Rights.

c. Cintercap:

- On August 15, 2020, TPG entered into a Framework Contract to carry out factoring transactions with Cintercap.
- This contract establishes that Cintercap will acquire from the TPG’s suppliers (after signing a Financial Factoring Agreement with the suppliers), the credit rights in its favor.
- The acquisition of such documents will be with discount.
- In turn, the TPG undertakes to pay Cintercap the credit rights at their nominal value.
- Cintercap will only acquire credit rights whose expiration date does not exceed 120 calendar days from the date of issue.

d. Greensill:

- The Company had a factoring facility for suppliers with Greensill, whose maturity was December 20, 2020.

NOTE 13 – EMPLOYEE BENEFITS:

a. Liability for employee benefits:

The liabilities derived from employee benefits and other remunerations to personnel recognized in the consolidated statements of financial position are comprised as follows:

	December 31, 2020		
	Seniority premium	Legal compensation	Total
Defined benefits obligation (DBO)	$ 23,395	$ 42,789	$ 66,184
Plan assets	-	-	-
Unamortized items	-	-	-
Net projected liability	$ 23,395	$ 42,789	$ 66,184

	December 31, 2019		
	Seniority premium	Legal compensation	Total
Defined benefits obligation (DBO)	$ 11,464	$ 22,869	$ 34,333
Plan assets	-	-	-
Unamortized items	-	-	-
Net projected liability	$ 11,464	$ 22,869	$ 34,333

b. Adjusted net cost for the period:

Employee benefit expense for the period accounted for consists on the following:

	Year ended December 31, 2020		
	Seniority premium	Legal compensation	Total
Current services labor cost	$ 4,471	$ 7,561	$ 12,032
Financial cost	909	1,829	2,738
Seniority recognition	930	3,444	4,374
Immediate actuarial recognition	(4,427)	(5,204)	(9,631)
Total	$ 1,883	$ 7,630	$ 9,513

	Year ended December 31, 2019		
	Seniority premium	Legal compensation	Total
Current services labor cost	$ 3,661	$ 6,991	$ 10,652
Financial cost	519	995	1,514
Seniority recognition	1,229	2,149	3,378
Immediate actuarial recognition	218	1,936	2,154
Total	$ 5,627	$ 12,071	$ 17,698

c. DBO reconciliation:

	Year ended December 31, 2020	2019
DBO opening balance	$ 34,333	$ 17,387
Current services labor cost	12,032	10,652
Financial cost	2,738	1,514
Actuarial losses for the period	23,473	9,247
Seniority recognition	4,374	3,378
Benefits paid against provision	(10,766)	(7,845)
DBO closing balance	$ 66,184	$ 34,333

d. Main assumptions:

The main assumptions used in the calculation of the net cost for the period were the following:

Nominal annual rates:	2020	2019
	5.00%	5.00%
Minimum salary		
Career salary	5.80%	5.80%
Discount	7.00%	8.00%
Long term inflation	4.00%	4.00%
Average working life expectancy	10 years	15 years

e. Sensitivity analysis:

In accordance with the provisions of the applicable standard, a sensitivity analysis is shown in respect to the discount rate applied for carrying out the actuarial valuation, that is, the impact the Company has defined benefits obligation (DBO) by having a change of +/- 1% in the discount rate:

	6.00%	7.00%	8.00%
Seniority premium	$ 27,246	$ 23,395	$ 20,257
Legal compensation	53,600	42,788	34,616
	$ 80,846	$ 66,183	$ 54,873

NOTE 14 – INCOME TAXES:

a. Income tax provision:

The provision for taxes on income (income tax or IT) for years ended December 31, 2020 and 2019, is the following:

	Year ended December 31, 2020	2019
Income tax provision:		
Incurred	($ 29,395)	($ 29,058)
Deferred	117,399	(70,245)
	$ 88,004	($ 99,303)

b. Incurred income tax:

Income tax rate was 30.00% for years ended December 31, 2020 and 2019. For years ended December 31, 2020 and 2019, the Company generated tax losses that amounted to ($3,197,002) y ($665,560) nominal, respectively.

For year ended December 31, 2020, Company´s subsidiaries generated tax profits for $97,989 and tax losses for ($1,340,411). For year ended December 31, 2019, Company´s subsidiaries reported tax profits for $96,859 and tax losses for ($408,300).

c. Deferred income tax:

Tax loss carry forwards and temporary differences that TPG recognized in the calculation of deferred income tax were the following:

	December 31, 2020	December 31, 2019
Tax loss carry forwards	$ 10,627,926	$ 5,876,179
Non-deductible interest due to thin capitalization	1,905,745	-
Leases	1,565,962	(1,344,690)
Provisions	387,790	277,030
Employee benefits	66,183	34,332
Advance payments	(137,976)	-
Accounts receivable and inventories	(419,546)	300,536
Property, plant and equipment	(10,171,166)	(1,794,521)
Tax loss carry forwards and temporary differences	3,824,918	3,348,866
Income tax rate	30.00%	30.00%
Net deferred tax asset	1,147,475	1,004,660
Valuation reserve	(708,922)	(683,506)
	$ 438,553	$ 321,154

As of December 31, 2020 and 2019, TPG´s Management decided to partially recognize the deferred tax asset since the realization of such deferred tax assets is dependent, mainly, on the generation of sufficient taxable profit before the expiration of the tax loss carry forwards; consequently, the balance of the tax asset was adjusted to the taxable profit expected to be generated in the following years (Note 2t).

d. Tax loss carry forward:

Inflation-restated tax loss carry forwards as of December 31, 2020 are as follows:

Taxes losses Year of origin	Tax loss carry forwards	Year of expiration
2011	$ 1,049,730	2021
2013	176,713	2023
2014	101,348	2024
2015	167,351	2025
2016	1,370,967	2026
2017	468,878	2027
2018	1,597,918	2028
2019	1,080,473	2029
2020	4,614,548	2030
	$ 10,627,926	

e. Reconciliation of nominal tax rate and effective IT rate:

The reconciliation between the income tax nominal rate and the effective rate is the following:

	Years ended December 31,	
	2020	2019
	%	%
IT nominal rate	30.00	30.00
Effect on IT incurred:		
Difference between book and tax depreciation	332.40	(101.68)
Advance payments	14.47	-
Difference between accounting and tax treatment of revenue	9.60	(5.91)
Deduction of PTU paid	0.34	(0.16)
Accounts receivable and inventories	(16.75)	1.13
Non-deductible expenses	(20.57)	15.13
Annual inflation adjustment	(50.40)	22.38
Non-deductible interest for insufficient capitalization	(89.38)	-
Effect on deferred tax:		
Temporary items	(195.85)	52.14
Effective IT rate	13.86	13.03

NOTE 15 – FINANCIAL INSTRUMENTS:

a) Fair value

Fair value of financial instruments was determined by TPG using information available in the market and other valuation techniques that requires Management judgment. Moreover, the use of different assumptions and valuation methods may have a material effect on the estimated amounts of fair value.

Financial instruments which, after initial recognition, are quantified at fair value are grouped in Levels from 1 to 3 based on the degree to which fair value is observed, as shown below:

- Level 1 – valuation based on prices quoted in the market (unadjusted) for identical assets or liabilities;
- Level 2 – valuation with indicators other than the quoted prices included in Level 1, but include observable indicators for an asset or liability, either directly (quoted prices) or indirectly (derivations of these prices); and
- Level 3 – valuation techniques are applied that include indicators for assets and liabilities that are not based on observable market information (unobservable indicators).

As of December 31, 2020 and 2019, financial assets and liabilities are classified as follows:

	Amortized cost	FVTPL	FVOCI	Total
As of December 31, 2020				
Financial Assets:				
Cash and cash equivalents	$ 1,786,852	$ -	$ -	$ 1,786,852
Customers	2,376,186	-	-	2,376,186
Other receivables	41,430	-	-	41,430
Related parties	35,578	-	-	35,578
	$ 4,240,046	$ -	$ -	$ 4,240,046
Financial Liabilities:				
Total financial debt (short and long-term)	$26,192,592	$ -	$ -	$26,192,592
Interest payable	119,046	-	-	119,046
Derivative financial instruments designated as hedges	-	242,844	(28,624)	214,220
Short and long-term lease liabilities	6,714,011			6,714,011
Trade payables	1,621,715	-	-	1,621,715
Reverse factoring	1,154,358			1,154,358
Other payables	1,191,749	-	-	1,191,749
Related parties	233,969	-	-	233,969
	$37,227,440	$ 242,844	$ (28,624)	$37,441,660

	Amortized cost	FVTPL	FVOCI	Total
As of December 31, 2019				
Financial Assets:				
Cash and cash equivalents	$ 227,212	$ -	$ -	$ 227,212
Customers	2,155,941	-	-	2,155,941
Other receivables	39,846	-	-	39,846
Related parties	101,415	-	-	101,415
Derivative financial instruments designated as hedges	-	(869)	2,844	1,975
	$ 2,524,414	$ (869)	$ 2,844	$ 2,526,389
Financial Liabilities:				
Total financial debt (short and long-term)	$15,120,944	$ -	$ -	$15,120,944
Interest payable	892	-	-	892
Short and long-term lease liabilities	4,387,947			4,387,947
Trade payables	3,546,950	-	-	3,546,950
Reverse factoring	964,739			964,739
Other payables	878,197	-	-	878,197
Related parties	245,644	-	-	245,644
	$25,145,313	$ -	$ -	$25,145,313

As of December 31, 2020 the fair value of Unsecured Senior Notes was as follows

	U.S.$	$
Promissory note market value	99.748	99.748
Face value	575,000	11,447,503
Fair value	573,551	11,418,655

b) Hedging activities and derivatives

i. Derivatives not designated as hedges

TPG uses foreign currency loans and foreign currency purchases/sales, for the purpose of managing some of the risks stemming from its transactions, mainly market risks as exchange rates and interest rates. Installment purchases/sales of foreign currency are not designated as cash flow hedges, and they are agreed for periods consistent with the foreign exchange risk exposure of the related transactions, generally between 1 to 24 months.

ii. Cash flow hedges

Non-dominant credit risk

The credit risk of counterparts does not have a material influence on the Fair Value of Derivative Financial Instruments. The rating of both financial entities and the most recent of the Company are the following:

Company	Rating	Agency
Banco Monex, S.A.	AA -	Fitch Ratings
Corporación Actinver, S.A.B de C.V.	AA -	Fitch Ratings
Total Play Comunicaciones, S.A. de C.V.	AA	HR Ratings

Foreign exchange risk

Installment purchases of foreign currency, measured at fair value with changes through other comprehensive income, are designated as hedges of the cash flows from expected sales in U.S. dollars. These expected transactions are highly probable and comprise a high percentage of the total expected purchases in U.S. dollars.

Although TPG has other installment purchases/sales of foreign currencies with the intention of mitigating the foreign exchange risk of expected purchases and sales, these other agreements are not designated as hedges and are consequently measured at fair value through profit and loss.

The balances of installment purchases/sales of foreign currency vary depending on the level of expected sales and purchases in foreign currency and on foreign exchange rates.

	December 31, 2020		
Derivative financial instrument:	Asset	Liability	Net
Bonus swap (IRS)	$ -	$ 180,928	($ 180,928)
Foreign exchange options (FX options)	-	33,292	(33,292)
Mark-to market at the closing period	$ -	$ 214,220	($ 214,220)

	December 31, 2019		
Derivative financial instrument:	Asset	Liability	Net
Bonus swap (IRS)	$ 6,191	$ -	$ 6,191
Foreign exchange options (FX options)	-	4,214	(4,214)
Interest rate hedge (rate CAP)	-	2	(2)
Mark-to market at the closing period	$ 6,191	$ 4,216	$ 1,975

The terms of the installment purchases/sales of foreign currency match with the highly probable expected transactions. Consequently, there is no inefficiency to be recognized in the income statement.

Cash flow hedges of expected future purchases in 2020 and 2019, were assessed as highly effective and an unrealized net gain of $28,624 and $2,844 respectively was recorded in OCI.

The amount transferred during the years 2020 and 2019 from OCI to the carrying amount of the hedged elements was ($242,844) and ($869), respectively and are shown in Note 15a. It is expected that some of the amounts included in OCI as of December 31, 2020 become due and affect the income statement as of December 31, 2021.

c) Fair value measurement

TPG liabilities fair value hierarchy as of December 31, 2020:

		Fair value measurement used		
	Total	Quoted value in active markets (Level 1)	Significant observable data (Level 2)	Significant non observable data (Level 3)
Assets measured at fair value:				
Property, plant and equipment - revalued	$ 32,756,010	$ -	$ -	$ 32,756,010
Trademarks	930,000	-	-	930,000
Liabilities measured at fair value:				
Bonus swap (IRS)	180,928	-	180,928	-
Foreign exchange options (FX options)	33,292	-	33,292	-
Loans and credits accruing interests	26,192,592	-	26,192,592	-
Reverse factoring	1,621,715	-	1,621,715	-

TPG liabilities fair value hierarchy as of December 31, 2019

		Fair value measurement used		
	Total	Quoted value in active markets (Level 1)	Significant observable data (Level 2)	Significant non observable data (Level 3)
Assets measured at fair value:				
Property, plant and equipment - revalued	$ 22,604,821	$ -	$ -	$ 22,604,821
Trademarks	930,000	-	-	930,000
Bonus swap (IRS)	6,191	-	6,191	-
Liabilities measured at fair value:				
Foreign exchange options (FX options)	4,214	-	4,214	-
…Interest rate hedge (rate CAP)	2	-	2	-
Loans and credits accruing interests	15,120,944	-	15,120,944	-
Reverse factoring	964,739	-	964,739	-

NOTE 16 – FINANCIAL RISK MANAGEMENT:

Activities with financial instruments presume the absence or transfer of one or various types of risks by the entities that trade with them. The main risks associated with financial instruments are:

- Credit risk: likelihood that one of the parties to the financial instrument contract fails to meet its contractual obligations due to reasons of insolvency or inability to pay and results in a financial loss for the other party. However, an estimate of Credit Value Adjustment is made to monitor the results of a possible contingency.

- Market risk: likelihood that losses are generated in the value of the positions maintained, resulting from changes in the market prices of financial instruments. In turn, it includes three types of risks, which at the time, depend on the following risk factors:

  - Interest rate risk: arises as a consequence of variations in market interest rates.
  - Foreign exchange rate risk: arises as a consequence of variations in exchange rates between currencies.
  - Price risk: arises as a consequence of changes in market prices, due to specific factors of the instrument itself, or due to factors that affect all instruments traded on a concrete market.

- Liquidity risk: likelihood that an entity cannot meet its payment commitments or, to meet them, it has to resort to obtaining funds in encumbering conditions placing its image and reputation at risk.

a. Credit risk management – it is mainly caused on liquid funds and trade accounts receivable for providing telecommunication services.

   TPG's policy is to operate with banks and financial institutions with the highest credit ratings granted by credit rating agencies to reduce the possibility of counterpart´s non-performance. With respect to trade accounts receivable, TPG grants commercial credit to companies or government entities that are financially sound, have a good reputation in the market, and many of them are recurring customers.

   TPG periodically reviews the financial condition of its clients and does not believe that a significant risk from credit concentration of its portfolio could turn into a loss. To minimize a loss, TPG discontinues service provided to its customers when the ageing of the past due balance exceeds certain limit. Also, it considers that the allowance for impairment covers appropriately the potential credit risk, which represents the calculation of the expected losses from impairment of receivables.

   As at December 31, 2020 and 2019, the amount of receivables with an ageing higher than 120 days amounted to $1,156,583 and $999,250 respectively. The aforementioned amounts include receivables due from government institutions, which recurrently present delays in their payments, without representing this a loss for TPG and consequently, Management considered that the impairment allowance does not need to be increased.

b. Market risk management

   i. Interest rate risk – As described in Note 11, TPG has obtained loans bearing interest at variable rates (28-day TIIE), therefore it is exposed to fluctuations of such rates. As at December 31, 2020 and 2019, TPG had partial hedges to cover said fluctuations. Consequently, if the variable interest rates had strengthened/weakened by 10% maintaining the remaining variables unchanged, the net loss for the current year would have decreased/increased by $26,787 as a result of a lower/higher interest expense.

   ii. Foreign exchange risk – TPG carries out transactions in foreign currencies, therefore, it is exposed to fluctuations in the different currencies those transactions are operated.

As at December 31, 2020 and 2019 and April 20, 2021 (date of release of the independent auditor´s report), the exchange rates for the U.S. dollar were $19.9087, $18.8642 and $19.9158, respectively. As at December 31, 2020 and 2019, TPG had the following U.S. dollar denominated assets and liabilities:

	December 31,	
	2020	2019
Monetary assets	U.S. $ 657,092	U.S. $ 71,122
Monetary liabilities	(1,217,889)	(150,852)
Net monetary short position in U.S. dollars	(U.S. $ 560,797)	(U.S. $ 79,730)
Equivalent in Mexican pesos	($11,164,739)	($1,504,043)

Even though the TPG has contracted some exchange rate hedges, it does not cover 100% of the liabilities in foreign currency, so exchange losses have been incurred from January 1 to April 20, 2021.

As of December 31, 2020, TP Group also had liabilities denominated in Chinese yuan (CYN) for CYN516,986, which were equivalent to $ 1,576,916, the exchange rate being $ 3.05021 per CYN.

As at December 31, 2020, TPG has a net short position in U.S. dollars and Chinese yuans, consequently if the Mexican peso had been strengthened/weakened 10% against the U.S. dollar and Chinese yuan and the rest of the variables had remained unchanged, the net loss for the current year would have increased (decreased) by $1,274,166 as a result of the gain/(loss) in the translation of monetary assets and liabilities denominated in U.S. dollars and yuans not hedged.

c. Liquidity risk – TPG has established appropriate policies to mitigate the liquidity risk through: (i) the follow-up on working capital; (ii) the review of its actual and projected cash flows; and (iii) the reconciliation of profiles of maturities of its financial assets and liabilities. These actions allow TPG's Management to manage short and long-term financing requirements by maintaining cash reserves or credit facilities available.

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

As of December 31, 2020, TPG had the following commitments:

a. Commitments derived from financial debt.

In relation with some the credit contracts described in note 11, some assets of TPG have been granted in guaranty.

b. Tax credit

On December 3, 2015, the Mexican Tax Administration Service (SAT for its acronym in Spanish) issued notification nbr. 900-004-05-2015 through which it was determined a tax claim amounting to $645,764 (historical amount) corresponding to income tax for year 2011, allegedly failed, plus inflation-restatement, surcharges and penalties.

SAT points out: (i) that the Company has not proven the strict indispensability of certain commissions and advances from commercializing telecommunications services; (ii) that it rejects the deduction for tax purposes of travel expenses, administrative services, and uncollectable receivables from a reorganization procedure.

On January 19, 2016 the Company interposed a resource of appeal before the corresponding authority (*Administración de lo Contencioso de Grandes Contribuyentes –Administration of Large Taxpayer Disputes*). Subsequently, during April and May 2016, the Company delivered a series of additional evidence in its favor. On June 16, 2016 the appeal was resolved, confirming the tax credit imposed and on August 19, 2016 the Company filed a claim of nullity (*demanda de nulidad*); said claim was admitted on September 6, 2017 by the Federal Court of Tax and Administrative Justice (*Tribunal Federal de Justicia Fiscal y Administrativa*).

On November 28, 2017, the Company filed a direct *'amparo'* trial. The Company is waiting for the resolution of the Mexican authorities and the Company's external advisers consider that it is probable that the process will result in a nullity trial (*juicio de nulidad*).

In court session held on February 7, 2020, the judges of the Sixth Collegiate Court determined to withdraw the sentencing project, for the purpose of remitting the file to the Second Chamber of the Supreme Court of Justice of the Nation, since the Ministry of Finance and Public Credit ("Hacienda") asked the Supreme Court to assert jurisdiction when appraising that the matter is important and transcendent. In session held on September 23, 2020, it was resolved to bring the matter for resolution in the Supreme Court of Justice of the Nation, registering with the file DA 29/2020.

The challenged amount is duly guaranteed through the administrative seizure of several assets of the Company, which was expressly accepted by the tax authorities, and they were ordered the final suspension of the administrative procedure of execution.

c. Labor contingencies

Some of the Company´s subsidiaries are involved in legal procedures for labor disputes of a lesser quantitative importance. In opinion of TPG's external legal advisors, these disputes do not represent a relevant contingency that may materially affect TPG since they arise from the ordinary course of business.

d. Related party transactions

In accordance with Mexican Income Tax Law, those entities carrying out transactions with their related parties are subject to certain limitations and to some fiscal obligations related to the agreed prices, since they must be similar to prices used with independent parties in comparable operations.

In case that a review of the prices by the Mexican tax authorities results in a rejection of the amounts under review, they could seek, in addition to the omitted tax plus interest, penalties that could represent 100% of the updated amount of the omitted taxes.

NOTE 18 – EQUITY:

a. Contributed capital

Shares of the Company's capital stock are fully voting and of free subscription, and may be acquired by any person or corporation, local or foreign, provided applicable legal regulations regarding foreign investment are met.

During years ended December 31, 2020 and 2019, the outstanding shares and capital stock did not present movements, and are comprised as follows:

	December 31, 2020	December 31, 2019
Number of outstanding shares:		
Fixed capital stock	11,000	11,000
Variable capital stock	21,115,222	21,115,222
Unpaid shares	(464,947)	(464,947)
Fully paid and subscribed shares	20,661,275	20,661,275

	December 31,	
	2020	2019
Capital stock amount:		
Fixed capital stock	$ 200	$ 200
Variable capital stock	2,378,464	2,378,464
Unpaid shares	(52,372)	(52,372)
Inflation restatement	10,700	10,700
Fully paid and subscribed capital stock	$ 2,336,992	$ 2,336,992

On March 27, 2019, a General Shareholders' Meeting was held and resolved a contribution for future capital stock increase in the amount of $5,000,000.

b. Legal reserve

Under Mexican law, net income for the year is subject to the legal provision requiring that at least 5% of net income be appropriated to increase the legal reserve until that reserve equals one-fifth of total capital stock. The balance of the legal reserve may not be distributed to the stockholders but may be used to reduce accumulated losses or be converted to capital stock.

c. Distribution of earnings

As of December 31, 2020, the balance of "Net Tax Income Account" (CUFIN for its acronym in Spanish) was $ $3,009,284. Starting from 2014 earnings generated and distributed to the stockholders are subject to a 10% income tax withholding, provided they do not come from CUFIN. Dividends paid that come from income previously taxed by Income Tax, will not be subject to any withholding or additional tax payment prior to December 31, 2013.

The Company has certain restrictions on dividend payments due to covenants under its credit agreements.

d. Capital stock reduction

As of December 31, 2020, the inflation-restated balance of the "restated contributed capital account" (CUCA for its acronym in Spanish) amounted to $4,145,739. In case of a reimbursement or capital decreases in favor of the stockholders, the excess of that reimbursement over this amount will be treated as distributed earnings for tax purposes.

Likewise, in the case that equity should exceed the balance of the CUCA, the spread will be considered as dividend or distributed earnings subject to the payment of income tax. If earnings referred to above are paid out of the CUFIN, there will be no corporate tax payable due to the capital decrease or reimbursement. Otherwise, it should be treated as dividends or earnings distribution, as provided in Mexican Income Tax Law.

NOTE 19 – EQUITY MANAGEMENT:

The purposes of TPG when managing its consolidated equity are the following:

- To protect its ability to continue as a going concern.
- To provide its stockholders an attractive return on their investment.
- To keep an optimal structure minimizing its cost.

In order to meet the mentioned objectives, TPG constantly monitors their different business units to ensure that they keep the expected profitability. However, TPG may change the dividends to be paid to its stockholders, issue new shares or monetize its assets to reduce its debt.

a. Adjusted equity to debt ratio:

TP Group monitors the adjusted equity to net debt with financial cost ratio. This ratio results by dividing net financial debt into equity. In turn, net financial debt is defined as the total short and long-term financial debt in the statement of financial position less cash and cash equivalents.

The adjusted equity to debt ratio as of December 31, 2020 and 2019 was determined as follows:

	December 31, 2020	December 31, 2019
Financial debt with cots:		
Short-term	$ 443,025	$ 1,395,401
Long-term	25,749,567	13,725,543
Interest payable	119,046	892
Lease liabilities:		
Short-term	1,681,024	1,453,430
Long-term	2,748,883	2,934,517
	30,741,545	19,509,783
Cash and cash equivalents	(1,786,852)	(227,212)
Net debt	$ 28,954,693	$ 19,282,571
Total equity	$ 8,179,035	$ 8,727,524
Ratios (Net debt / Total equity)	3.54x	2.21x
Target ratio	3.00x – 4.00x	3.00x – 4.00x

The change in the 2020 financial ratio was due to: (i) the issuance of Unsecured Senior Notes; (ii) the contracting of new leases and (iii) the effect of the net comprehensive loss for the year ended December 31, 2020.

b. Consolidated net debt ratio:

	December 31, 2020	December 31, 2019
Net debt	$ 28,954,693	N/A
EBITDA for the last two quarters	4,194,000	N/A
EBITDA for the last two quarters multiplied by two (EBITDA * 2)	8,388,000	N/A
Ratio (Net debt / EBITDA *2)	3.45	N/A
Maximum ratio	4.50	N/A

c. Interest coverage ratio:

	December 31, 2020	December 31, 2019
Operating profit	$ 895,260	N/A
Plus (less):		
Depreciation and amortization	6,440,174	N/A
Profit before Comprehensive Financing Result, Depreciation and Amortization and Taxes (EBITDA)	$ 7,335,434	N/A
Accrued interest:		N/A
Charged to income	$ 1,440,955	N/A
Capitalized	835,211	N/A
Total accrued interests	$ 2,276,166	N/A
Interest coverage ratio (EBITDA / Total accrued interest)	3.22	N/A
Minimum ratio	2.50	N/A

NOTE 20 – REVENUES BY NATURE:

	Years ended December 31, 2020	Years ended December 31, 2019
Revenue from services with third parties:		
Pay television and audio, fixed telephony and internet access	$ 13,382,507	$ 9,352,737
Business-oriented services	5,068,707	4,144,850
Activation and installation fees	362,438	114,639
Advertising	177,604	110,163
Commissions	46,210	-
Interconnection and long-distance fees	29,878	35,254
Others	23,789	120,956
Total revenues from services provided to third parties	19,091,133	13,878,599
Revenue from services with related parties:		
Rent of dedicated links and restricted television /audio services	462,699	371,701
Advertising	3,245	5,400
Subleasing	-	9,620
Others	-	2,044
Total revenue from services provided to related parties	465,944	388,765
Total revenue	$ 19,557,077	$ 14,267,364

NOTE 21 –COTS AND EXPENSES BY NATURE:

TPG presents consolidated costs and expenses by their function; however, IFRS require disclosing additional information regarding the nature of said items.

For years ended December 31, 2020 and 2019 consolidated costs and expenses according to their nature are as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Costs of services with third parties:		
Content	($ 2,148,295)	($ 1,553,366)
Cost of equipment sold	(802,034)	(363,064)
Commissions	(793,630)	(677,536)
Allowance for expected credit losses	(472,941)	(244,750)
Rent of dedicated links	(363,795)	(303,609)
Licenses and software	(210,330)	(126,186)
Monitoring	(87,905)	(102,930)
Long distance interconnection	(74,407)	(58,597)
Others	(1,895)	(5,479)
Total costs of services with third parties	(4,955,232)	(3,435,517)
Costs of services with related parties:		
Monitoring	(45,671)	(32,987)
Content	(30,000)	(27,000)
Commissions	-	(10,600)
Others	-	(1)
Total costs of services with related parties	(75,671)	(70,588)
Total costs	($ 5,030,903)	($ 3,506,105)

	Years ended December 31	
	2020	2019
Network expenses:		
Personnel	($ 1,142,143)	($ 885,201)
Maintenance	(481,749)	(413,277)
Leases	(247,350)	(202,674)
Permits, rights and uses	(110,040)	(80,110)
Energy	(88,681)	(48,099)
Surveillance	(60,897)	(42,627)
Fuel	(47,389)	(34,203)
Fees	(22,018)	(25,003)
Cleaning	(21,903)	(12,739)
Insurances and sureties	(21,243)	(19,143)
Travel expenses	(16,801)	(12,250)
Telephony and data	(12,568)	(20,466)
Others	(34,578)	(16,069)
Total network expenses with third parties	($ 2,307,360)	($ 1,811,861)
General expenses with third parties:		
Personnel	($ 2,342,847)	($ 1,767,157)
Advertising	(736,180)	(440,789)
Maintenance of offices, warehouses and premises	(168,306)	(110,866)
Leases	(154,984)	(98,822)
Collection services	(145,870)	(92,699)
Professional services fees	(130,053)	(183,480)
Call center	(115,825)	(103,090)
Freight	(62,775)	(34,463)
Warehouse management	(15,373)	(18,870)
Others	(36,276)	(70,502)
Total general expenses with third parties	($ 3,908,489)	($ 2,920,738)
General expenses with related parties:		
Managements services	($ 383,239)	($ 283,140)
Professional services fees	(266,749)	(13,729)
Advertising	(163,611)	(145,764)
Maintenance	(47,929)	(11,033)
Surveillance	(45,160)	(32,879)
Licenses and software	(41,600)	(4,073)
Insurance	(9,442)	(7,087)
Others	(54,872)	(16,296)
Total general expenses with related parties	(1,012,602)	(514,001)
Total general expenses	($ 4,921,091)	($ 3,434,739)
Depreciation and amortization:		
Of the subscriber acquisition cost - own assets	($ 3,224,624)	($ 2,105,768)
Of the subscriber acquisition cost - leased assets	(757,804)	(499,040)
Of the rest of property plant and equipment	(1,660,706)	(1,339,212)
Of the rest of lease right-of-use	(797,040)	(434,494)
Total depreciation and amortization	($ 6,440,174)	($ 4,378,514)

NOTE 22 – INFORMATION BY SEGMENTS:

Management of TPG identifies two major service lines as operating segments (see Note 2e). These operating segments are supervised by those making strategic decisions, which are made taking as a basis the adjusted operating results of the segment:

a. TotalPlay Residential. Offers a state-of-the-art IPTV system (Internet Protocol TV) and is commercialized through the Double Play or Triple Play packages. The main services offered consist of:

- Linear Television. The customer is provided with a decoder of state-of-the-art technology and a Wi-fi Extender. Among the additional services at no cost: VOA (Video on Demand), parental control and Anytime (up to seven days deferral of certain channels).
- Internet. Provided by a FTTH network (Fiber to-the home) of fiber optic unique in Mexico (backbone of 200 gigabits), which allows having high speed and quality.
- Apps contents. The Company has internally developed a TV interface for its users, allowing the integration of popular apps, offering its subscribers all services under the same platform.
- Telephony. In addition to the traditional service, from a mobil app, customers may have worldwide coverage as if they were calling or receiving calls on their fixed line.

b. TotalPlay Empresarial (for businesses). Offers telecommunication solutions and Information Technologies to resolve connectivity issues for better improving operations and business processes of private sector entities and public sector institutions. Among the main solutions:

- Planes empresariales (plans for businesses). With high speed internet (symmetrical or asymmetric), telephony and value-added services.
- Plans with backup included. Dedicated internet, LAN (Local Area Network) to LAN, MPLS (Multiprotocol Label Switching), management portal for business services, among other.
- Cloud-base solutions such as G-Suite, virtual servers, fleets, video surveillance, and safe navigation. These solutions offer a secure network, available, private and competitive.
- Comprehensive technological solutions for: video surveillance, corporate and branches, and security, under a managed services model.

The table below presents the information by segments:

	Year ended December 31, 2020		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Revenue from services	$ 14,090,789	$ 5,466,288	$ 19,557,077
Cost of services	(3,461,582)	(1,569,321)	(5,030,903)
Operating expenses	(6,040,371)	(1,188,080)	(7,228,451)
Depreciation and amortization, financial cost and other	(7,636,245)	(208,501)	(7,844,746)
Net (loss) income	($ 3,047,409)	$ 2,500,386	($ 547,023)

	Year ended December 31, 2019		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Revenue from services	$ 9,575,728	$ 4,691,636	$ 14,267,364
Cost of services	(2,350,556)	(1,155,549)	(3,506,105)
Operating expenses	(4,216,178)	(1,030,422)	(5,246,600)
Depreciation and amortization, financial cost and other	(4,606,473)	(245,637)	(4,852,110)
Net (loss) income	($ 1,597,479)	$ 2,260,028	$ 662,549

	As of December 31, 2020		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Customers	$ 812,638	$ 1,563,548	$ 2,376,186
Property, plant and equipment – Net	23,607,226	9,148,784	32,756,010
Right-of-use assets – Net	2,985,486	1,157,001	4,142,487

	As of December 31, 2019		
	Totalplay Residential	Totalplay Empresarial	Consolidated
Customers	$ 536,693	$ 1,619,248	$ 2,155,941
Property, plant and equipment – Net	15,171,522	7,433,299	22,604,821
Right-of-use assets – Net	2,429,915	1,190,538	3,620,453

NOTE 23 – EFFECTS OF THE COVID-19 PANDEMIC

On March 11, 2020, the Coronavirus SARS-CoV-2 ("COVID-19") outbreak was categorized as a pandemic by the World Health Organization ("WHO"). Subsequently, on March 30, 2020, the Mexican Government declared a public health emergency as a result of the COVID-19 pandemic and announced the implementation of various protection measures, including the suspension of all non-essential activities and voluntary confinement. These measures, as well as other measures implemented around the world, such as border closures and travel restrictions, led to a suspension or a significant decrease in various commercial activities, such as international flights, hotels operations, restaurants, retail stores and other establishments, the interruption of the global supply chain and drops in production and demand, among others, causing an unprecedented commercial disruption in several jurisdictions, including Mexico.

In Mexico, certain industries and sectors that TPG serves have been particularly impacted by the COVID-19 pandemic and the economic disruption derived from it, among the sectors affected are retail sales, hospitality services and services such as restaurants and education. The impact on Totalplay Empresarial consisted of delayed revenue due to the inability to fulfill new connection and installation orders and delayed new orders. Despite these situations, revenue for the year ended December 31, 2020 grew 34.67%, compared to year ended December 31, 2019.

Initially, the confinement effects benefited the income of the Totalplay Residential segment, resulting from a higher demand for quality Internet services, leading to an increase in the number of subscribers at the end of 2020 of 2,440 million, against 1,487 million at the end of 2019. However, the TPG Management is not sure that this trend will continue and there are several expected impacts on the world economies that could affect the TPG business.

NOTE 24 – SUBSEQUENT EVENTS:

As of the issuance date of these consolidated financial statements, there have been no events that require any adjustment or that do not require adjustment, but that were significant, between the reporting date and the authorization date.

* * * *

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V.
AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V.
AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

INDEX

Contents	Page
Independent auditor’s report	1 to 3
Consolidated statements of financial position	4
Consolidated statements of comprehensive income (loss)	5
Consolidated statements of changes in equity	6
Consolidated statements of cash flows	7
Notes to the consolidated financial statements	8 to 54

MAZARS

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors of
Total Play Telecomunicaciones, S.A. de C.V. and Subsidiaries
(Subsidiary of Corporación RBS, S.A. de C.V.)

Opinion

We have audited the accompanying consolidated financial statements of Total Play Telecomunicaciones, S.A. de C.V., and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including 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 Total Play Telecomunicaciones, S.A. de C.V., and its subsidiaries as at December 31, 2019 and 2018, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Emphasis of matter

As mentioned in Note 22 a) to the consolidated financial statements, on March 2, 2020, the Group, its subsidiary Total Box, S.A. de C.V., Banco Azteca, S.A., as trustee of Fideicomiso (Trust) F/1136 and CI Banco, S.A., carried out a program of issuance of securitized certificates for up to the amount of $5,000,000 (thousands of pesos). On its first issuance, $2,500,000 (thousands of pesos) were placed, the resources to be used for debt substitution bearing an interest rate greater than that of the placement and for working capital. The securitized certificates are traded on the Bolsa Institucional de Valores, S.A. de C.V. (Institutional Stock Exchange, S.A. de C.V. or BIVA for its acronym in Spanish), thereby starting from year ended December 31, 2019 the Company has the obligation to report quarterly financial information to the BIVA and to the Comisión Nacional Bancaria y de Valores (National Banking and Exchange Commission); likewise, the Company is obliged to meet certain corporate and legal obligations in its capacity as Administrator of irrevocable Fideicomiso (Trust) CIB/3370 dated January 30, 2020.

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Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- **Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.**

- **Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.**

- **Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.**

- **Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Group to cease to continue as a going concern.**

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

Mazars Auditores, S. de R.L. de C.V.

CPC Martín Pérez García
Partner

Mexico City,
May 18, 2020.

(3)

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

Assets	Notes	December 31 2019	December 31 2018
CURRENT ASSETS:			
Cash and cash equivalents	2i and 3	$ 227,212	$ 47,012
Accounts receivable:			
Customers – Net	2k and 4	2,155,941	1,242,050
Other receivables	2k	39,846	-
Recoverable taxes		1,968,410	1,164,610
Related parties	5	101,415	-
Fiduciary rights	4d	946,901	656,960
Inventories	2l and 6	1,260,484	954,274
Prepaid expenses	2m and 7	142,863	236,726
Derivative financial instruments	2j and 15b	1,975	6,606
Total current assets		6,845,047	4,308,238
NON-CURRENT ASSETS:			
Property, plant and equipment - Net	2n and 8	22,604,821	18,298,628
Right-of-use assets – Net	2r and 9a	3,620,453	-
Trademarks and other assets	2p and 10	1,065,139	177,092
Deferred income tax asset	2t and 14b	321,154	391,399
Total non- current assets		27,611,567	18,867,119
Total assets		$ 34,456,614	$ 23,175,357

Liabilities and Equity	Notes	December 31 2019	December 31 2018
SHORT-TERM LIABILITIES:			
Short-term portion of long-term debt	2s and 11	$ 1,395,401	$ 2,322,705
Lease liabilities	2r and 9	1,453,430	-
Trade payables		3,546,950	4,219,019
Reverse factoring	12	964,739	1,855,966
Other payables	2v	878,197	594,193
Related parties	5	245,644	241,026
Unearned revenue		195,126	365,252
Interest payable		892	99,331
Total short-term liabilities		8,680,379	9,697,492
LONG-TERM LIABILITIES:			
Long-term debt	2s and 11	13,725,543	9,773,591
Lease liabilities	2r and 9d	2,934,517	-
Trade payables		75,315	413,726
Reverse factoring	12	-	713,902
Other payables	2v	279,003	281,453
Employee benefits	2u and 13	34,333	17,387
Total long-term liabilities		17,048,711	11,200,059
Total liabilities		25,729,090	20,897,551
Commitments y contingencies	2v and 17	-	-
EQUITY:	2w, 18 and 19		
Capital stock		2,336,991	2,336,991
Paid-in capital		1,539,398	1,539,398
Contributions for future capital stock increases		5,000,000	-
Retained earnings (losses):			
Legal reserve		183,368	183,368
Prior years		(2,711,056)	(2,477,350)
For the year		662,549	(233,706)
Other comprehensive income		1,716,274	929,105
Total equity		8,727,524	2,277,806
Total liabilities and equity		$ 34,456,614	$ 23,175,357

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	Notes	Years ended December 31, 2019	2018
Revenue from services	2x and 20	$ 14,267,364	$ 10,569,275
Cost of services	2y and 20	(3,506,105)	(2,387,731)
Gross profit		10,761,259	8,181,544
General expenses:			
Network-related	2y and 20	(1,811,861)	(1,910,477)
Sales and administration	2y and 20	(3,434,739)	(3,309,283)
Depreciation and amortization	2n, 8 and 9	(1,773,706)	(1,296,782)
Subscribers acquisition cost	2z and 8	(2,604,808)	(1,836,374)
Other expenses – Net		(55,049)	(34,636)
		(9,680,163)	(8,387,552)
Operating profit (loss)		1,081,096	(206,008)
Financial cost:			
Accrued interest income	2x	56,119	19,413
Change in fair value of financial instruments	15b	(869)	44
Accrued interest payable:			
Accrued interest expense	11	(284,170)	(411,117)
Leases	9	(136,262)	-
Other financial expenses		(54,156)	(103,534)
Foreign exchange gain – Net	2aa	100,094	176,499
		(319,244)	(318,695)
Income (loss) before income tax provisions		761,852	(524,703)
Income tax provisions	2t and 14	(99,303)	290,997
Net income (loss)		662,549	(233,706)
Other comprehensive income:			
Fair value of intangibles	2p	790,000	-
Hedge fair value	15b	(3,717)	6,561
Actuarial losses	2u and 13	(2,155)	(3,283)
Result from foreign subsidiary translation	2aa	3,041	45
		787,169	3,323
Net comprehensive income (loss) for the year	2cc	$ 1,449,718	($ 230,383)

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Notes 1 and 2)

Figures expressed in thousands of Mexican pesos

	Notes	Capital stock	Paid-in capital	Contributions for future capital stock increases	Retained earnings (losses): Legal reserve	Retained earnings (losses): Prior years	Retained earnings (losses): For the year	Other comprehensive income	Total equity
Balances as of December 31, 2017		$2,336,991	$ 1,539,398	$ -	$ 183,368	($ 1,651,316)	($802,842)	$ 925,782	$ 2,531,381
Adjustment to retained losses from adoption of IFRS 9		-	-	-	-	(23,192)	-	-	(23,192)
Appropriation of prior year net loss		-	-	-	-	(802,842)	802,842	-	-
Comprehensive loss for the year	2cc	-	-	-	-	-	(233,706)	3,323	(230,383)
Balances as of December 31, 2018		$2,336,991	$ 1,539,398	$ -	$ 183,368	($ 2,477,350)	($ 233,706)	$ 929,105	$ 2,277,806
Appropriation of prior year net loss		-	-	-	-	(233,706)	233,706	-	-
Contributions for future capital stock increases	18a	-	-	5,000,000	-	-	-	-	5,000,000
Comprehensive income for the year	2cc	-	-	-	-	-	662,549	787,169	1,449,718
Balances as of December 31, 2019		$2,336,991	$ 1,539,398	$ 5,000,000	$ 183,368	($ 2,711,056)	$ 662,549	$ 1,716,274	$ 8,727,524

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

TOTAL PLAY TELECOMUNICACIONES, S.A. DE C.V. AND SUBSIDIARIES
(Subsidiary of Corporación RBS, S.A. de C.V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Notes 1, 2 and 3)

Figures expressed in thousands of Mexican pesos

	Years ended December 31, 2019	2018
Operating activities:		
Income (loss) before income tax provision	$ 761,852	($ 524,703)
Items not requiring the use of resources:		
Depreciation and amortization	1,773,706	1,296,782
Subscriber acquisition cost	2,604,808	1,836,374
Employee benefits	14,791	1,274
Items related to investing or financing activities:		
Accrued interest income	(55,250)	(19,457)
Accrued interest expense and other financial transactions	420,432	411,117
Unrealized foreign exchange gain – Net	-	(530)
	5,520,339	3,000,857
Resources (used in) generated by operating activities:		
Customers and unearned revenue	(1,084,017)	(45,101)
Other receivables	(39,846)	2,536
Related parties, net	(96,797)	25,511
Recoverable taxes	(803,800)	(214,788)
Inventories	(306,210)	(343,529)
Prepaid expenses	93,863	(169,316)
Trade payables	(1,010,480)	1,838,013
Other payables	285,509	(74,121)
Paid income taxes	(29,058)	(24,013)
Cash flows generated by operating activities	2,529,503	3,996,049
Investing activities:		
Acquisition of property, plant and equipment	(7,896,255)	(6,561,232)
Other assets	(98,047)	(3,841)
Collected interest	55,250	19,457
Cash flows (used in) investing activities	(7,939,052)	(6,545,616)
Financing activities:		
Contributions for future capital stock increases	5,000,000	-
Loans received	3,024,648	2,125,592
Leasing cash flows	1,150,647	-
Fiduciary rights	(289,941)	(123,150)
Reverse factoring	(1,605,129)	1,901,444
Interest payment	(1,690,476)	(1,363,699)
Net cash flows generated by financing activities	5,589,749	2,540,187
Net increase (decrease) in cash and cash equivalents	180,200	(9,380)
Cash and cash equivalents at the beginning of the year	47,012	56,392
Cash and cash equivalents at the end of the year	$ 227,212	$ 47,012

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

NOTE 1 – DESCRIPTION OF THE GROUP:

a. Entity:

Total Play Telecomunicaciones, S.A. de C.V. ("the Company") was incorporated on May 10, 1989 under Mexican laws. The Company is a 99% direct subsidiary of Corporación RBS, S.A. de C.V (parent company at the last level of consolidation).

The head office of the Company is domiciled at Ave. San Jerónimo 252, Colonia La Otra Banda, 04519, Alcaldía Alvaro Obregón, Mexico City, Mexico.

The Company has no employees and obtains personnel services from its subsidiaries.

b. Activity:

The main businesses activities of the Company and its subsidiaries are:

(i) to install, operate and exploit public telecommunication networks and/or cross-border links, through concession rights granted, as the case may be, by the Mexican Communications and Transportation Secretary (SCT by its acronym in Spanish);

(ii) the sale, distribution, installation, lease and trading of telecommunication devices;

(iii) the operation of the concessions, authorizations or rights granted by the SCT;

(iv) to provide restricted television/audio services, internet access and fixed telephony services.

The Company operation is regulated by the Federal Telecommunications Law (LFT for its Spanish acronym) through the Federal Telecommunications Institute (IFT for its Spanish acronym)

The Company has been granted the following concessions or amendments to the concessions by the Mexican Federal Government:

- October 16, 1995 – concession to operate in the national and international long-distance segments, as well as to provide value added services (the Concession Title). See Note 22b

- December 19, 2005 – basic local telephony services on a national basis, through the amendment of the Concession Title.

- November 6, 2009 – an authorization was added to provide restricted television/audio services through an amendment to the Concession Title.

c. TP Group:

The Company is the controlling shareholder of the following entities, which are domiciled and carry out their activities in Mexico (except Iusatel USA):

Company	Date of incorporation	% of direct or indirect interest		Activity
		2019	2018	
Iusatel USA, Inc. (Iusatel USA)	2001	100%	100%	Participant in the long-distance market in the United States of America.
Tendai, S.A. de C.V.	April 3, 2013	100%	100%	No operations.
Total Box, S.A. de C.V.	March 5, 2014	100%	100%	Lease of decoders.
Gesalm Consultores, S.A. de C.V.	December 11, 2014	100%	100%	Personnel services.
Gesalm Asesores, S.A. de C.V.	December 11, 2014	100%	100%	Personnel services.
Gesalm Servicios, S.A. de C.V.	May 12, 2015	100%	100%	Personnel services.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of preparation and presentation of the financial information

The accompanying consolidated financial statements were prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

IFRSs are comprised by the IFRS and by the International Accounting Standards (IAS), their Amendments and Interpretations to both IFRS and IAS (IFRIC and SIC, respectively).

The preparation of the consolidated financial statements in compliance with the adopted IFRSs requires the use of certain critical accounting estimates. It also requires TP Group's Management to use their judgment when applying TP Group's accounting policies. The areas in which significant judgments and estimates have been made when preparing the consolidated financial statements and their effect, are described in Note 2f.

The 2019 Company's consolidated financial statements were approved by Mr. Alejandro Enrique Rodríguez Sánchez (Chief Financial Officer, TP Group) and by Mr. Gildardo Lara Bayón (Controlling Director, Grupo Salinas) on May 18, 2020. Said consolidated financial statements will be subject to the Board of Directors' and the Stockholders' approval at their upcoming meetings. The Stockholders can modify the financial statements after their issuance in accordance with the Mexican General Corporate Law.

b. Consolidated financial statements

TP Group's consolidated financial statements include the Company's and all of its subsidiaries as of December 31, 2019 and 2018 (see Note 1). The Company controls a subsidiary when it is exposed to or has the right to variable returns derived from its involvement with the subsidiary and has the ability of affecting those returns through its power over the subsidiary. All of the Company's subsidiaries present their financial information for consolidation purposes as of December 31, 2019 and 2018, in compliance with TP Group's policies.

All the operations and balances between the Company and its subsidiaries have been eliminated in consolidation, including unrealized gains and losses in transactions between them. In those cases, in which an unrealized loss arises from an intercompany sale of fixed asset, it is reversed in consolidation, in order to test the related asset for impairment from a consolidated perspective. The reported amounts in the Company's subsidiaries have been adjusted when necessary in order to assure the consistency with TP Group's accounting policies.

The subsidiaries' assets, liabilities and results are included or excluded in consolidation on the date those subsidiaries were acquired and up to the approval date of the disposal plan. Subsidiaries' gains or losses and other items of their comprehensive income, are recognized starting from the date of acquisition and up to the disposal date, as applicable, considering that through the acquisition, control is obtained and it is lost at the time of the disposal.

Likewise, the subsidiaries' financial statements were audited by independent auditors.

c. Functional currency

The consolidated financial statements are presented in Mexican pesos ($), the currency under which the Company and its Mexican subsidiaries have to maintain their accounting records pursuant to Mexican law. Said currency is also the Company's reporting currency and functional currency.

d. Changes in accounting policies from the adoption of new IFRS and Improvements to IFRS

Following are the standards and improvements which may have an effect in TP Group's financial information, in force as of the date of the accompanying consolidated financial statements. TP Group evaluated the effect of these standards and improvements on its consolidated financial statements as detailed in the subsections i and ii.

TP Group initially applied IFRS 16, *Leases*, starting from January 1, 2019. A few other standards became effective since January 1, 2019, but do not have a significant effect on the financial statements of TP Group.

i. Change in the trademark registration model

Starting in year 2019, the Company decided to change the registration model of the TotalPlay trademark ("the Trademark") and change the measurement model in accordance with IAS 38, *Intangible Assets.*

For the determination of fair value, the Company requested an independent and prestigious firm such determination. The measurement followed the following guidelines and was performed in accordance with IFRS 13 *Fair Value Measurement*:

- The revenue approach was applied, specifically the royalty method. The principle of this method is that the value of the intangible asset is equal to the present value after taxes of the royalties attributable to the ownership of the intangible asset.
- The cash flow projection represents the Management best estimate on the set of economic conditions considered to prevail during the future of the business;
- It was considered that 87% of total revenue is attributable to the Trademark;
- The Trademark usage expectation was for an indefinite period (useful life);

- **The royalty rate was 0.75, in accordance with a royalty universe related with the business;**
- **The discount rate applied was 13.5% and reflects the risk associated with intangible asset;**
- **To the present value on royalty savings attributable to the Trademark was added the benefit of the tax amortization, considering the income tax rate of 30.0% in Mexico.**

The result of the measurement gave a fair value of $930,000, thereby recognizing an increase in non-current assets and equity for an amount of $790,000 at December 31, 2019.

ii. New standards, interpretations and modifications effective starting from January 1, 2019.

IAS 16, Leases.

IFRS 16, *Leases*, supersedes IAS 17, *Leases*, jointly with three Interpretations (IFRIC 4, *Determining whether an Arrangement Contains a Lease*, SIC 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the substance of transactions involving the legal form of a Lease*).

At the start of a contract, TP Group evaluates if the contract is, or contains, a lease. A contract is, or contains, a lease if conveys the right to control the use of an identified asset for a time period in exchange for a consideration. To evaluate if the contract entails the right to control the use of an identified asset, the TP Group applies the definition of lease included in IFRS 16.

Adoption of this new standard gives as a result that TP Group recognizes an asset for the right-of-use and the corresponding lease liability in respect to all prior operating leases, except for those identified as low value or involve a remaining lease term of less than 12 months starting from the date of initial application.

As lessee

At the start or at the time of an amendment to a contract involving the lease component, TP Group allocates the consideration in the contract to each lease component on the basis of its relative independent prices. However, in the case of property leases, the Group has chosen not to separate the components which are not for lease and account for the lease components and those not being leases as a single lease component.

Subsequently, the right-of-use asset is depreciated applying the linear method starting from the starting date and up to the end of the lease term, unless the lease transfers ownership of the underlying asset to TP Group at the end of the lease term or that the cost of the right-of-use asset reflects that TP Group will exert the purchase option. In such a case, the right-of-use asset shall be depreciated throughout the useful life of the underlying asset, which is determine on the same basis as that of property and equipment. Moreover, the right-of-use asset is periodically reduced for the value impairment loss, if any, and adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of lease payments outstanding as of the starting date, discounting by applying the implicit interest rate in the lease or, if such rate could not be easily determined, the incremental rate for loans by TP Group. In general, TP Group uses its incremental rate on loans as discount rate.

Lease payments included in the lease liability measurement include the following:

- fixed payments including payments fixed in essence;
- variable lease payments, that depend on an index or rate, initially measured using the index or rate at the start date;
- amounts expected to be paid by lessee as guarantee of the residual value; and the exercise price of a purchase option if TP Group is reasonably sure of exerting such option, the lease payments in an optional renewable period if the Group has the reasonable certainty of exerting the extension option and payments for penalizations brought about by the early termination of the lease unless the Group has the reasonable certainty of not terminating the lease early.

The lease liability is measured at amortized cost using the effective rate method. A new measurement is performed when there is a change in the future lease payments as a byproduct of a change in an index or rate, if there is a change in TP Group´s estimate of the amount expected to be paid under a residual value guarantee, if TP Group changes its evaluation as to whether it will exert, or not, a purchase option, extension or termination, or if there is a payment for fixed lease in essence that has been modified.

For the adoption of the new standard the modified retrospective method has been applied. The previous periods have not been restated.

For contracts valid on the date of initial application, TP Group has chosen to apply the definition of lease of IAS 17 and IFRIC 4 and has not applied IFRS 16 to the agreements or contracts not previously identified as lease in accordance with IAS 17 and IFRIC 4.

TP Group has chosen not to include initial direct costs in measuring the right-of-use asset for those operating leases existing on the date of initial application of IFRS 16, which corresponds to January 1, 2019. As of that date, TP Group has chosen to measure right-of-use assets for an amount equal to the lease liability adjusted for any advance or accrued payments that existed on the date of the of the transaction.

In the transition, for leases previously accounted for as operating with a remaining lease term of less than 12 months and for leases of low value, TP Group has applies the optional exemptions of not recognizing right-of-use assets but to register the lease expense in straight-line during the remaining period.

For those leases previously classified as financial leases, the right-of-use asset and the lease liability shall be measured on the date of initial application at the same amounts under IAS 17, immediately prior to the date of initial application.

In the transition to IFRS 16, the weighted average incremental rate of the loans applied to lease liabilities recognized under IFRS 16 was 11.2%.

TP Group has benefitted from the use of previous experience for determining the lease term when considering the options to extend and consider terminated the lease contracts.

Other modifications, interpretations and improvements to existing standards, effective from 2019 or subsequent years, which could be applicable to TP Group include the following:

- **Annual improvements to IFRSs 2015-2017 cycle;**
- **Prepayment features with negative compensation (Modifications to IFRS 9);**
- **Long-term investments in associates and joint operations (Modifications IAS 28);**
- **Plan modification, reduction or liquidation (Modifications to IAS 19);**
- **IFRIC 23, Uncertainty over Income Tax Treatments.**

These modifications, interpretations and improvements to existing standards do not mean changes in accounting policies and do not have a significant impact on the consolidated financial statements of TP Group.

Annual Improvements to IFRSs 2015-2017 cycle, published in June 2018, provide modifications to certain current standards; the topics dealt with by such modifications are as follows:

Standard	Standard affected	Nature of the amendment
IFRS 3	Business Combinations	An entity must measure at fair-value its previously held interest in a joint operation when it obtains control of the business.
IFRS 11	Joint Arrangements	An entity must not remeasure at fair-value its previously held interest in a joint operation when it obtains joint control of the business.
IAS 12	Income Taxes	Accounting treatment of the tax consequences from a dividend distribution.
IAS 23	Borrowing Costs	Any borrowing costs (interest) originally incurred for developing a qualified asset, must be treated as a part of the general borrowing costs, when substantially all the necessary activities for preparing the asset for use or sale, have been completed.

Likewise, a series of new standards are applicable to annual periods starting after January 1, 2019 and early application is allowed; however, new standards or their modifications have not been early applied by TP Group in preparing these consolidated financial statements.

iii. New standards not yet effective nor have been early adopted by TP Group.

Other standards and modifications not yet effective nor yet early adopted by TP Group include:

- **IFRS 17, *Insurance Contracts;***
- **Business Definition (Modifications to IFRS 3);**
- **Definition of Material (Modifications to IAS 1 and IAS 8);**
- **Conceptual Framework for Presentation of Financial Information.**

It is not expected these modifications would have a significant impact on financial statements in the period of initial application and, therefore, no disclosure has been made.

e. Information by segment

Starting from year ended December 31, 2019, the Company has the obligation to report quarterly information to the Institutional Stock Exchange (BIVA) and to the National Banking and Exchange Commission (CNBV), in its capacity as Administrator of irrevocable Trust number CIB/3370 dated January 30, 2020. (See Note 22a).

Thereby, the Company adopted IFRS 8, *Operating Segments* and condensed financial information related to the business segments operated by TP Group, whose operating results are reviewed for decision-making are presented in Note 21.

Each one of the operating segments are managed separately since each service line requires different technologies and other resources, besides the different marketing approaches.

The measurement policies of TP Group used for reporting segments in accordance with IFRS 8 are the same as those used for the financial statements.

f. Critical accounting estimates and judgments

The preparation of consolidated financial statements, in conformity with IFRS, requires TP Group's Management to make estimates and judgments that affect the assets and liabilities reported in the consolidated financial statements. Actual results may differ from those having been estimated. The consolidated financial statements were prepared at historical cost of acquisition base, and where applicable, at fair value. The main estimates and judgments that have been identified are the following:

(i) Inventory and receivables allowances. TP Group uses estimates to determine the inventory and receivables impairment allowances. Some of the factors considered by TP Group for calculating the inventory allowance are the installations volume and the trends of demand of certain products. Some of the factors considered by TP Group in order to determine the receivables' impairment allowance are the client's risk related to its financial situation, unsecured accounts and the portfolio aging in accordance with the credit conditions set (see Notes 4 and 6 for more detail).

(ii) Property, plant and equipment. TP Group reviews the estimated useful life of property, plant and equipment at the end of each annual period, to determine those assets' depreciation, and useful lives are determined in accordance with technical studies prepared by specialized internal staff but external specialists may also participate. The uncertainty degree from to the useful lives' estimates is related to the changes in the market and the usage of the assets. Likewise, TP Group performs estimates of the recovered equipment value when a user cancels the service.

(iii) Capitalization of cost of loans. TP Group uses its judgment in order to determine: (1) the qualifying assets in which the cost of loans will be capitalized; (2) the starting, suspension and ending periods of the capitalization, (3) the foreign exchange losses that may be capitalized.

(iv) Impairment of long-lived assets. When performing the asset impairment tests, TP Group makes estimates on the value of use allocated to its property, plant and equipment, trademarks, and to cash generating units (CGU), in the case of certain assets. Calculations of the value of use require TP Group to determine the future cash flows that should proceed from the CGUs and the adequate discount rate to calculate the present value. TP Group uses the revenue cash flow projections using estimates of the market conditions, prices, market share and volume of installations.

(v) Leases. At the time of registering its lease contracts under IFRS 16, Management has had to use certain estimates in respect to: (1) the possible contract renewals; (2) the discount rate to determine their present value; and (3) the applications of allowed exceptions.

(vi) Employee benefits. Measurement of the liability for employee benefits is performed by independent specialists based on actuarial calculations. Some of the assumptions that may have an important impact, among other, are: (1) discount rates, (2) expected salary increase rates, and (3) rotation and mortality rates based on recognized tables. A change in the economic, labor or tax conditions could modify the estimates.

(vii) Deferred taxes. TP Group has tax loss carry forwards and certain temporary differences, which are susceptible to be used in the following years. Based on projected revenue and taxable profit TP Group is expected to generate in future years, TP Group's Management has considered that a portion of current tax loss carry forwards and temporary differences will be used before their expiration date and, therefore, it was considered appropriate to account a deferred tax asset from those tax losses and temporary differences.

(viii) Contingencies. TP Group is subject to legal procedures on which the possibility of materialization as a payment obligation is assessed, for which the legal situation as of the date of the estimate and the opinion of TP Group's legal advisors are considered. Such assessments are periodically reviewed and in case that the payment obligation becomes probable, the corresponding liability is accounted for.

(ix) Revenue from contracts with customers. In the process of applying TP Group´s accounting policies, Management has performed the following judgments that have had the most significant effects on the figures recognized in the financial statements: (1) determination of performance obligations; (2) the timing in which a revenue must be recognized based on the fulfillment of performance obligations; (3) the average time of equipment installation; (4) cancellations percentage; and (5) registration of the consideration as agent or principal.

g. Consolidated statement of comprehensive income (loss)

TP Group presents the consolidated comprehensive income (loss) in a single statement denominated "Consolidated statement of comprehensive income (loss)", which includes those items comprising net loss and other comprehensive income (OCI).

The expenditures shown in TP Group's consolidated statements of comprehensive income (loss) are presented in a combined manner, since the grouping of costs and expenses allows knowing the different levels of income (loss). Additionally, TP Group presents the operating profit (loss) in its consolidated statements of comprehensive income (loss), since such presentation is a common disclosure practice in the industry that TP Group operates in.

h. Consolidated statements of cash flows

Consolidated statements of cash flows have been prepared by using the indirect method which consists in presenting firstly the income or loss before tax provisions and then the changes in working capital, investment activities and lastly, financing activities.

i. Cash and cash equivalents

Cash and cash equivalents consist of petty cash funds, bank deposits and high-liquidity investments which may be easily converted into cash and which are subject to a small risk of changes in their value.

j. Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and liabilities are recognized when TP Group is part of the contractual clauses of a financial instrument.

Financial assets are de-recognized when the contractual rights to the cash flows of a financial asset expire, or when the financial asset and all the substantial risks and rewards have been transferred.

A financial liability is de-recognized when the obligation is extinguished, discharged, canceled or due. Financial assets and financial liabilities are subsequently measured as described below.

An equity instrument like any contract that brings out a residual participation in Company´s assets, after having deducted all of its liabilities, that is, in net assets.

Classification and initial measurement of financial assets

Except for accounts receivable from customers, which do not contain a significant financing component and are measured at the price of the transaction in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted by the transaction costs (in case that this applies).

Financial assets that are not designated, such as hedging instruments, are classified in the following three categories for measurement purposes:

- **Amortized cost.**
- **Fair value through profit or loss (FVTPL).**
- **Fair value through other comprehensive income (FVTOCI).**

The abovementioned classification is determined by considering the following:

- **The entity's business model for the management of the financial asset.**
- **The contractual features of the financial assets cash flows.**

All revenues and expenses related with financial assets are recognized in the income statement and presented as part of financial income, financial expenses or other financial operations, except for the impairment of accounts receivable from customers, which is presented under operating expenses.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at their amortized cost if those assets meet the following conditions (and are not FVTPL designated):

- **They are kept into a business model with the objective of holding the financial assets and to collect its contractual cash flows.**
- **The contractual terms of the financial assets lead to cash flows that are only payments of principal and interest on the outstanding balance.**

If the financial asset fair value at the initial recognition date differs from the price of the transaction, the instrument is recognized by adjusting it and differing the difference between both values. Afterwards the deferred difference is recognized in the income statement to the extent that a change arises that implies a change in the financial instrument value.

After the initial recognition, these assets are measured at their amortized cost by using the effective interest rate method. The discount is omitted when the discount effect is immaterial. Cash and cash equivalents, receivables from related parties, and most of other accounts receivable are located under this financial instruments category.

Financial assets at fair value through profit and loss (FVTPL)
Financial assets held within a business model different to "holding for collection" or "held to collect and to sell" are categorized at fair value with changes in results. Moreover, aside from the business model, financial assets whose contractual cash flows are not only principal and interest payments are recorded at FVTPL. All derivative financial instruments fall into this category, except those designated and effective as hedge instruments, for which hedge accounting requirements are applied (see below).

The assets qualifying in this category are measured at fair value with the gains or losses recognized in results. Fair value of financial assets in this category are determined by reference to transactions on an active market or using a valuation technique when an active market does not exist.

Financial assets at fair value through other comprehensive income (FVOCI) TP Group accounts for financial assets at FVOCI if said assets comply with the following conditions:

- They are held under a business model with a goal of ´held to collect' the associated cash flows, and sell, and

- The financial assets contractual terms result in cash flows that are only principal and interest payments of the outstanding amount.

Any gain or loss recorded in other comprehensive income (OCI) will be recycled when the related asset is de-recognized.

For years ended December 31, 2019 and 2018, TP Group held financial assets measured at FVOCI for $1,975 and $6,606, respectively.

Impairment of financial assets
The impairment requirements under IFRS 9 use more future information in order to recognize expected credit losses and said requirements are comprised under the 'expected credit loss (EPC) model'. This replaces the 'incurred loss model' under IAS 39. The instruments under the scope of the new requirements include loans and other financial assets of debt type measured at amortized cost and at FVOCI, accounts receivable from clients, recognized assets from contracts with clients measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) which are measured at FVTPL.

Recognition of credit losses no longer depends on TP Group identifying a credit loss event. Instead, TP Group considers a wider range of information when assessing the credit risk and measures the expected credit losses, including past events, current conditions, as well as reasonable and backed up forecasts that affect the expected recovery of the instrument's future cash flows. When applying this approach, a distinction is made between:

- Financial instruments whose credit quality has not deteriorated significantly since their initial recognition or with a low credit risk ('Stage 1'), and
- Financial instruments whose credit quality has deteriorated significantly since their initial recognition or whose credit risk is not low ('Stage 2').

The Stage 3 would consider financial assets with a strong evidence of impairment as of the reporting date.

The 'twelve month expected credit loss' is recognized for the first category, while the 'asset's lifetime expected credit loss' is recognized for the second category.

The measurement of the expected credit loss is determined through a weighted estimate of the default probability during the expected lifetime of the financial instrument.

Accounts receivable from clients and other receivables and assets from contracts with clients
TP Group uses a simplified approach to register accounts receivable from customers and other receivables, as well as the assets of contracts with customers, and recognizes the impairment allowance as the expected credit losses during the lifetime of the instrument. These are expected deficits in contractual cash flows, considering the potential default at any time during the life of the financial instrument. TP Group uses its historical experience, external indicators and forecasted information to calculate the expected credit losses through a provision matrix. TP Group assesses impairment of accounts receivable from customers on a collective basis, by grouping the portfolio based on the number of days overdue, since the receivables groups share similar credit risk characteristics.

Classification and subsequent measurement of financial liabilities
Financial liabilities of TP Group include financial debt, suppliers, related parties and other accounts payable.

Financial liabilities are measured initially at fair value and, as applicable, are adjusted for transaction costs, unless TP Group would have designated a financial liability at fair value with changes in results.

Subsequently, financial liabilities are measured at amortized cost by using the effective interest rate method, except for financial liabilities held for trading or that have been designated at fair value through profit or loss, which are kept in the books at fair value with gains or losses recognized in profit or loss (that are not derivative financial instruments designated and effective as hedging instruments).

All the charges related with interest and, if applicable, any change in fair value of an instrument is reported in income and are included under 'interest expense'.

Derivative financial instruments and hedge accounting
As at December 31, 2019 and 2018, TP Group have financial instruments qualified as hedges.

Derivative financial instruments are accounted for at FVTPL, except for those derivatives designated as hedging instruments in the cash flow hedge relationships, which require a specific accounting treatment. In order to qualify for hedge accounting, the hedge relationship must comply with all of the following:

- **There is an economic relationship between the hedged item and the hedging instrument,**

- **The effect of the credit risk does not dominate the changes of value resulting from said economic relationship, and**

- The hedge index in the hedge relationships is the same as the resulting from dividing the amount of the hedged item that the entity is really hedging by the amount of the hedging instrument that the entity really uses to hedge said amount of the hedged item.

All the derivative instruments used in the hedge accounting are initially recognized at fair value and subsequently reported at fair value in the statement of financial position. As long as the hedge is effective, changes in fair value of the derivatives designated as hedges in the cash flow hedging operations are recognized under other comprehensive income and included in other equity components.

Any ineffectiveness in the hedging relationship is immediately recognized in results. At the time that the hedged item affects the results, any gain or loss previously recorded in OCI is reclassified from equity to results and presented as a reclassification within OCI. However, if a non-financial asset or liability is recognized as a result of the hedged transaction, gains or losses previously recognized in OCI are included in the initial measurement of the hedged item.

If a forecasted transaction is not expected to occur, any gain or loss recognized in the OCI is immediately transferred to profit and loss. If the hedge relationship ceases to comply with the effectivity conditions, the hedge accounting is discontinued, and the related gain or loss is kept in the equity accounts until the forecasted transaction occurs.

Classification and measurement of equity instruments

In accordance with ISA 32, the issuer of a financial instrument shall classify it in its entirety or in each of its component parts, at the time of initial recognition, as an equity instrument, in accordance with the economic essence of the contractual agreement and with the definitions of financial liability, financial asset and equity instrument.

An instrument shall be of equity if, and only if, it complies with the following:

a. The instrument does not incorporate the contractual obligation of: (i) deliver cash or other financial asset to another entity; or (ii) exchange financial assets or liabilities with another entity under terms potentially unfavorable to the issuer.

b. If the instrument will or may be liquidated with the equity instruments owned by the issuer, it is (i) a non derivative instrument; or (ii) a derivative that will be liquidated only by the issuer through the exchange of a fixed amount in cash or other financial asset for a fixed amount of equity instruments of its own.

k. <u>Accounts receivable from customers and other receivables</u>

i. <u>Accounts receivable from customers</u>

Accounts receivable from customers represent the collection rights stemming from sale of telecommunication services provided in the normal course of the operations of TP Group. These assets are initially valued at the fair value of the agreed upon consideration; subsequently, they are adjusted for the estimated changes in the fair value at which they will be recovered, as a result of the accorded deductions and the recoverability estimates. When it is expected to collect them within a one-year period or less from the date of closing (or in the normal cycle of operations of the business in case the cycle exceeds this period), they are presented as current assets. In the event on non-compliance with the foregoing, they are presented as non-current assets.

The increases and reductions of the estimates of recoverability are determined based on measurement studies and applied to income when determined and presented as part of the cost in the consolidated statement of comprehensive income (loss).

The allowance for doubtful accounts represents the probable loss inherent to all accounts receivable due to the historic trends of accounts receivable.

Those accounts in foreign currency are measured at the exchange rate prevailing at the end of the accounting period.

ii. Other receivables

The other receivables refer mainly to advances for expenses, recoverable taxes and sundry debtors. Assets under this category are presented as current assets, except if they are expected to be recovered in a lapse higher than twelve months from the date of report, in which case they are classified as non-current assets.

l. Inventories

Inventories are accounted for at their acquisition cost and are measured by using the weighted-average cost method, without exceeding their net realizable value. The inventory obsolescence is assessed on a periodical basis and in case it arises, a charge is accounted for in the statement of comprehensive income (loss).

m. Advance payments

Prepaid expenses represent benefits for which the risks inherent in the assets to be acquired or the services to be received are not yet transferred to TP Group.

n. Property, plant and equipment

TP Group´s Management decided to change the recording to the revaluation model for the fiber optic and decoders, since it is considered it reflects their value in a better way, and consequently, as of December 31, 2017 those items are shown at their fair value, as determined by independent appraisers.

The average annual depreciation rates used by TP Group for years 2019 and 2018 are the following:

	2019 (%)	2018 (%)
Communications equipment	10.0	10.0
Fiber optic	4.0	4.0
Decoders	12.5	12.5
Installation expenses	20.0	20.0
Computers	33.0	33.0
Vehicles	25.0	25.0
Constructions	5.0	5.0
Furniture and fixtures	10.0	10.0

o. Borrowing costs

Costs from borrowings directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the time period necessary to complete and prepare the asset to its intended use or sale. Other borrowing costs are charged to income when accrued and are reported under caption "interest expense" (see Notes 8 and 11). For the years ended December 31, 2019 and 2018, TP Group capitalized borrowing costs which amounted to $1,307,867 and $1,022,724, respectively.

p. Intangible assets

Trademarks

Trademarks represent the acquired rights to exploit certain intellectual property (names, logos, etc.).

During year ended December 31, 2019, the Company adopted the revaluation method for the Trademark, in accordance with the description in Note 2d(i), generating an increase in non-current assets and equity for $790,000.

Concessions

Those costs related to the acquisition of concessions rights from the Mexican government to provide long-distance services and the lease of links through a public telephony network have been capitalized and are included under caption "Trademarks and other assets". Such costs are amortized by using the straight-line method during the initial term of each concession. The Mexican government requires TP Group to comply with certain specific provisions stated in each concession title. As at December 31, 2019 and 2018, TP Group has fulfilled all of those requirements.

q. Long-lived assets assessment

TP Group periodically assesses the recoverability of its tangible and intangible long-lived assets, to identify the existence of circumstances indicating that their carrying values exceed their value of use.

In order to perform the impairment tests, assets are grouped to the lowest level for which there is an adequate independent cash inflow (cash generating units or CGU). As a result, assets are individually tested for impairment and some are tested at a CGU level.

Those CGUs to which goodwill, intangible assets with indefinite life and intangible assets not available for use are tested for impairment at least once a year. The rest of the individual assets or CGUs are tested for impairment if any event or changes in the circumstances indicate that the carrying amount may not be recovered.

An impairment loss is accounted for in the amount for which the assets' carrying amount exceeds its recovery value, which in turn corresponds to the higher amount between fair value less selling expenses and the value of use. To determine the value of use, Management estimates the expected future cash flows of each CGU and determines a discount rate to calculate the present value of such cash flows. Data used when performing the impairment test are directly linked to TP Group's most recent authorized budget, adjusted when necessary to exclude the effects of future reorganizations and asset improvements. Discount factors are individually determined for each CGU and reflect their respective risk profiles as assessed by Management.

CGU impairment losses reduce first the carrying amount of any goodwill assigned to the related CGU. The remaining impairment loss is split pro rata between the long-lived assets of the CGU. Except goodwill, all the assets are subsequently assessed in order to confirm that any impairment loss previously recognized no longer exists. An impairment charge may be reverted if the CGU recoverable value exceeds carrying amount.

Impairment test
For the impairment annual test, working capital assets, fixed assets, concessions and other intangibles were considered as a single CGU, considering that TP Group has its own assets to operate independently as an going concern and generates economic cash flows and its own financial information, which allows its analysis individually.

The technique used in order to determine the recoverable value is the fair value less the disposal costs.

As at December 31, 2019 and 2018, TP Group does not present impairment in its assets with indefinite and definite lives.

r. <u>Leased assets</u>

Accounting policy applied starting from January 1, 2019.

See Note 2d(i).

Policy applied until December 31, 2018.

Capital leases
The economic property of the leased asset is transferred to the lessee if the latter assumes substantially all the risks and rewards related to the property of the leased asset. The corresponding asset is recognized in the statement of financial position as an asset and a liability for the same amount, which is the lower between the fair value of the leased asset and lease payments at present value. Payments are distributed in two parts: the financial cost and the reduction of the debt. Said financial cost will be distributed in the period of the lease in a manner that a constant interest rate for each period on the outstanding debt.

Operating leases
Payments for an operating lease are accounted for as expenses based on the straight-line method through the lease term. Associated costs such as maintenance and insurance are charged to income as incurred.

s. <u>Financial debt</u>

Financial debt is initially accounted for fair value net of any operating expense directly attributable to the issue of the instrument. Liabilities that accrue interest are subsequently valued at amortized cost, by using the effective interest rate method, which ensures that any interest expense during the period through completion of the payments resulting in a constant rate on the outstanding liability in the statement of financial position. Interest expense includes initial transaction costs and premiums paid at the time of amortization, as well as any interest or coupon payable while the liability remains outstanding.

t. <u>Income taxes</u>

IAS 12 "Income taxes" states that the tax incurred should be determined based on the tax rules in force and it is recorded in profit or loss of the period to which it is attributable. The effects of deferred taxes consist in applying the applicable tax rate to those temporary differences between the assets and liabilities carrying amounts and their tax values which are expected to materialize

in the future, related to: (i) deductible and taxable temporary differences, (ii) the amounts of tax loss carry forwards, and (iii) unused tax credits.

A deferred income tax asset is only recognized if it is probable that there will be future taxable income to be offset against to. The deferred income tax liability derived from investments in subsidiaries and associates is recognized, except when the reversal of the related temporary differences can be controlled by TP Group and is probable that the temporary difference will not be reverted in the foreseeable future.

Assets and liabilities from deferred taxes are only offset when TP Group has the right and intention to offset the assets and liabilities from taxes of the same tax authority.

Deferred income tax assets are accounted for as long as it is probable that they may be used against future taxable income. This is determined based on projections of TP Group of the future operating results, adjusted by significant items which are reconciled with the tax result and by the limits of use of tax losses or other unused tax credits. Liabilities from deferred taxes are entirely always accounted for.

The current tax for the year is determined in accordance with the tax rules in force.

The effect of changes in tax rates on the deferred taxes is accounted for in profit or loss of the period in which such changes are approved.

u. Employee benefits

Liabilities from benefits granted to the employees of TP Group are determined as follows:

(i) Short-term benefits to employees are accounted for as expenses in profit or loss of the period and their liabilities are expressed at their face value.

(ii) Retirement benefits under the defined benefits scheme require actuarial assumptions in order to measure the acquired obligations and the expense corresponding to each period, and it is also possible to obtain actuarial gains or losses. They are measured by applying the projected credit unit method, considering the present value of the obligation at the date of the consolidated statement of financial position.

(iii) The interest rate used to discount post-employment benefits must be determined by using as reference the market rate of high-quality corporate bonds in absolute terms in a deep market or, that failing, by using as reference the market rate of government-issued bonds.

v. Provisions, contingent liabilities and contingent assets

Provisions are accounted for when present obligations, resulting from a past event, probably will lead to a cash outflow of TP Group and the amounts can be estimated with some reliability. The time or the amount of such outflow can be yet uncertain. A present obligation rises from the presence of some legal or constructive commitment resulting from past events, e.g.: product warranties granted, legal controversies or onerous contracts.

Restructuring provisions are only accounted for if a restructuring formal plan has been developed or implemented and, management has announced, at least, the main characteristics of the plan to the those affected persons or has begun the plan implementation. No future operating losses are recognized.

Provisions are measured by the estimated required expense to settle the present obligation, in light of the most reliable available evidence as of the date of the report, including the risks –and uncertainties associated to the current obligation. When there are a number of similar obligations, the possibility that an expense is required for settling them is determined by considering them as a whole. Provisions are discounted at their present value in cases in which the value of the money in time is material.

Any reimbursement that TP Group considers that is going to be collected from a third party in relation with an obligation, is considered as a separate asset. However, such assets will not exceed the amount of the related provision.

In cases where it is considered a small probable or remote outflow of economic resources as a result of the current obligations, no liability is recognized unless a business combination is on course. In a business combination, contingent liabilities are recognized as of the acquisition date if a present obligation arises from past events and fair value can be reliably measured, even if the resources outflow is not probable. Subsequently, they are measured considering the higher amount between a comparable provision as previously described and the recognized amount as of the acquisition date, less any amortization.

w. Equity

Capital stock represents the face value of outstanding shares.

Paid-in capital includes any premium received from a capital stock issue. Any transaction cost is reduced from the paid-in capital, net from any related income tax benefit.

Retained earnings include all current and prior years' earnings, decreased by losses and transfers to other equity accounts.

All transactions with the controlling entity's stockholders are accounted separately in equity.

Dividend distributions payable to the stockholders are charged against retained earnings and are included in "other payables" when dividends have been declared but remain unpaid as of the date of the report. As at December 31, 2019 and 2018, no dividends have been declared.

Under caption "other comprehensive income" are recorded all the changes in equity which do not represent contributions by or distributions to the stockholders and that are part of comprehensive income (loss).

x. Revenue Recognition for contracts with clients and other income

Revenue from telecommunication services derive from the contracts executed between TP Group and clients.

In certain cases, TP Group incurs in a number of incremental costs in order to obtain said contracts, e.g.: commissions paid to the sales force or third-party agents. When the period of the contract exceeds one year, those costs are capitalized, otherwise the IFRS 15 practical approach is applied and expensed as incurred.

For revenue recognition purposes, TP Group follows a five-step process:

(i) Identify the contract(s) with the customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations;
(v) Recognize revenue when (or as) each performance obligation is satisfied.

TP Group recognizes the contract liabilities when a payment is received before the performance obligation is satisfied and those amounts are presented as 'Contract liabilities' in the statement of financial position. Similarly, if TP Group satisfies a performance obligation before payment is received, it is recognized either a contract asset or an account receivable in the consolidated statement of financial position, depending on whether something else than just the passage of time is required before payment is enforceable

Revenue recognition is based on information generated by the billing systems, which include individual data such as the type of package/type of service rendered, billing fees, and other conditions agreed with the clients.

Revenue is recognized as follows:

- Restricted television and audio service, internet access and fixed telephony service – the related revenue is recognized when the service has been provided based on contracts with the subscribers.
- Dedicated links leasing – revenue is recognized when the service has been provided to the lessee based on the leased capacity.

- Interconnection of calls and long-distance service – these services are billed to other operators after both services were terminated in TP Group´s network and are recognized when the service has been provided. Interconnection rates are regulated by the Mexican Federal Telecommunications Institute (IFT by its acronym in Spanish).

Double and triple play revenues.
Double and triple play contracts offered to clients are basically bundles of internet access, fixed telephony and pay television services, which can be adjusted to the needs and taste of the subscriber; said contracts are comprised by a number of packages that range depending on: megabits offered, number of T.V. channels, number of TVs connected and number of telephone lines.

Reconnection fees.
Reconnection fees arise when the subscriber does not pay on time and wants to regain the service; these fees are stipulated in the related contract.

Internet access revenues.
Internet agreements rule the provision of symmetric or asymmetric internet access through fiber optic; symmetric internet is when the download and upload speeds are the same and the asymmetric internet is when there is a gap between the download and upload speeds.

Dedicated internet access is a fixed-bandwidth connection between two points which is available 24/7; its download and upload capacities are the same and are assigned to a single client.

The provision of internet access symmetric or asymmetric, the installation fees and the cession of the equipment for the provided television service, are all considered a single performance obligation since the service to be provided depends entirely on the installation of the equipment in the place designated by the client, since such equipment runs exclusively on hardware and software of TP Group.

Business-oriented services.
Dedicated internet access is a fixed-bandwidth connection between two points which is available 24/7; its download and upload capacities are the same and are assigned to a single client.

LAN to LAN agreements set the conditions for the service that makes it possible for customers to create a logical Local Area Network (LAN) structure between geographically separate sites, based in an Internet Protocol (IP). This allows the client to have absolute control and security of the information.

An IP network agreement is a communication network that uses IP to send and receive data packets between one or more computers. Multiprotocol Label Switching (MPLS) is a routing technique in telecommunication networks, it may be used to route different kinds of traffic, including voice traffic and IP packages.

A cloud services agreement refers to Internet services provision where the client can store information as e-mail, files, etc., and can remotely access it from any site.

Interconnection and long distance revenue
The interconnection service consists in the physical and functional connection between the networks of different telecommunications carriers, in order to allow their users to communicate with each other or to access other services.

Long distance services stem from the connection of a telephonic line located in Mexico and another one in a foreign jurisdiction. Applicable tariffs are dependent on the contract with the customer and location of the recipient of the phone call.

Advertising Services.
Advertising service consists mainly in agreements through which TP Group is obligated to transmit certain advertising material of its clients in different media (movie theaters, pay T.V. channels, newspapers, etc.) in exchange of advertising of TP Group transmitted through the client's own infrastructure.

Interest Revenue.
Interest revenue is accounted for considering the effective interest rate applicable to principal pending amortization during the corresponding accrual period.

Liability for contracts with clients.
Revenue already collected for services not yet provided to the customer is deferred until such services are provided. As at December 31, 2019 and 2018, unearned revenue amounted to $195,126 and $365,252, respectively, and are presented in the statement of financial position under the caption "unearned revenue".

Revenue is integrated as shown in Note 20.

y. Costs and expenses

Costs (with the exception of the subscribers acquisition cost) and operating expenses are recognized as accrued, immediately under the assumption of disbursements which will not generate future economic benefits or when they do not fulfill the necessary requirements to register them accounting-wise as an asset.

Costs and expenses are comprised as shown in Note 20.

z. Subscriber acquisition cost

This item represents the disbursements necessary to install the restricted television or audio service, as well as the dedicated links in order to start providing services to customers and is mainly comprised by the following costs: (i) fiber optic, (ii) installation materials (external plant), (iii) set-top boxes, and (iv) labor cost of the installation.

At the time of the installation such disbursements are capitalized and subsequently amortized during the expected service life-spam of the subscriber (five years). If service is cancelled, the unamortized portion less the amount of the recovered equipment is charged to profit or loss of the period.

aa. Foreign currency transactions

i. Balances and transactions in foreign currencies. Transactions in foreign currency are accounted for by using the exchange rates prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Mexican pesos by using the exchange rates prevailing at the date of realization or valuation at the date of the consolidated statement of financial position; differences arising are recognized in the consolidated statement of comprehensive income (loss) as foreign exchange gains or losses. Non-monetary captions are not translated at the closing exchange rate of the period and are measured at historical cost (converted using the exchange rates at the date of the operation), except for non-monetary captions measured at fair value which are converted applying the rates of exchange at the date in which fair value was determined.

ii. Foreign operations. In the financial statements of TP Group, all assets, liabilities and operations of Iusatel USA, Inc. carried out with a functional currency different to the Mexican peso (presentation currency of the Group) are converted to pesos at the time of consolidation. The functional currency of Iusatel USA, Inc. remained without changes during the reporting period. At the time of consolidation, assets and liabilities have been converted to pesos at the closing exchange rate at the date of the report. Revenue and expenses have been converted to the currency of presentation of TP Group at an average rate of exchange during the period of the report. Foreign exchange differences are charged/credited to other items of comprehensive income and are recognized as effect from conversion within other equity accounts. At the time of disposing of a foreign operation, the conversion effects recognized in equity are reclassified and recognized as part of the gain or loss in the disposal.

Note 16 shows the foreign exchange position, as well as the exchange rates used in the translation of those balances.

bb. Fair value calculation

TP Group determines the fair value of certain financial instruments, such as derivatives and some components of property, plant and equipment as of the date of reporting the financial statements. The detail of the fair value of financial instruments and of some components of non-financial assets is included in the following notes:

- Critical accounting estimates and judgments – Note 2f
- Property, plant and equipment - Note 8
- Financial instruments (including those accounted for at amortized cost) - Note 15

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. Fair value measurement assumes a transaction to sell an asset or to transfer a liability takes place:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value measurement of an asset or liability is determined by using those inputs that a market participant would use at the time of making an offer for the asset or liability, assuming that those participants act in their own economic interest.

Fair value calculation of a non-financial asset takes into account the ability of the market participants to generate economic benefits derived from the asset's best and greater use or through the sale to other market participant that could make the best and greater use of the asset.

TP Group uses measurement techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All the assets and liabilities, for which measurement or disclosures of their fair value are made, are categorized into the fair value hierarchy described below, based on the lowest level input that is significant to the entire measurement:

- Level 1- Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2- Inputs other tan quoted market prices included in Level 1 that are observable, either directly or indirectly.
- Level 3- Unobservable inputs for the asset or liability.

For those assets and liabilities recurrently measured in consolidated financial statements at their fair value. TP Group determines if transfers between levels have been deemed to have occurred through a review of their categorization at the end of the reporting date (based on the lowest significant input for the fair value measurement).

For the measurement of significant assets and liabilities, such as property, plant and equipment, assets held for sale and contingent considerations, independent experts are hired. Criteria for the selection of independent experts considers their market knowledge, reputation, Independence and professional due care.

cc. Comprehensive income (loss)

Comprehensive income (loss) includes TP Group's net income and any other effect which, due to specific accounting standards, is accounted for in "other comprehensive results" and which does not represent an increase, decrease or distribution of capital stock.

Comprehensive income (loss) caption included in the consolidated statement of changes in equity is the result of TP Group's performance during the year.

dd. Earnings (loss) per share

Basic earnings (loss) per ordinary share is determined dividing earnings (loss) by the weighted average of outstanding ordinary shares during the year. The diluted earnings (loss) per share is determined by adjusting net earnings (loss) and ordinary shares, under the assumption that commitments of the entity will be performed to issue or exchange its own shares. Basic earnings (loss) is equal to the diluted earnings (loss) since no transactions exist that could potentially dilute the earnings (loss).

The earnings (loss) per share were determined dividing income (loss) for the period by the weighted average of outstanding shares, as shown below.

	2019	2018
Numerator:		
Net income (loss)	$ 662,549	($ 233,706)
Denominator:		
Weighted avg. of shares – basic	20,661,275	20,661,275
Dilutive effect of unpaid shares	464,947	464,947
Dilutive effect of contributions for future capital stock increases	33,930,379	-
Weighted avg. of shares – diluted	55,056,601	21,126,222
Basic earnings (loss) per share	$ 0.03	($ 0.01)
Diluted earnings (loss) per share	$ 0.01	($ 0.01)

NOTE 3 – CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are integrated as follows:

	December 31, 2019	2018
Petty cash funds	$ 977	$ 594
Checking accounts	47,369	44,555
Short-term investments	178,866	1,863
Total cash and cash equivalents	$ 227,212	$ 47,012

NOTE 4 – ACCOUNTS RECEIVABLE FROM CUSTOMERS:

a. Accounts receivable are integrated in the following manner:

	December 31, 2019	2018
Restricted television and audio subscribers	$ 2,339,497	$ 1,496,202
Telecommunications operators	32,030	8,714
Other	45,222	949
Gross balance	2,416,749	1,505,865
Expected credit loss reserve	(260,808)	(263,815)
Total accounts receivable from customers – net	$ 2,155,941	$ 1,242,050

b. **Receivables gross balance ageing:**

	December 31, 2019	2018
Up to 30 days	$ 999,755	$ 830,621
From 31 to 60 days	132,570	194,903
From 61 to 90 days	62,592	101,306
From 91 to 120 days	222,582	45,023
More than 121 days	999,250	334,012
Gross balance	$ 2,416,749	$ 1,505,865

c. **Movements of the expected credit loss reserve:**

	Years ended December 31, 2019	2018
Beginning balance	$ 263,815	$ 230,292
Increases	244,750	271,713
Write-offs	(247,757)	(238,190)
Ending balance	$ 260,808	$ 263,815

d. **Portfolio securitization. On May 25, 2017 an *"irrevocable administrative and source of payment master trust agreement"* was entered into, identified with number 1136 (F/1136 or Master Trust) and created under Mexican laws, between the Company, Total Box, S.A. de C.V. (Total Box) as Trustors), the Company as Administrator and Banco Azteca, S.A., Fiduciary Division, as Trustee of the Master Trust (Fiduciary). The Master Trust was amended and fully redrafted on November 8, 2019.**

The main purposes of the Master Trust are the following: (i) receive the contribution of Collection Rights of the Company and Total Box, and receive and administer the resources resulting from the collection; (ii) assign the Collection Rights to each "Securities Portfolio" in accordance with the allocation criteria (iii) assign the "Free Rights" to the "Individual Funds" created for carrying out new issues, as instructed by the Technical Committee; (iv) transfer "Collection Rights" to other trusts and/or vehicles, previous authorization by the Technical Committee to, among other purposes, carry out financing operations by means of securitizations (public or private); and (v) as the case may be, and with previous authorizations, carry out one or more Securities issues.

The equity of the Master Trust is comprised by the following assets: (i) Collection Rights; (ii) amounts received by the Fiduciary as a consequence of the payment of the Collection Rights; (iii) liquid amounts and cash received by the Fiduciary of the Master Trust as a consequence of the payment or exertion of Collection Rights or as a consequence of issues carried out; (iv) cash available in the accounts of the Master Trust, or, resulting from the Collection Rights; (v) interests and returns of cash or resulting from the Collection Rights; (vi) securities acquired by the Fiduciary for investing cash; (vii) any fixed asset, tangible or intangible, or rights affecting the equity of the Master Trust for the latter´s purposes. The assets representing the net equity contributed to the Master Trust are registered as "fiduciary rights" in the statement of financial position.

As part of its activities, the Master Trust has granted loans to TP Group as shown in Note 11.

In like manner, at December 31, 2019 and 2018, Collection Rights contributed by TP Group to the Master Trust amounted to $14,794,138 and $10,513,836, respectively.

NOTE 5 – RELATED PARTIES:

a. Balances:

Accounts receivable and payable to related parties are shown below:

	December 31	
	2019	2018
Accounts receivable:		
Grupo Elektra, S.A. de C.V. and subsidiaries (GEKT)	$ 101,085	$ -
Others	330	-
Total accounts receivable from related parties	$ 101,415	$ -
Accounts payable:		
Totalsec, S.A. de C.V. (Totalsec)	$ 91,198	$ 62,005
Procesos BOFF, S. de R.L. de C.V. (BOFF)	60,250	27,137
TV Azteca, S.A.B. de C.V. and subsidiaries (TVA)	30,887	63,554
UPAX GS, S.A. de C.V. (UPAX)	23,208	14,345
Selabe Diseños, S.A. de C.V. (Selabe)	19,862	-
Servicios de Asesoría en Medios de Comunicación GS, S.A. de C.V.	15,677	16,342
Adamantium Private Security Services, S. de R.L. de C.V. (Adamantium)	4,394	2,510
Grupo Elektra, S.A.B. de C.V. and subsidiaries (GEKT)	-	53,566
Others	168	1,567
Total accounts payable to related parties	$ 245,644	$ 241,026

b. Transactions:

Additionally, the following operations with related parties have been included in the consolidated statement of comprehensive income (loss):

	Years ended December 31,	
	2019	2018
Revenues	$ 388,764	$ 88,249
Costs	70,588	39,338
Operating expenses	514,001	216,892
Interest expense	87,048	30,727
Fixed assets acquisitions	161,559	136,033
Unearned revenues	4,197	335,759

Transactions with Grupo Salinas companies

TP Group provides fixed telephony services, internet and link rent to GEKT and TVA.

In turn, services received by TP Group from the Grupo Salinas' companies are:

- **GEKT – leasing and administrative services.**
- **TVA – advertising and leasing.**
- **Adamantium – surveillance and security.**
- **BOFF, S. de R.L. de C.V. – administrative services.**
- **Totalsec – information security services.**
- **UPAX – marketing, polls, market research, among other services.**
- **Selabe – administrative services.**

NOTE 6 – INVENTORIES:

a. Inventories were comprised as follows:

	December 31, 2019	2018
Set-top boxes	$ 694,292	$ 601,795
Installation materials warehouse	605,921	366,444
Set-top boxes under capital leases	-	13,697
Gross balance	1,300,213	981,936
Obsolescence allowance	(39,729)	(27,662)
Total inventories – net	$ 1,260,484	$ 954,274

b. The movements of the obsolescence allowance were as follows:

	December 31, 2019	2018
Beginning balance	$ 27,662	$ 15,808
Increases	12,067	11,995
Write-offs	-	(141)
Ending balance	$ 39,729	$ 27,662

NOTE 7 – ADVANCE PAYMENTS:

This item was integrated as follows:

	December 31, 2019	December 31, 2018
Prepaid maintenance	$ 33,246	$ 60,094
Guaranty deposits	31,606	22,294
Prepaid insurance	23,585	10,191
Fees paid in advance	17,625	-
Prepaid advertising	14,538	34,557
Telephony services	10,873	13,852
Monitoring services	10,225	32,074
Prepaid rents	1,165	9,458
Prepaid interest	-	28,177
Other	-	26,029
Total prepaid expenses	$ 142,863	$ 236,726

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT - NET:

a. At December 31, property, plant and equipment – net, consisted of the following:

	December 31, 2019	December 31, 2018
Fiber optic	$ 9,413,124	$ 6,957,172
Installation expenses	6,662,692	4,239,635
Telecommunications equipment	6,121,211	5,831,931
Decoders	4,916,415	4,766,274
Software licenses	1,550,080	1,234,459
Machinery and laboratory equipment	814,755	708,433
Computers	701,496	710,403
Vehicles	222,411	244,282
Leasehold improvements	157,968	136,867
Furniture and fixtures	127,251	113,888
Gross depreciable balance	30,687,403	24,943,344
Accumulated depreciation	(8,545,519)	(7,017,346)
Net depreciable balance	22,141,884	17,925,998
Land	6,408	6,633
Projects in-progress	456,529	365,997
Total property, plant and equipment, net	$ 22,604,821	$ 18,298,628

TP Group has guaranteed the tax credit mentioned in Note 17b with certain of these assets amounting up to $645,764.

The carrying value of property, plant and equipment are subject to an annual impairment test (Note 2q).

b. The reconciliation of balances for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Beginning balance	$ 18,298,628	$ 13,847,828
Purchases, net of disposals	7,896,255	6,561,232
Transfer of rights-of-use (adoption of IAS 16)	(1,107,136)	-
Capitalized borrowing costs	1,307,867	1,022,724
Depreciation and acquisition cost of subscribers	(3,790,793)	(3,133,156)
Ending balance	$ 22,604,821	$ 18,298,628

c. Depreciation expense is integrated as follows:

	Years Ended December 31	
	2019	2018
Depreciation and amortization	$ 1,773,706	$ 1,296,782
Subscribers acquisition cost	2,604,808	1,836,374
	$ 4,378,514	$ 3,133,156

NOTE 9 – LEASES (RIGHTS-OF-USE AND LEASE LIABILITIES)

a. As a result of the adoption of IFRS 16, as at December 31, 2019 the rights-of-use were comprised as follows:

	December 31	
	2019	2018
Decoding equipment	$ 2,323,339	$ -
Property	1,585,790	-
Communication equipment	474,537	-
Furniture and fixtures	170,674	-
Leasehold improvements	165,681	-
Vehicles	109,072	-
Computers	79,696	-
Machinery and equipment	35,292	-
Other	97,495	-
Gross balance	5,041,576	-
Accumulated depreciation	(1,421,123)	-
Net balance	$ 3,620,453	$ -

b. The reconciliation of the balance is the following:

	Years ended December 31	
	2019	2018
Beginning balances	$ -	$ -
Transfer of property, plant and equipment (adoption of IFRS 16)	3,101,038	-
Remeasurement by adoption of IFRS 16	1,107,136	-
Depreciation for the year	(587,721)	-
Ending balances	$ 3,620,453	$ -

c. The disbursements related to lease under IFRS 16 were the following:

	Years ended December 31	
	2019	2018
Depreciation	$ 587,721	$ -
Accrued interest expense	136,262	-
Charges registered directly in costs or expenses	605,105	-
Ending balances	$ 1,329,088	$ -
Charges directly recorded in results:		
Costs	$ 303,609	$ 370,804
Expenses	301,496	541,200
	$ 605,105	$ 912,004

d. Maturities of long-term liabilities for leases at December 31, 2019 were the following:

Year	Amount
2021	$ 1,060,479
2022	829,189
2023	634,777
2024	110,021
2025 and thereafter	300,051
	$ 2,934,517

NOTE 10 – TRADEMARKS AND OTHER ASSETS – NET:

Trademarks and other assets – net, are integrated as follows:

	December 31	
	2019	2018
Trademarks (a)	$ 930,000	$ 140,000
Guaranty deposits	37,889	37,092
Advertising (b)	36,871	-
Professional fees (b)	33,003	-
Maintenance (b)	14,650	-
Other (b)	12,726	-
Total trademarks and other assets – net	$ 1,065,139	$ 177,092

a. The carrying amount of the trademarks and the concession rights is subject to annual impairment tests (Note 2q).

b. Correspond to advance payments covering a period greater than 12 months.

NOTE 11 – FINANCIAL DEBT:

As of December 31, TP Group had the following outstanding financings:

	December 31, 2019		
	Short-term	Long-term	Total
a. Universidad ICEL, S.C. (ICEL)	$ -	$ 2,537,000	$ 2,537,000
b. FGS Bridge, S.A.P.I. de C.V. (FGS)	1,992	2,025,685	2,027,677
c. Fideicomiso 1135 (F/1135)	500,000	1,250,000	1,750,000
d. Capiprom, S.A. P.I. de C.V. (Capiprom)	111,640	942,500	1,054,140
e. Banco del Bajío, S.A. Institución de Banca Múltiple (Bajío)	30,000	957,500	987,500
f. Postulando Ideas, S.A. de C.V. (PI)	-	889,085	889,085
g. Sentir Común México SOFOM, S.A. de C.V. (Sentir Común)	27,091	772,909	800,000
h. Negocios y Visión en Marcha, S.A. de C.V. (NVM)	-	646,434	646,434
i. QH Productos Estructurados, S.A.P.I. (QH)	102,019	660,887	762,906
j. Desarrollo JNG Coyoacán, S.A. de C.V. (DJC)	-	713,962	713,962
k. Interpretaciones Económicas, S.A. de C.V. (IE)	-	670,254	670,254
l. Desarrollo JNG Azcapotzalco, S.A. de C.V. (DJA)	-	659,530	659,530
m. Inmobiliaria Ciudad del Sol Guadalajara, S.A. de C.V. (ICSG)	-	620,735	620,735
n. Banco Invex, S.A. Institución de Banca Múltiple (Invex)	175,000	437,500	612,500
o. Banco Monex, S.A. Institución de Banca Múltiple (Monex)	300,000	-	300,000
p. Arrendadora Internacional Azteca, S.A. de C.V. (AIA)	148,709	-	148,709
Transaction costs	(1,050)	(58,438)	(59,488)
Total debt recognized at amortized cost	$ 1,395,401	$ 13,725,543	$15,120,944

	December 31, 2018		
	Short-term	Long-term	Total
d. Capiprom	$ 763,320	$ 3,496,680	$ 4,260,000
b. FGS	400,389	2,191,281	2,591,670
c. F/1135	472,556	1,177,444	1,650,000
q. Unifin Financiera, S.A.B. de C.V. (Unifin)	249,272	697,669	946,941
r. The Export and Import Bank of China (Eximbank of China)	137,838	613,473	751,311
i. QH	-	715,000	715,000
p. AIA	211,231	383,963	595,194
g. Sentir Común	-	300,000	300,000
Analistas en Recursos Globales, S.A.P.I. de C.V.	72,627	94,798	167,425
Hewlett Packard Operations México, S. de R.L. de C.V.	36,382	83,302	119,684
Valor Agregado en Arrendamiento, S.A. de C.V.	-	46,458	46,458
Rendago, S.A. de C.V.	2,564	12,703	15,267
Transaction costs	(23,474)	(39,180)	(62,654)
Total debt recognized at amortized cost	$ 2,322,705	$ 9,773,591	$12,096,296

Maturities of long-term portions are the following:

Year	Face Value	Transaction costs	Amortized cost
2021	$ 4,759,890	($ 41,886)	$ 4,718,004
2022	571,705	(7,811)	563,894
2023	514,205	(5,332)	508,873
2024	7,747,090	(2,428)	7,744,662
2025 and thereafter	191,091	(981)	190,110
	$ 13,783,981	($ 58,438)	$ 13,725,543

The following table summarizes features of the principal loans:

	Creditor	Principal at 31/12/19	Initial Date	Maturity Date	Annual Interest Rate	Comments
a.	ICEL	$ 2,537,000	20/09/19	19/09/23	TIIE[1] + 340 bps[2]	
b.	FGS	2,027,677	27/06/19	30/06/25	TIIE[1] + 655 bps[2]	
		1,100,000	21/11/19	27/07/23	TIIE[1] + 400 bps[2]	
c.	F/1135	500,000	20/09/19	21/08/20	TIIE[1] + 400 bps[2]	
		150,000	26/09/19	29/04/22	TIIE[1] + 400 bps[2]	
d.	Capiprom	942,500	27/06/19	30/06/26	TIIE[1] + 600 bps[2]	
		111,640	01/11/19	01/10/20	10%	
e.	Bajío	987,500	21/07/19	21/06/24	TIIE[1] + 225 bps[2]	
f.	PI	889.085	24/12/19	23/12/24	TIIE[1] + 390 bps[2]	
g.	Sentir Común	800,000	17/08/18	01/08/25	TIIE[1] + 400 bps[2]	
h.	NVM	646,434	24/12/19	23/12/24	TIIE[1] + 390 bps[2]	
		400,000	20/06/18	31/05/24	TIIE[1] + 650 bps[2]	
i.	QH	315,000	15/10/18	31/05/24	TIIE[1] + 650 bps[2]	
		47,906	07/11/19	29/10/20	y 8%	
j.	DJC	713,962	24/12/19	23/12/24	TIIE[1] + 390 bps[2]	
k.	IE	670,254	24/12/19	23/12/24	TIIE[1] + 390 bps[2]	
l.	DJA	659,530	24/12/19	23/12/24	TIIE[1] + 390 bps[2]	
m.	ICSG	620,735	24/12/19	23/12/24	TIIE[1] + 390 bps[2]	
n.	Invex	612,500	12/03/19	08/09/23	14%	
o.	Monex	300,000	23/12/19	23/03/20	TIIE[1] + 200 bps[2]	
p.	AIA	148,709	31/12/18	31/12/20	TIIE[1] + 500 bps[2]	

	Creditor	Principal at 31/12/18	Initial Date	Maturity Date	Annual Interest Rate	Comments
		$ 1,200,000	25/05/2017	30/04/2023	TIIE[1] + 600 bps[2]	Guaranty: payment rights.
		1,500,000	25/05/2017	30/04/2023	TIIE[1] + 600 bps[2]	Guaranty: payment rights.
d.	Capiprom	1,200,000	07/12/2017	30/04/2023	TIIE[1] + 600 bps[2]	Guaranty: payment rights.
		300,000	11/05/2018	30/04/2023	TIIE[1] + 600 bps[2]	Guaranty: payment rights.
		60,000		31/07/2019	10%	
b.	FGS	2,291,670	25/05/2017	30/04/2023	TIIE[1] + 655 bps[2]	Guaranty: payment rights.
		300,000	09/11/2017	30/04/2023	TIIE[1] + 655 bps[2]	Guaranty: payment rights.
		850,000	15/08/2018	25/04/2021	TIIE[1] + 500 bps[2]	Guaranty: payment rights.
c.	F/1135	500,000	25/04/2018	23/12/2020	TIIE[1] + 350 bps[2]	Guaranty: payment rights.
		300,000	18/10/2017	22/07/2020	TIIE[1] + 500 bps[2]	Guaranty: payment rights.
q.	Unifin	946,941	13/06/2017	48 months at signing of each annex	Fixed	Financial lease.
r.	Eximbank de China	751,311	14/08/2015	20/03/2019	LIBOR 6 months + 500 bps[2]	Some covenants were not met at December 31, 2018.
i.	QH	400,000	20/06/2018	31/05/2024	TIIE[1] + 650 bps[2]	
		300,000	15/11/2018	31/05/2024	TIIE[1] + 600 bps[2]	
		110,000	31/12/2016	01/12/2020	TIIE[1] + 550 bps[2]	
p.	AIA	96,621	31/12/2018	31/12/2020	TIIE[1] + 550 bps[2]	
		55,000	28/12/2018	31/12/2020	TIIE[1] + 550 bps[2]	
		337,579	06/01/2015	06/01/2021	9% - 12%	Capitalizable lease.
g.	Sentir Común	300,000	17/08/2018	31/08/2025	TIIE[1] + 350 bps[2]	

[1] TIIE: Equilibirium bank interest rate
[2] bps: Base points

NOTE 12 – REVERSE FACTORING:

As a financing alternative, TP Group offers its suppliers to enter into factoring credit facility, through which the intermediary liquidates to the supplier the debt originally contracted by TP Group, less the accorded discount. At the same time, TP Group pays the debt to the intermediary at its nominal value, but in a period extended in time.

At December 31, the following table shows liabilities resulting from factoring operations with suppliers:

	December 31, 2019		
	Short-term	Long-term	Total
FGS (a)	$ 555,618	$ -	$ 555,618
Greensill Capital (UK) Limited (Greensill) (b)	346,989	-	346,989
AIA (c)	62,132	-	62,132
	$ 964,739	$ -	$ 964,739

	December 31, 2018		
	Short-term	Long-term	Total
FGS (a)	$ 1,353,397	$ -	$ 1,353,397
Eximbank of China (d)	-	711,962	711,962
Greensill (b)	390,215	1,940	392,155
AIA (c)	112,354	-	112,354
	$ 1,855,966	$ 713,902	$ 2,569,868

a. **FGS:**

- **The Company and FGS have agreed to offer Company´s suppliers a financing scheme consisting under a reverse factoring facility.**
- **Through this mechanism, FGS acquires from Company´s supplier the Credit Right in favor of such supplier and borne by the Company. Through this action, such Credit Right is transmitted to FGS without any reserve nor limitation, and FGS accepts to pay the supplier the value of the documents transferred less a discount rate and a collection fee.**
- **The parties accept that Company pays directly to FGS the documents transmitted at face value.**
- **In like manner, a maximum of transmittals is provided, so that through a revolving nature, an undefined number of concrete and individual operations are carried out.**

b. **Greensill:**

- **The Company has a factoring facility for suppliers with Greensill, whose maturity is December 20, 2020.**

c. **AIA:**

- **On February 1, 2016, AIA and the Company entered into a Discount Framework Contract of notes through which it is offered a factoring program to suppliers as a means of financing, and certain points were established described below.**
- **Once the respective Notes Discount Contract is formalized between AIA and Company´s supplier, AIA will acquire the Collection Rights in favor of the supplier.**

- The acquisition made by AIA is a discount, but the Company is compelled to pay AIA the Collection Rights on the maturity dates at face value.
- AIA will only acquire the Collection Rights with a maturity date not exceeding 90 calendar days starting from the date of issue of such Collection Rights.

d. Eximbank of China:

The Company had a long-term factoring facility for suppliers, whose balance at December 31, 2018 amounted to $711,962; on November 29 the Company decided to pay the outstanding balance with this entity, which maturity was 2020.

NOTE 13 – EMPLOYEE BENEFITS:

a. Liability for employee benefits:

The liabilities derived from employee benefits and other remunerations to personnel recognized in the consolidated statements of financial position are comprised as follows:

	December 31, 2019		
	Seniority premium	Legal compensation	Total
Defined benefits obligation (DBO)	$ 11,464	$ 22,869	$ 34,333
Plan assets	-	-	-
Unamortized items	-	-	-
Net projected liability	$ 11,464	$ 22,869	$ 34,333

	December 31, 2018		
	Seniority premium	Legal compensation	Total
Defined benefits obligation (DBO)	$ 5,835	$ 11,552	$ 17,387
Plan assets	-	-	-
Unamortized items	-	-	-
Net projected liability	$ 5,835	$ 11,552	$ 17,387

b. Adjusted net cost for the period:

Expense for the period accounted for consists on the following:

	Year ended December 31, 2019		
	Seniority premium	Legal compensation	Total
Current services labor cost	$ 3,661	$ 6,991	$ 10,652
Financial cost	519	995	1,514
Seniority recognition	1,229	2,149	3,378
Immediate actuarial recognition	218	1,936	2,154
Total	$ 5,627	$ 12,071	$ 17,698

	Year ended December 31, 2018		
	Seniority premium	Legal compensation	Total
Current services labor cost	$ 3,192	$ 6,454	$ 9,646
Financial cost	322	653	975
Seniority recognition	1,338	1,945	3,283
Advanced reductions and liquidations	-	-	-
Immediate actuarial recognition	(3,195)	(5,813)	(9,008)
Total	$ 1,657	$ 3,239	$ 4,896

c. **Reconciliation of the DBO balance:**

	Year ended December 31	
	2019	2018
DBO beginning balance	$ 17,387	$ 12,829
Current services labor cost	10,652	9,646
Financial cost	1,514	975
Actuarial (gains) losses for the period	9,247	(918)
Seniority recognition	3,378	(5,145)
Benefits paid against provision	(7,845)	-
DBO ending balance	$ 34,333	$ 17,387

d. **Main assumptions:**

The main assumptions used in the calculation of the net cost for the period were the following:

Nominal annual rates:	2019	2018
Minimum salary	5.00%	4.00%
Career salary	5.80%	5.80%
Discount	8.00%	8.90%
Average working life expectancy	15 years	15 years

e. **Sensitivity analysis:**

In accordance with the provisions of the applicable standard, a sensitivity analysis is shown in respect to the discount rate applied for carrying out the actuarial valuation, that is, the impact the Company has in the obligation for defined benefits (ODB) by having a change of +/- 1% in the discount rate:

	7.00%	8.00%	9.00%
Seniority premium	$ 13,482	$ 11,464	$ 10,022
Legal compensation	28,214	22,869	18,777
	$ 41,696	$ 34,333	$ 28,799

NOTE 14 – INCOME TAXES:

The provision for taxes on income (income tax or IT) for years ended December 31, 2019 and 2018, is the following:

	Year ended December 31	
	2019	2018
Income tax provision:		
Incurred	($ 29,058)	($ 24,013)
Deferred	(70,245)	315,010
	($ 99,303)	$ 290,997

a. **Incurred income tax:**

Income tax rate was 30.00% for years ended December 31, 2019 and 2018. For years ended December 31, 2019 and 2018, the Company generated tax losses that amounted to ($665,560) and ($1,121,042) nominal, respectively.

For year ended December 31, 2019, the Company´s subsidiaries generated tax profits for $96,859 and tax losses for ($408,300). For year ended December 31, 2018, the Company´s subsidiaries reported tax profits for $80,045 and tax losses for ($373,637).

b. **Deferred income tax:**

Tax loss carry forwards and temporary differences that TP Group recognized in the calculation of deferred income tax were the following:

	December 31	
	2019	2018
Tax loss carry forwards	$ 5,876,179	$ 4,627,300
Allowance for impairment of accounts receivable and allowance for obsolete inventories	300,536	291,477
Accounts payable	277,030	389,102
Employee benefits	34,332	17,388
Leases	(1,344,690)	-
Property, plant and equipment	(1,794,521)	(1,654,772)
Tax loss carry forwards and temporary differences	3,348,866	3,670,495
Income tax rate	30.00%	30.00%
Net deferred tax asset	1,004,660	1,101,148
Measurement allowance	(683,506)	(709,749)
	$ 321,154	$ 391,399

As of December 31, 2019 and 2018, TP Group´s Management decided to partially recognize the deferred tax asset since the realization of such deferred tax assets is dependent, first, on the generation of sufficient taxable profit before the expiration of the tax loss carry forwards; consequently, the balance of the tax asset was adjusted to the taxable profit expected to be generated in the following years (Note 2t).

Inflation-restated tax loss carry forwards as of December 31, 2019 are as follows:

Taxes Loses Year of origin	Tax loss carry forwards	Final year for use
2011	$ 1,015,901	2021
2013	171,023	2023
2014	126,464	2024
2015	161,958	2025
2016	1,326,785	2026
2017	453,767	2027
2018	1,546,422	2028
2019	1,073,859	2029
	5,876,179	

The reconciliation between the income tax nominal rate and the effective rate is the following:

	Years ended December 31	
	2019	2018
	%	%
Nominal income tax rate	30.00	30.00
Effect on the tax incurred:		
Difference between carrying amount and tax depreciation	(101,68)	109.65
Difference in tax and accounting treatment of revenues	(5.91)	21.85
Deduction of paid statutory profit-sharing	(0.16)	0.13
Non-deductible expenses	15.13	(37.49)
Expected credit loss reserve	1.13	(4.13)
Annual inflation adjustment	22.38	(38.85)
Effect on deferred tax:		
Temporary items	52.14	(25.42)
Effective IT rate	13.03	55.74

NOTE 15 – FINANCIAL INSTRUMENTS:

a) **Fair value**

Fair value of financial instruments was determined by TP Group using information available in the market and other valuation techniques that require Management´s judgment. Moreover, the use of different assumptions and valuation methods can have a material effect on the estimated amounts of fair value.

Financial instruments which, after their initial accounting, are quantified at their fair value are grouped in Levels from 1 to 3 based on the degree to which fair value is observed, as shown below:

- **Level 1 – valuation based on prices quoted in the market (unadjusted) for identical assets or liabilities;**
- **Level 2 – valuation with indicators other than the quoted prices included in Level 1, but include observable indicators for an asset or liability, either directly (quoted prices) or indirectly (derivations of these prices); and**
- **Level 3 – valuation techniques are applied that include indicators for assets and liabilities that are not based on observable market information (unobservable indicators).**

As at December 31, 2019 and 2018, financial assets and liabilities are classified as follows:

	Amortized Cost	FVTPL	FVOCI	Total
As of December 31, 2019				
Financial Assets:				
Cash and cash equivalents	$ 227,212	$ -	$ -	$ 227,212
Customers	2,155,941	-	-	2,155,941
Derivative financial instruments designated as hedges	-	(869)	2,844	1,975
	$ 2,383,153	$ (869)	$ 2,844	$ 2,385,128
Financial Liabilities:				
Total financial debt (short and long term)	$15,120,944	$ -	$ -	$15,120,944
Interest payable	892	-	-	892
Short and long-term lease liabilities	4,387,947			4,387,947
Trade payables	3,546,950	-	-	3,546,950
Reverse factoring	964,739			964,739
Other payables	878,197	-	-	878,197
Related parties	245,644	-	-	245,644
	$25,145,313	$ -	$ -	$25,145,313

	Amortized Cost	FVTPL	FVOCI	Total
As of December 31, 2018				
Financial Assets:				
Cash and cash equivalents	$ 47,012	$ -	$ -	$ 47,012
Customers	1,242,050	-	-	1,242,050
Derivative financial instruments designated as hedges	-	44	6,562	6,606
	$ 1,289,062	$ 44	$ 6,562	$ 1,295,668
Financial Liabilities:				
Total financial debt (short and long term)	$12,096,296	$ -	$ -	$12,096,296
Interest payable	99,331	-	-	99,331
Trade payables	4,219,019	-	-	4,219,019
Reverse factoring	2,569,868	-	-	2,569,868
Other payables	594,193	-	-	594,193
Related parties	241,026	-	-	241,026
	$19,819,733	$ -	$ -	$19,819,733

b) Hedging activities and derivatives

i. Derivatives not designated as hedges

TP Group uses foreign currency loans and foreign currency purchases/sales, in order to manage some of the risks related to their transactions mainly market risks as exchange rates and interest rates. Installment purchases/sales of foreign currency are not designated as cash flow hedges, and they are agreed for periods consistent with the foreign exchange risk exposure of the related transactions, generally between 1 to 24 months.

ii. Cash flow hedges

Non-dominant credit risk

The credit risk of counterparts does not have a material influence on the Fair Value of Derivative Financial Instruments. The rating of both Financial Entities and the most recent of the Company are the following:

Company	Rating	Agency
Banco Monex, S.A.	AA -	Fitch Ratings
Corporación Actinver, S.A.B de C.V.	AA -	Fitch Ratings
Total Play Comunicaciones, S.A. de C.V.	AA	HR Ratings

Foreign exchange risk

Installment purchases of foreign currency, measured at fair value with changes through other comprehensive income, are designated as hedges of the cash flows from expected sales in U.S. dollars. These expected transactions are highly probable and comprise a high percentage of the total expected purchases in U.S. dollars.

Although TP Group has other installment purchases/sales of foreign currencies with the intention of mitigating the foreign exchange risk of expected purchases and sales, these other agreements are not designated as hedges and are consequently measured at fair value through profit and loss.

The balances of installment purchases/sales of foreign currency vary depending on the level of expected sales and purchases in foreign currency and on foreign exchange rates.

	December 31, 2019		
Derivative Instruments:	Asset	Liability	Net
Bonus swap (IRS)	$ 6,191	$ -	$ 6,191
Foreign exchange options (FX options)	-	4,214	(4,214)
Interest rate hedge (rate CAP)	-	2	(2)
Mark-to market at the closing period	$ 6,191	$ 4,216	$ 1,975

	December 31, 2018		
Derivative Instruments:	Asset	Liability	Net
Bonus swap (IRS)	$ 7,802	$ -	$ 7,802
Foreign exchange options (FX options)	3,460	-	3,460
Interest rate hedge (rate CAP)	-	4,656	(4,656)
Mark-to market at the closing period	$ 11,262	$ 4,656	$ 6,606

The terms of the installment purchases/sales of foreign currency match with the highly probable expected transactions. Consequently, there is no inefficiency to be recognized in the income statement.

Cash flow hedges of expected future purchases during 2019 and 2018, were assessed as highly efficient and an unrealized gain of $2,844 and $4,205 was recorded in OCI.

The amount transferred during 2019 and 2018 from OCI to the carrying value of the hedged elements was ($869) and $44 respectively and shown in Note 15a. It is expected that some of the amounts included in OCI as of December 31, 2019 become due and affect the income statement during 2020.

NOTE 16 – FINANCIAL RISK MANAGEMENT:

Activities with financial instruments presume the assumption or transfer of one or various types of risks by the entities that trade with them. The main risks associated with financial instruments are:

- Credit risk: likelihood that one of the parties to the financial instrument contract fails to meet its contractual obligations due to reasons of insolvency or inability to pay and results in a financial loss for the other party.

- Market risk: likelihood that losses are generated in the value of the positions maintained, as a result of changes in the market prices of financial instruments. In turn, it includes three types of risks:

  - Interest rate risk: this arises as a consequence of variations in market interest rates.
  - Foreign exchange rate risk: this arises as a consequence of variations in exchange rates between currencies.
  - Price risk: this arises as a consequence of changes in market prices, due to specific factors of the instrument itself, or due to factors that affect all instruments traded on a concrete market.

- Liquidity risk: likelihood that an entity cannot meet its payment commitments or, in order to meet them, it has to resort to obtaining funds in encumbering conditions or placing its image and reputation at risk.

a. Credit risk management – it is caused mainly by liquid funds and trade accounts receivable for providing telecommunication services.

   TP Group's policy is to operate with banks and financial institutions with the highest credit ratings granted by credit rating agencies to reduce the possibility of counterparty non-performance. With respect to trade accounts receivable, TP Group grants commercial credit to companies or government entities that are financially sound, have a good reputation in the market, and many of them are recurring customers.

   TP Group periodically reviews the financial condition of its clients and does not believe that a significant risk from credit concentration of its portfolio could turn into a loss. In order to minimize a loss, TP Group discontinues service provided to its customers when the ageing of the past due balance exceeds certain limit. Also, it considers that the allowance for impairment covers in appropriate manner the potential credit risk, which represents the calculation of the expected losses from impairment of its receivables. As at December 31, 2019 and 2018, the amount of receivables with an ageing higher than 120 days amounted to $999,250 and $334,012, respectively. The aforementioned amounts include receivables

due from government institutions, which recurrently present delays in their payments, without representing this a loss for TP Group and consequently, Management considered that the impairment allowance needed not to be increased.

b. Market risk management

i. Interest rate risk – As described in Note 11, TP Group has obtained loans bearing interest at variable rates (28-day TIIE), therefore it is exposed to fluctuations of the mentioned rates. As at December 31, 2019 and 2018, TP Group had partial hedges to cover said fluctuations. Consequently, if the variable interest rates had strengthened/weakened by 10% maintaining the remaining variables unchanged, the net loss for the current year would have decreased/increased by $109,982 as a result of a lower/higher interest expense.

ii. Foreign exchange risk – TP Group carries out transactions in foreign currencies, therefore, it is exposed to fluctuations in the different currencies those transactions are operated. As at December 31, 2019 and 2018, it had no hedging instruments against foreign exchange risk.

As at December 31, 2019 and 2018 and May 18, 2020 (date of issue of these consolidated financial statements), the exchange rates for the U.S. dollar were $18.8642, $19.6512, and $23.6032, respectively. As at December 31, 2019 and 2018, TP Group had the following U.S. dollar denominated assets and liabilities:

	December 31,	
	2019	2018
Monetary assets	E.U. $ 71,122	E.U. $ 15,322
Monetary liabilities	(150,852)	(250,916)
Net monetary short position in U.S. dollars	(E.U. $ 79,730)	(E.U. $ 235,594)
Equivalent in Mexican pesos	($ 1,504,043)	($ 4,629,705)

As at December 31, 2019, TP Group has a net short position in U.S. dollars, consequently if the Mexican peso had been strengthened/weakened 10% against the U.S. dollar and the rest of the variables had remained unchanged, the net loss for the current year would have increased (decreased) by $150,404 as a result of the loss/gain in the translation of monetary assets and liabilities denominated in U.S. dollars not hedged.

In addition to the increase of the exchange rate against the US dollar, at May 18, 2020, the foreign currency position has increased by 25% in respect to December 31, 2019. Even though TP Group has contracted some foreign exchange hedges, it does not have hedged 100% of liabilities in foreign currency, reason for having incurred foreign exchange losses at May 18, 2020.

c. Liquidity risk – TP Group has established appropriate policies to mitigate the liquidity risk through: (i) the follow-up on working capital; (ii) the review of its actual and projected cash flows; and (iii) the reconciliation of profiles of maturities of its financial assets and liabilities. These actions allow TP Group's Management to manage short and long-term financing requirements by maintaining cash reserves or credit facilities available.

NOTE 17 – COMMITMENTS AND CONTINGENCIES:

As of December 31, 2019, TP Group had the following commitments:

a. Commitments derived from financial debt.

Under some credit contracts some assets of the Company have been granted in guarantee of the credits described in Note 11.

b. Tax credit

On December 3, 2015 the Mexican Internal Revenue Service (SAT for its acronym in Spanish) issued notification no. 900-04-05-2015-52432 through which it was determined a tax claim amounting to $645,764 corresponding to income tax for the year 2011, allegedly failed, plus inflation-restatement, surcharges and penalties.

SAT points out: (i) that the Company has not proved the strict indispensability of certain commissions and advances from commercializing telecommunications services; (ii) that it rejects the deduction for tax purposes of travel expenses, administrative services, and uncollectable receivables from a reorganization procedure.

On January 19, 2016 the Company interposed a resource of appeal before the corresponding authority (*Administración de lo Contencioso de Grandes Contribuyentes –Administration of Large Taxpayer Disputes*). Subsequently, during April and May 2016, the Company delivered a series of additional evidence in its favor. On June 16, 2016 the appeal was resolved, confirming the tax credit imposed and on August 19, 2016 the Company filed a claim of nullity (*demanda de nulidad*); said claim was admitted on September 6, 2017 by the Federal Court of Tax and Administrative Justice (*Tribunal Federal de Justicia Fiscal y Administrativa*).

On November 28, 2017, the Company filed a direct 'amparo' trial. The Company is waiting for the resolution of the Mexican tax authorities and the Company's external advisors consider that it is probable that the process will result in a nullity trial (*juicio de nulidad*).

In court session held on February 7, 2020, the judges of the Sixth Collegiate Court determined to withdraw the sentencing project, for the purpose of remitting the file to the Second Chamber of the Supreme Court of Justice of the Nation, since the Ministry of Finance and Public Credit ("Hacienda") asked the Supreme Court to assert jurisdiction when appraising that the matter is important and transcendent. Currently, the matter is pending determination as to whether the matter is asserted in the terms so requested.

The challenged amount is duly guaranteed through the administrative seizure of several assets of the Company, which was expressly accepted by the tax authorities, and they were ordered the final suspension of the administrative procedure of execution.

c. Labor contingencies

Some of the Company´s subsidiaries are involved in legal procedures for labor disputes of a lesser quantitative importance. In opinion of TP Group's external legal advisors, these disputes do not represent a relevant contingency that may materially affect TP Group since they arise from the ordinary course of business.

d. **Related party transactions**

In accordance with Mexican Income Tax Law, those entities carrying out transactions with their related parties are subject to certain limitations and to some fiscal obligations related to the agreed prices, since they must be similar to prices used with independent parties in comparable operations.

In case that a review of the prices by the Mexican tax authorities results in a rejection of the amounts under review, they could seek, in addition to the omitted tax plus interest, penalties that could represent 100% of the updated amount of the omitted taxes.

NOTE 18 – EQUITY:

a. **Contributed capital**

Shares of the Company's capital stock are fully voting and of free subscription, and may be acquired by any person or corporation, local or foreign, as long as the applicable legal regulations regarding foreign investment are met.

For the years ended December 31, 2019 and 2018, the shares and capital stock of the Company had no movements and is integrated as follows:

	December 31	
	2019	2018
Number of outstanding shares:		
Fixed capital stock	11,000	11,000
Variable capital stock	21,115,222	21,115,222
Unpaid shares	(464,947)	(464,947)
Fully paid and subscribed outstanding shares	20,661,275	20,661,275
Capital stock amount:		
Fixed capital stock	$ 200	$ 200
Variable capital stock	2,378,463	2,378,463
Unpaid capital stock	(52,372)	(52,372)
Inflation restatement	10,700	10,700
Fully paid and subscribed capital stock	$ 2,336,991	$ 2,336,991

On March 27, 2019, a General Shareholders' Meeting was held and resolved a contribution for future capital stock increase in the amount of $5,000,000.

b. **Earned capital**

Under Mexican law, net income for the year is subject to the legal provision requiring that at least 5% of net income be appropriated to increase the legal reserve until that reserve equals one-fifth of total capital stock. The balance of the legal reserve may not be distributed to the stockholders but may be used to reduce accumulated losses or be converted to capital stock.

c. <u>Distribution of earnings</u>

As of December 31, 2019, the balance of “Net Tax Income Account” (CUFIN by its acronym in Spanish) was $3,703,609. Starting from 2014 earnings generated and distributed to the stockholders are subject to a 10% income tax withholding, as long as they do not come from CUFIN. Dividends paid that come from income previously taxed by Income Tax, will not be subject to any withholding or additional tax payment prior to December 31, 2013.

The Company has certain restrictions on dividend payments due to covenants under its credit agreements.

d. <u>Capital stock reductions</u>

As of December 31, 2019, the inflation-restated balance of the “restated contributed capital account” (CUCA for its acronym in Spanish) amounted to $4,019,136. In case of a reimbursement or capital decreases in favor of the stockholders, the excess of that reimbursement over this amount will be treated as distributed earnings for tax purposes.

Likewise, in the event that equity should exceed the balance of the CUCA, the spread will be considered as dividend or distributed earnings subject to the payment of income tax. If the earnings referred to above are paid out of the CUFIN, there will be no corporate tax payable due to the capital decrease or reimbursement. Otherwise, it should be treated as dividends or earnings distribution, as provided in Mexican Income Tax Law.

NOTA 19 – EQUITY MANAGEMENT:

The purposes of TP Group when managing its consolidated equity are the following:

- To protect its ability to continue as a going concern.
- To provide its stockholders an attractive return on their investment.
- To keep an optimal structure minimizing its cost.

In order to meet the mentioned objectives, TP Group constantly monitors their different business units to ensure that they keep the expected profitability. However, TP Group may change the dividends to be paid to its stockholders, issue new shares or monetize its assets to reduce its debt.

TP Group monitors the adjusted equity to net debt with financial cost. This ratio results from dividing net financial debt by equity. In turn, net financial debt is defined as the total short and long-term financial debt in the statement of financial position less cash and cash equivalents.

The adjusted equity to debt ratio as of December 31, 2019 and 2018 was determined as follows:

	2019	2018
Total financial debt		
Short-term	$ 1,395,401	$ 2,322,705
Long-term	13,725,543	9,773,591
Cash and cash equivalents	(227,212)	(47,012)
Net debt	$ 14,893,732	$ 12,049,284
Total equity	$ 8,727,524	$ 2,277,806
Ratio	1.71x	5.29x

The change in the 2019 financial ratio was due to: (i) having received a $5,000,000 contribution for future capital stock increases (see Note 18a), and (ii) 2019 comprehensive net income.

NOTE 20 – REVENUE, COSTS AND EXPENSES BY NATURE:

The TP Group presents consolidated revenue, costs and expenses by their function; however, IFRS require disclosing additional information regarding the nature of said items.

For the years ended December 31, 2019 and 2018 consolidated revenue, costs and expenses according to their nature are as follows:

	Years ended December 31	
	2019	2018
Revenues from services provided to third parties:		
Pay television and audio, fixed telephony and internet Access	$ 9,352,737	$ 6,590,493
Business-oriented services	4,144,850	3,668,895
Activation and installation fees	114,639	51,158
Advertising	110,163	78,922
Interconnection and long-distance fees	35,254	37,783
Other	120,956	82,305
Total revenues from services provided to third parties	13,878,599	10,509,556
Revenues from services provided to related parties:		
Rent of dedicated links and pay restricted television/audio	371,701	31,210
Subleasing	9,620	-
Advertising	5,400	28,509
Other	2,044	-
Total revenue from services provided to related parties	388,765	59,719
Total revenue	$ 14,267,364	$ 10,569,275

	Years ended December 31	
	2019	2018
Cost of services received from third parties:		
Content	($ 1,553,366)	($ 1,056,032)
Commissions	(677,536)	(535,995)
Cost of sales of equipment	(363,064)	-
Rent of dedicated links	(303,609)	(370,804)
Reserve of expected credit loss	(244,750)	(271,713)
Licences and software	(126,186)	-
Monitoring	(102,930)	-
Interconnection and long-distance fees	(58,597)	(66,866)
Other	(5,479)	(46,983)
Total cost of services received from third parties	(3,435,517)	(2,348,393)
Cost of services received from related parties:		
Monitoring	(32,987)	-
Content	(27,000)	(24,000)
Commissions	(10,600)	-
Other	(1)	(15,338)
Total cost of services received from related parties	(70,588)	(39,338)
Total costs	($ 3,506,105)	($ 2,387,731)

	Years ended December 31	
	2019	2018
Network expenses with third parties:		
Personnel services	($ 885,201)	($ 735,305)
Maintenance	(413,277)	(434,853)
Leases	(202,674)	(412,462)
Rights, duties and taxes	(80,110)	(156,170)
Electric power	(48,099)	(32,132)
Security	(42,627)	(17,196)
Fuel	(34,203)	(30,699)
Professional fees	(25,003)	(17,163)
Telephony and data	(20,466)	-
Insurance and bonds	(19,143)	(16,024)
Cleaning	(12,739)	-
Travel expenses	(12,250)	-
Other	(16,069)	(58,473)
Total network expenses with third parties	($ 1,811,861)	($ 1,910,477)
General expenses with third parties:		
Personnel	($ 1,767,157)	($ 1,856,546)
Advertising	(440,789)	(518,590)
Professional fees	(183,480)	(76,844)
Office, warehouse and points of sale maintenance	(110,866)	(118,075)
Call center	(103,090)	(86,405)
Leases	(98,822)	(92,357)
Collection service	(92,699)	(72,096)
Freight	(34,463)	-
Warehouse handling	(18,870)	-
Other	(70,502)	(181,213)
Total general expenses with third parties	($ 2,920,738)	($ 3,002,126)
General expenses with related parties		
Administrative services	($ 283,140)	($ 159,887)
Advertising	(145,764)	(79,799)
Security	(32,879)	(19,428)
Professional fees	(13,729)	(2,212)
Maintenance	(11,033)	-
Insurance	(7,087)	-
Licences and software	(4,073)	-
Leases	-	(36,381)
Other	(16,296)	(9,450)
Total general expenses with related parties	(514,001)	(307,157)
Total general expenses	($ 3,434,739)	($ 3,309,283)

NOTE 21 – INFORMATION BY SEGMENTS:

Management of TP Group identifies two major service lines as operating segments (see Note 2e). These operating segments are supervised by those making strategic decisions, which are made taking as a basis the adjusted operating results of the segment:

a. <u>TotalPlay Residential</u>. Offers a state-of-the-art IPTV system (*Internet Protocol TV*) and is commercialized through the *Double Play* or *Triple Play* packages. The main services offered consist of:

- Linear Television. The customer is provided with a decoder of state-of-the-art technology and a Wi-fi Extender. Among the additional services at no cost: VOA (*Video on Demand*), parental control and *Anytime* (up to seven days deferral of certain channels);
- Internet. Provided by a FTTH network (*Fiber to-the home*) of fiber optic unique in Mexico (*backbone* of 200 gigabits), which allows having high speed and quality.
- Apps contents. The Company has internally developed a TV interface for its users, allowing the integration of popular apps, offering its subscribers all services under the same platform.
- Telephony. In addition to the traditional service, from a mobil app, customers may have worldwide coverage as if they were calling or receiving calls on their fixed line.

b. <u>TotalPlay Empresarial (for businesses)</u>. Offers telecommunication solutions and Information Technologies to resolve connectivity issues for better improving operations and business processes of private sector entities and public sector institutions. Among the main solutions:

- Planes empresariales (plans for businesses). With high speed internet (symmetrical or asymmetric), telephony and value-added services.
- Plans with backup included. Dedicated internet, LAN (*Local Area Network*) to LAN, MPLS (*Multiprotocol Label Switching*), management portal for business services, among other.
- Cloud-base solutions such as G-Suite, virtual servers, fleets, video surveillance, and safe navigation. These solutions offer a secure network, available, private and competitive.
- Comprehensive technological solutions for: video surveillance, corporate and branches, and security, under a managed services model.

The table below presents the information by segments for years ended December 31, 2019 and 2018:

	Year ended December 31, 2019			
	Totalplay Residential	Totalplay Empresarial	Corporate and other	Consolidated
Revenue from services	$ 9,456,689	$ 4,691,636	$ 119,039	$ 14,267,364
Cost of services	(2,312,826)	(1,155,549)	(37,730)	(3,506,105)
Operating expenses	(2,437,520)	(1,030,422)	(1,778,658)	(5,246,600)
Depreciation and amortization, financial cost and other	(3,097,160)	(245,637)	(1,553,275)	(4,896,072)
Net income	$ 1,609,183	$ 2,260,028	($3,250,624)	$ 618,587
	At December 31, 2019			
Customers	$ 481,646	$ 1,619,248	$ 55,047	$ 2,155,941
Property, plant and equipment – Net	14,982,919	7,433,299	188,603	22,604,821
Right-of-use assets – Net	2,399,707	1,190,538	28,208	3,620,453

	Year ended December 31, 2018			
	Totalplay Residential	Totalplay Empresarial	Corporate and other	Consolidated
Revenue from services	$ 6,805,993	$ 3,681,431	$ 81,851	$ 10,569,275
Cost of services	(1,834,885)	(528,565)	(24,281)	(2,387,731)
Operating expenses	(2,435,400)	(1,162,672)	(1,621,688)	(5,219,760)
Depreciation and amortization, financial cost and other	(1,777,574)	(58,800)	(1,359,116)	(3,195,490)
Net income	$ 758,134	$ 1,931,394	($2,923,234)	($ 233,706)
	At December 31, 2018			
Customers	$ 339,799	$ 886,552	$ 15,699	$ 1,242,050
Property, plant and equipment – Net	11,783,242	6,373,676	141,710	18,298,628
Right-of-use assets – Net	-	-	-	-

NOTE 22 – SUBSEQUENT EVENTS:

a. Debt issue. On March 2, 2020, the Company, its subsidiary Total BOX, S.A. de C.V., BAZ as fiduciary of Fideicomiso (Trust) F/1136 and CI Banco, S.A., carried out the issue of securitized certificates up to an amount of $5,000,000. On its first issue, a total of $2,500,000 were placed at an annual interest rate of 9.70%; in its first period, the resources will be used for debt substitution bearing an interest rate greater than that placed and for working capital. The securitized certificates are traded on the Bolsa Institucional de Valores, S.A. de C.V. (the Institutional Stock Exchange – BIVA), thus the Company is subject to comply with certain corporate, legal and financial information obligations.

b. Concession rights renewal. On March 25, 2020, the Company informed that the Federal Telecommunications Institute had renewed the concessions rights to operate and exploit a public telecommunications network, for a term of 30 years, from October 16, 2025 through October 16, 2055.

c. Capiprom loan. On April 13, 2020, the Company entered into a loan contract with Capiprom for $1,560,000 at an annual interest rate equivalent to TIIE at 28 days plus 375 basis points. The resources so obtained will be used to substitute debt bearing a higher interest rate.

d. COVID-19. On January 30, 2020, the World Health Organization ("OMS") announced a global health emergency due to the new strain of coronavirus originated in the province of Wuhan, China ("the COVID-10 outbreak") and for the risks for the international community for having spread beyond its site of origin. In March 2020, the OMS classified the COVID-19 as pandemic, based on the rapid growth of the global exposure.

   The impact of the COVID-19 outbreak continues developing as of the date of the audited financial statements. In consequence, it is uncertain the full magnitude the pandemic will have on the financial condition, liquidity and future operating results of the Company. Management is actively monitoring is financial condition, its liquidity, its operations, its suppliers, the industry and its personnel. Given the daily evolution of the COVID-19 outbreak and the global response to contain its dissemination, Management does not have the elements to estimate the effects in 2020 on the financial situation, results of operation, or liquidity of the Company.

The COVID-19 outbreak could have an adverse prolonged impact on the economic and market conditions and could trigger a period of global economic slowdown, which could affect the value of Company´s assets, such as its intangible assets.

Despite the fact that Management cannot estimate the impact of the COVID-19 outbreak as at the date of these audited financial statements, it could have a negative effect on the financial position, results of operation and liquidity of the Company for year 2020.

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