



telesites

Focused on the
future

2017 Annual report

About the company

Telesites is a Mexican company that builds, installs, maintains, operates and sells various types of passive telecommunications infrastructure—towers and support structures, physical spaces and other non-electronic elements. With more than 15,000 towers spread across the nine regions in Mexico and Costa Rica, Telesites is the largest tower operator in Mexico, and the second largest in Latin America.

Faced with a steadily growing demand for voice and data services and rapidly evolving telecommunications technology, carriers must continuously expand the infrastructure used for providing their services. This means a strong growth potential for Telesites.



2017 was a year of growth and achievements for Telesites, primarily in Mexico: clients were co-located in more than a thousand towers and 815 new sites were added to our portfolio. Through these facilities, we are able to constantly offer new locations in both urban and rural zones, building interest in our infrastructure among current and prospective clients. Telesites reiterates its commitment to value generation for our shareholders through top-quality services.

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Telesites at a glance

Location of our sites

Region ① 756

Baja California
Baja California Sur

Region ② 1,128

Sinaloa
Sonora

Region ③ 848

Chihuahua
Durango

Region ④ 1,771

Coahuila
Nuevo León
Tamaulipas

Region ⑤ 1,827

Colima
Jalisco
Michoacán
Nayarit

Region ⑥ 1,737

Aguascalientes
Guanajuato
Querétaro
San Luis Potosí
Zacatecas

Region ⑦ 2,451

Guerrero
Oaxaca
Puebla
Tlaxcala
Veracruz

Region ⑨ 2,802

Mexico City
State of Mexico
Hidalgo
Morelos

Region ⑧ 1,746

Campeche
Chiapas
Quintana Roo
Tabasco
Yucatán

15,066

towers in
Mexico

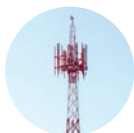
268

towers in
Costa Rica

Types of sites



Guyed



Self-supporting

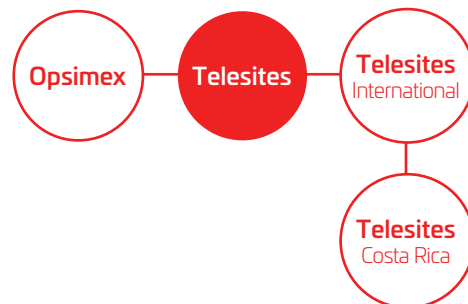


Mast
(rooftop)



Unipolar

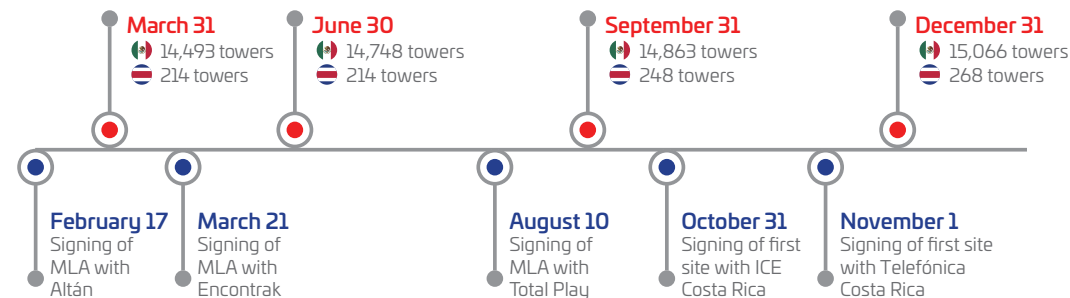
Corporate structure



Timeline

● Tower construction

● Other events



To our shareholders



Mexico City, April 11, 2018

**To the General Shareholders' Meeting
and Board of Directors
Telesites, S.A.B. de C.V.**
Present

In accordance with article 44 section XI of the Mexican Securities Market Act, in correlation with article 172 of the General Business Corporations Law, and in my capacity as Chief Executive Officer of Telesites, S.A.B. de C.V. (the "Company" or "Telesites"), I am pleased to present this report on the Company's operations during the fiscal year ended December 31, 2017.

Economic overview

The global financial climate was less volatile in 2017 than it had been the year before, although there were some moments of uncertainty such as the renegotiation of the North American Free Trade Agreement, inflation and interest rates in the United States and Mexico.

The U.S. economy grew 2.3% during the year, spurred on by a 6.7% increase in consumer durables that was helped by higher real wages and low unemployment, along with a 3.2% increase in private investment. The Federal Reserve continued its monetary policy normalization, consisting of a 75 basis points hike in the benchmark rate during the year, to end at 1.50%, on expectations that the strength of the domestic economy and the tax reform would drive prices higher.

In Mexico, Gross Domestic Product grew by 2.0%, slightly less than in 2016. The primary and service sectors were able to offset a modest decline in industrial activities, resulting primarily from lower oil production. At the same time, a 3.8% increase in formal employment and a 7.5% rise in remittances in peso terms favored a growth of more than 3% in domestic consumption. Inflation reached 6.8% in the year, driven by higher prices on natural gas and gasoline, as well as food.

The peso gained 5.2% in value against the dollar in 2017, closing at Ps. 19.70, after devaluing as far as Ps. 22.00 at the start of the year.

5.61% growth in the portfolio of new towers integrated to revenues (760 new towers in Mexico and 55 in Costa Rica)

Key financial data

2017 Financial and operating highlights

Portfolio at the close of 2016	14,519
New sites built	815
Total portfolio 2017	15,334
Tenancy ratio	1.126
Total revenues (Ps. million)	5,855.3
Tower rent revenues (Ps. million)	3,812.3
EBITDA (Ps. million)	3,485.3
EBITDA margin	59.5%

Total towers in Mexico
and Costa Rica

15,334



*EBITDA grew 14.3%
in the year, and the
margin was 59.5%*

Mexico's trade deficit shrank in the year due to a boost from exports to the United States, which rose 8.1% and offset an increase in the oil deficit, which reached US\$18.40 billion in 2017. Meanwhile, Banco de México continued its restrictive monetary policy in an effort to control inflation, raising the benchmark rate five times in 2017, from 5.75% to 7.25%.

The country's manufacturing platform, fundamental to its exports, expected investments in the energy sector in the coming years, and in infrastructure, and expectations of a reasonable outcome in the NAFTA renegotiations, placed the country on stronger footing to face internal and external challenges, although the possibility of political uncertainty might affect the outcome.

One of last year's main events for the telecommunications industry was the start of deployment of the Red Compartida project, which targets an initial coverage of 30% of the population by March 31, 2018. This will increase the demand for telecommunications infrastructure over the next five years, in which the final goal is to cover 92.2% of the population.

Report on operating and financial results

The following are my comments on the most important figures contained in the financial statements as of the close of 2017, which are attached to this report, including the opinion of the External Auditor.

At the beginning of 2017, Telesites had a portfolio of 14,519 towers generating revenues. Over the course of the year, we added 760 new towers to our portfolio in Mexico and 55 in Costa Rica, bringing the total to 15,334 at the end of the year—an annual growth of 5.61%.

One of the Company's main goals is to increase the number of co-locations. In 2017 it was able to add 1,255 co-locations, making substantial progress on this front. In Mexico, backed by a reference offer, our Company has Master Lease Agreements with Telcel, Telefónica, AT&T

and Altán. In addition to these, the Company also began a commercial relationship with Total Play and Encontrack, which are not mobile telephony operators and thus do not compete for the bands that are useful for cell phone spectrum. This is a sign of our interest in diversifying the client portfolio. Furthermore, in Costa Rica, Telesites began to co-locate both with Telefónica Costa Rica and the Instituto Costarricense de Electricidad (the government agency in charge of telecommunications and electrical energy in that country).

Telesites earned revenues of Ps.5.9 billion in 2017, a year-to-year growth of 8.1%. EBITDA grew by 14.3%, improving our EBITDA margin to 59.5% thanks to the investments of previous periods and the Ps. 1.4 billion invested in 2017 in construction of towers in both Mexico and Costa Rica.

We are looking ahead to a good year in 2018, when we intend to continue improving our margins through co-locations on both regions where we operate, and by building new towers.

Our Company continues to concentrate on creating value by: (i) increasing client co-location; (ii) organic growth in the regions where we operate; (iii) seeking out new growth opportunities; (iv) ensuring efficient resource management; (v) forging closer ties with our clients, suppliers and employees; (vi) incorporating new platforms to improve service to our tenants; (vii) continuously improving our planning, construction and maintenance processes.

Sincerely,

Gerardo Kuri Kaufmann
Chief Executive Officer
Telesites, S.A.B. de C.V.





More towers... more clients

Our portfolio in Mexico, counting the 760 new towers added during the year, is the largest in the country, and we have outpaced our competitors both in terms of tower construction and overall growth in recent years. In Costa Rica, since we first began operations in this country, we have added 268 towers to the portfolio and continue to work on increasing the number of co-locations.

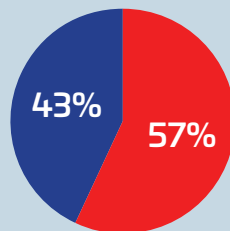
During 2017 we also increased the number of clients, bringing in Altán, Encontract and Total Play in Mexico, as well as Telefónica Costa Rica and the Instituto Costarricense de Electricidad. We attribute this success to our determination to diversify the client base, focusing primarily on mobile telephony operators but also seeking out opportunities with clients in other areas of business.

1,255
new
co-locations



Geographic diversification

Due to the growth of telecommunications in Mexico, the geographic footprint of our tower portfolio has extended to all key points in the country. Our towers also offer higher potential yield, because growth in the past year was concentrated in urban areas across the country, translating into attractive and potentially unique locations for our clients.



- Towers in urban areas
- Towers in rural areas





Rising potential *demand*

Consumer need for data has doubled in the past two years, according to the private research firm Competitive Intelligence Unit, mainly because of the increasing use of the internet for video, driven in turn by the increasingly widespread use of smartphones. This translates into a demand for new sites and co-locations, and Telesites has high-quality passive infrastructure, premium locations and excellent services.

90%

mobile phone
penetration in Mexico vs.
~ 118% in Latin America

Source: IFT, 3Q17



Operating summary

Revenues
Ps. 5.85
billion

Margin
59.5%

EBITDA
Ps. 3.48
billion

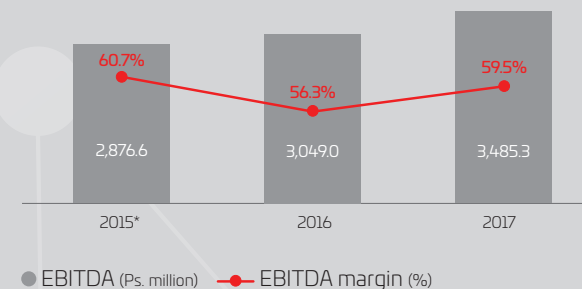
Results

Revenues in 2017 totaled Ps. 5.85 billion, of which Ps. 3.81 billion, or 65.1%, came from tower rentals. Land rental results are transferred fully to the client and do not entail the use of cash or receipt of revenues, which totaled Ps. 1.85 billion in the year.

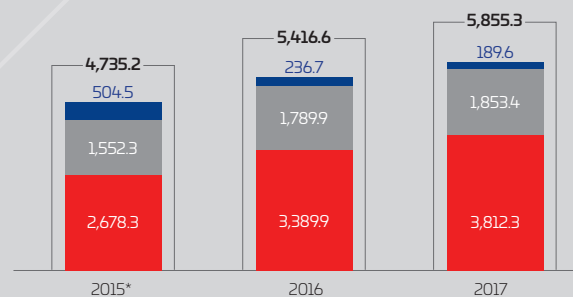
EBITDA resulted in a margin of 59.5%, and totaled Ps. 3.48 billion. At the end of 2017, the Company reported debt totaling Ps. 22.48 billion, and a net cash position of Ps. 561.5 million. The result was a net debt of Ps. 21.92 billion. The leverage ratio (net debt/EBITDA) was equivalent to 6.3x.



EBITDA

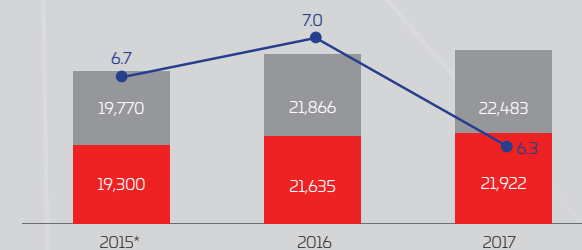


Total revenues (Ps. million)



● Tower revenues ● Land revenues ● Other revenues

Debt



● Total debt (Ps. million) ● Net debt (Ps. million) ● Leverage

* Revenues in 2015 include Ps. 438.1 million in non-recurring revenues resulting from a change in the estimated reserve for asset retirement.

Corporate governance



6

regular
directors

Administration of the Company is the responsibility of a Board of Directors, which is currently made up of six (6) regular directors and no designated alternates. Telesites' bylaws stipulate that the Board of Directors has between five and twenty-one directors and an equal number of alternate directors. Directors need not be shareholders, but a majority of the directors and alternate directors must be Mexican citizens and elected by Mexican shareholders.

Directors and alternate directors are elected or reelected at each annual general shareholders' meeting. In accordance with the Mexican Securities Market Law (LMV), the determination as to the independence of Telesites' directors is made by Telesites' shareholders, though the Mexican Banking and Securities Commission may challenge this determination. Pursuant to our bylaws and the Mexican Securities Market Law, at least 25% of Telesites' directors must be independent. Currently close to 70% of our directors are independent, a proportion significantly higher than that required by law. Meetings of the Board of Directors may be legally called to order if the majority of its members are present.

Our bylaws also state that the members of the Board of Directors are elected for a term of one year. Pursuant to the General Law on Commercial Corporations (LGSM), however, members of the Board continue in their positions after the expiration of their terms for up to an additional thirty-day (30) period if new members are not elected and substitutes have either not been designated for the departing member of the Board or have not

assumed their roles. Furthermore, under certain circumstances provided under the LMV, the Board of Directors may elect temporary directors who then may be elected or replaced at the shareholders' meetings.

The following is a list of the current members of the Board of Directors, their position on the Board, their business experience and other board experience, appointed to serve for the period from April 2018 to April 2019. Shareholders ratified these board members' positions in the General Ordinary Annual Shareholders' Meeting of April 30, 2018.

Verónica Ramírez Villela and Eriván Urióstegui Hernández serve as secretary and secretary pro tem, respectively, of the Board of Directors of Telesites, but are not members of that board.

There is no relationship, by blood or by marriage, between members of the Company's Board of Directors and its senior executives.

The Company does not maintain pension, retirement or other such plans for members of the Board of Directors, senior executives or other parties that may be considered related to the Company.

Name	Position	Type	Years as member	% by gender
Juan Rodríguez Torres	Chairman	Independent	2 years	At present 100% of the Board members of the Company are men.
Gerardo Kuri Kaufmann	Regular member	Related	2 years	
Daniel Goñi Díaz	Regular member	Independent	2 years	
Daniel Díaz Díaz	Regular member	Independent	2 years	
Víctor Adrián Pandal González	Regular member	Related	2 years	
Luis Ramos Lignan	Regular member	Independent	2 years	

Board of directors

Member	Position/Type	Profile
Juan Rodríguez Torres	Regular independent member	Mr. Rodríguez received a bachelor's degree in Civil Engineering from the Universidad Nacional Autónoma de México and has a master's degree in Operations Research and Industrial Engineering. He is 78 years old. He is also a member of the board of directors of Procorp, S.A. de C.V., a capital investment company, Grupo Sanborns, S.A.B. de C.V. and Elementia, S.A. de C.V. (for which he also serves as chairman of the audit committee), board member of Minera Frisco and chairman of its audit and corporate practices committee, and a consulting board member of Grupo Financiero Banamex. In addition, Mr. Rodríguez serves as a board member of the following Spanish corporations: Fomento de Construcciones y Contratas, S.A. and Cementos Portland Valderribas, S.A. and their committees; and as the non-executive president of the real estate group REALIA Business, S.A. Mr. Rodríguez is the founder of various companies in the real estate and footwear industries.
Daniel Díaz Díaz	Regular independent member	Mr. Díaz has a bachelor's degree in Civil Engineering from the Universidad Nacional Autónoma de México. He is 84 years old. He served in the public sector as under secretary for Infrastructure and Secretary of Communications and Transportation. From 1990 to 1997 he served as a member of the board of the Universidad Nacional Autónoma de México. He served as General Director of the Instituto Mexicano del Transporte and, from 2000 to 2001, as general director of Caminos y Puentes Federales de Ingresos y Servicios Conexos. From 2003 to 2005 he was an infrastructure project advisor to the Fundación del Centro Histórico de la Ciudad de México, A.C., and currently serves on the boards of Carso Infraestructura y Construcción, S.A. de C.V. and Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V.
Luis Ramos Lignan	Regular independent member	Mr. Ramos has an undergraduate degree in Civil Engineering and a master's degree in Hydraulics from the Universidad Nacional Autónoma de México. He is 78 years old. He has served as chairman of the Colegio de Ingenieros Civiles de México and the Cámara Nacional de Empresas de Consultoría. He is currently CEO of Ingeniería y Procesamiento Electrónico, S.A. de C.V. and president of the Instituto Mexicano de Auditoría Técnica, A.C., and is a citizen board member of the State of Mexico Electoral Commission.
Daniel Goñi Díaz	Regular independent member	Mr. Goñi Díaz has an undergraduate degree in Law from the Universidad Nacional Autónoma de México. He is 66 years old. He is notary public number 80 in the State of Mexico and has served as secretary, vice president and president of the Mexican Red Cross on several occasions. He has also been citizen board member of the State of Mexico Electoral Commission.
Víctor Adrián Pandal González	Regular related member	Mr. Pandal has an undergraduate degree in Business Administration from the Universidad Iberoamericana. He is 44 years old. He also holds a master's degree in Business Administration from Boston University. From April 2002 to the present, he has served as general director of the Fundación del Centro Histórico de la Ciudad de México, A.C.
Gerardo Kuri Kaufmann	Regular related member	Mr. Kuri holds a bachelor's degree in Industrial Engineering from the Universidad Anáhuac. He is 34 years old. From 2008 to 2010, he served as purchasing director of Carso Infraestructura y Construcción, S.A. de C.V. Since the founding of Inmuebles Carso, S.A.B. de C.V., and until April 2016, he was CEO of that company, and today is a member of its board, as well as of the board of all its subsidiaries. He is also a member of the board of directors of Minera Frisco, S.A.B. de C.V.; Elementia, S.A. de C.V.; Fomento de Construcciones y Contratas, S.A. and Cementos Portland Valderribas, S.A., Realia Business, S.A. and Carso Infraestructura y Construcción, S.A. de C.V.

Report of the **audit and corporate practices committee**

**To the Board of Directors of
Telesites, S.A.B. de C.V.**
Present

In accordance with article 43, sections I and II of the Securities Market Law (SML), and pursuant to the recommendations contained in the Code of Best Corporate Practices, on behalf of the Audit and Corporate Practices Committee of Telesites, S.A.B. DE C.V. (the “Company” or “Telesites”), we hereby present to you our report on the activities carried out by this corporate committee in the performance of its duties during the fiscal year ended December 31, 2017.

One of the basic responsibilities of Company management is to issue financial statements that have been prepared on the basis of applicable financial reporting standards. These financial statements should reflect in a clear, sufficient and appropriate manner the operations of the Company and the corporations it controls. Furthermore, Company management is charged with introducing appropriate internal control and internal audit systems, and appropriately and promptly disclosing any material information for the investing public as provided for by law. On its part, as an auxiliary body of the Board of Directors, the Audit and Corporate Practices Committee is responsible for overseeing the management, direction and execution of the Company’s businesses and those of the corporations it controls, and for verifying the Company’s compliance with various operating and internal control procedures.

In pursuit of these duties, the Company’s Audit and Corporate Practices Committee has reviewed the consolidated financial statements with figures as of December 31, 2017, and the opinion of the Company’s External Auditors regarding that information.

In fulfillment of its primary audit responsibilities, the Committee carried out the following activities:

- a)** In regular meetings of this corporate body, we were informed of transactions carried out by the Company and the corporations it controls in the pursuit of their respective corporate purposes, and the expected results of those projects.
- b)** We evaluated the performance of Despacho Mancera, S.C., a member of Ernst & Young Global Limited, and found it to be acceptable and, accordingly, we recommended that the Board of Directors ratify its appointment as External Auditor, to review the financial statements and prepare the corresponding audit opinion of the Company and the corporations it controls for fiscal year 2017. To do so, we verified the appropriate preparation and presentation of the interim financial information for the Company, corroborating whether it was clear, precise and in compliance with international financial reporting standards.
- c)** We approved the fees paid to the External Auditor as well as the program for issuing its opinion on the financial statements for fiscal year 2017.
- d)** We found no relevant cases of non-compliance with the operating or accounting guidelines or policies of the Company or its subsidiaries as of December 31, 2017.
- e)** It was not necessary to acquire services that would expand or complement the external audit, but the Company did hire independent experts to assess the useful life and valuation of assets and issue their opinions. The Committee considered these opinions acceptable and recommended to the Board that they be incorporated into the Company’s books.
- f)** We reviewed the financial statements for the Company and its subsidiaries as of December 31, 2017, the External Auditor’s report, and the accounting policies used in preparing the financial statements, and verified that the necessary information was disclosed in keeping with current regulations. After having discussed their content with the persons responsible for preparing them, and having heard the comments of the External Auditor, who is responsible for providing an opinion on the reasonableness of the financial statements and the extent to which they conform to financial reporting standards, we recommended that the Company’s Board of Directors approve those statements for presentation to the ordinary annual shareholders’ meeting of the Company, because we believe they reasonably reflect the Company’s financial situation as of the date indicated.
- g)** There were no modifications and/or authorizations regarding the accounting policies of the Company or its subsidiaries, and the books reflect only adjustments to the Company’s accounting estimates to incorporate the opinions of the external experts hired to analyze the useful life of Company assets.
- h)** We followed up on implementation of the Company’s policies and processes regarding risk management, internal control and auditing, as well as the status of the internal control system. Furthermore, the Committee was informed of various non-relevant deficiencies or discrepancies detected by the internal audit area, and in this respect the Company management also informed us of the measures taken to correct them. It should be noted that we detected no relevant breaches of the internal control policies established by the Company.

i) We approved the work program of the internal auditor for fiscal year 2017 and followed up on and verified that it was observed.

j) We supported the Board of Directors in preparing the reports referred to in article 28, section IV of the SML.

k) We reviewed and recommended that the Board of Directors approve the transactions carried out by the Company under the terms mentioned in article 28 of the Securities Market Law, particularly with regard to transactions with related parties, verifying that these were carried out at market values and on the basis of the corresponding transfer price studies. We also saw to it that these transactions were reviewed by the Company's External Auditor, as indicated in the corresponding note to transactions with related parties in the report on the consolidated financial statements of the Company with data as of December 31, 2017.

l) We followed up on the resolutions of the shareholders' meeting and the board of Directors.

Additionally, and in fulfillment of its primary Corporate Practices duties, the Committee carried out the following activities:

a) Evaluated the performance of key executives of the Company and its subsidiaries.

b) Reviewed and followed up on Telesites' transactions with related parties and those of the corporations it controls, which were carried out during the ordinary course of business and under market conditions.

c) Analyzed the process of compensation for Company employees, including its key executives.

d) Based on the analysis of the Company's results and the interviews held with key executives, we found its performance during the fiscal year to have been satisfactory.

e) No requests were received relating to the permissions mentioned in article 28, section III, point f) of the SML.

f) Continued the supervision of the Company's corporate and legal situation, verifying that it remained in compliance with the applicable laws and regulations.

No observations were received from shareholders, board members, key executives, employees or third parties regarding accounting practices, internal controls or issues relating to internal or external audits of the Company, nor were there any reports of actions or situations deemed irregular in its administration or which may have had an adverse effect on the Company's financial situation.

We have reviewed the consolidated financial statements of the Company for the fiscal year ended December 31, 2017, and the opinion of the Company's External Auditor, finding that they were prepared in accordance with accounting policies, procedures and practices consistent with financial reporting standards, and we agree with the content of that opinion as we believe they reasonably reflect the financial position of the Company as of December 31, 2017. We believe the management, direction and execution of the Company's businesses during fiscal year 2017 was carried out appropriately by Company management.



We make the foregoing statement for the purpose of complying with the obligations entrusted to this corporate body and provided for in the SML, and with any other duty that has been or is entrusted to us by the Company's Board of Directors, further noting that in the preparation of this report we took into account the opinion of key executives of Telesites.

Ing. Daniel Díaz Díaz

Chairman of the Audit and Corporate Practices Committee
Telesites, S.A.B. de C.V.

Investor information

Investor relations:

Rafael Rogelio Barradas Servín
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Stock information:

Telesites, S.A.B de C.V. B1 series
is listed on the Mexican Stock Exchange
under the ticker symbol "SITES".

Website:

<https://www.telesites.com.mx/>

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