

Financial and operating report

Fourth quarter 2017

Date of publication: February 26th, 2018

Telesites, S. A. B. de C. V. ("Telesites" or "the Company") reports its financial and operating results as of fourth quarter of 2017.

Portfolio growth (LTM):

5.61%

4Q16 vs. 4Q17

Global portfolio of towers: 15,334 towers

Mexico
15,066 (98.2%)

Costa Rica
268 (1.8%)

EBITDA growth (LTM):

18.8%

4Q16 vs. 4Q17

2017 new adds included in tower revenues:

815

Total accumulated signed co-locations (Ex-AMX):

1,202

As of the fourth quarter of 2017, Telesites shows a modest Capex due to the lack of investment in multiple markets, however, the company maintains its position as a leader, scaling coverage by 5.61% vs. 2016, an increase in 815 new towers generating revenues.

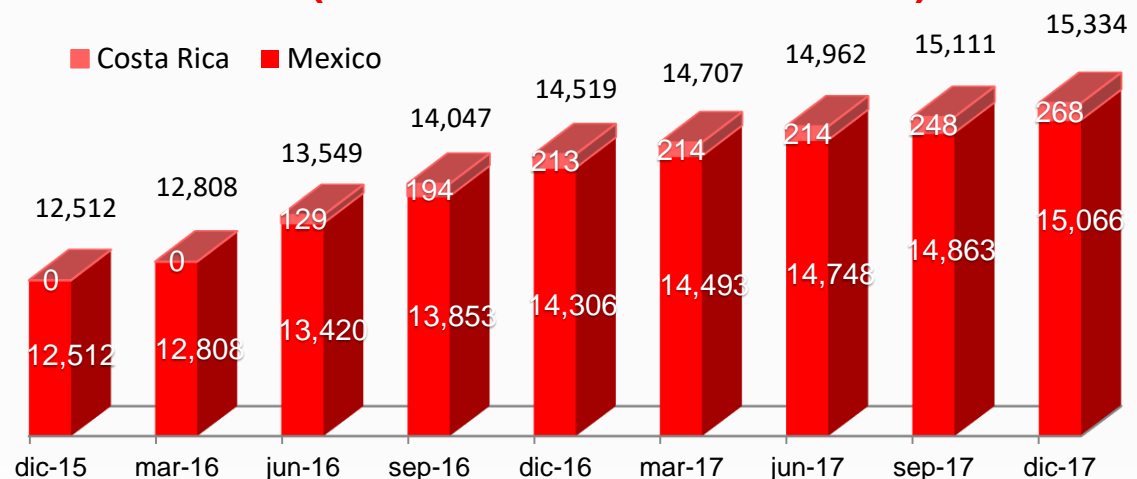
Our co-location demand improve to 869 sites from AMX and another 1,067 from other clients, both concepts are accumulated to the 4Q17 and included in revenues.

Telesites considers future landscape in Mexico with positive expectations, since as of today, the rise in data consumption, demands for a greater supply of new and existing towers.

Telesites reports a global portfolio of 15,334 towers included in revenue at the closing of the 4Q, meaning an increase of 223 towers vis a vis previous quarter. Currently, 142 towers are on some stage into building process. Talking about co-locations ex-AMX, Telesites has signed 1,202 individual site agreements at the end of the 4Q17, which means an increase of 196 vs. 3Q17.

Graph 1: Telesites total towers (Considering Mexico & Costa Rica)

Global Total Towers (included in tower revenue)



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Results

Revenues during the fourth quarter were 1,467.8 million pesos, of which 1,008 million pesos come from tower income (68.7%). From October to December of 2017, revenues were 10.6% higher than the same quarter of the previous year. Accumulated revenues for 2017 increased 9.4% compared with 2016, reaching 5,665.7 million pesos.

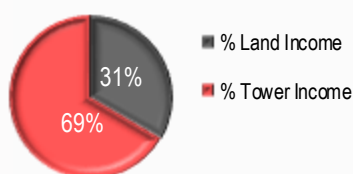
Accumulated EBITDA from October to December of 2017 was 911 million pesos, resulting 62.1% margin. EBITDA generated during 2017 represented an increase of 13.0% YoY which is translated to 3,445.8 million pesos.

Table 1: Telesites QoQ revenue breakdown

	1Q17	2Q17	3Q17	4Q17	2017
Revenues (MM\$MX)	1,372.3	1,389.6	1,436.1	1,467.8	5,665.7
Land rent	458.1	461.2	474.4	459.7	1,853.4
Tower revenues	914.1	928.4	961.7	1,008.0	3,812.3
Total Costs (MM\$MX)	541.1	558.1	563.9	556.8	2,219.9
Land rent	451.8	462.7	469.1	480.1	1,863.7
Administrative and operating expenses	89.2	95.4	94.8	76.7	356.2
Administrative expenses	19.8	24.6	33.6	65.8	143.7
Operating expenses	69.4	70.9	61.2	11.0	212.5
EBITDA (MM\$MX)	831.2	831.5	872.2	911.0	3,445.8

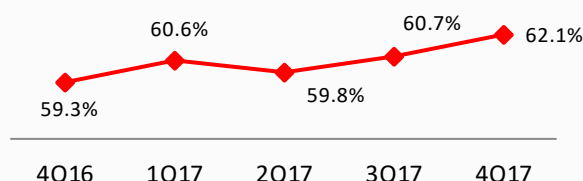
Graph 2: Revenue Breakdown

Revenues 4Q17



Graph 3: EBITDA Margin QoQ

EBITDA Margin (QoQ)



Revenues 4Q17:

1,467.8
million pesos

EBITDA 4Q17:

911.0
million pesos

Average rent per tower 4Q17:

19,985
pesos per month

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Depreciation from 4Q17:

30 years

Telesites recalculated its 2017 annual depreciation; as a result of it, yearly depreciation was reduced by \$827.3 million pesos. This recalculation derived from a study conducted by an independent consultant and validated by the external audit firm, with concluded that the tower's useful life is up to 30 years; Telesites previously considered 20 years.

This accurately reflects the reality of the towers according to their structure, preventive maintenance and their current state of conservation.

	Before conversion (20 years)	After conversion (30 years)
Yearly Depreciation 2017	(2,839)	(2,012)

*Amounts in million pesos

Tenancy Ratio:

1.126

tenants per tower

Table 2: Quarterly breakdown of Telesites tower leases

		4Q17
Mexico	Portfolio of towers included in revenues EOP	15,066
	Total quantity of rents included in revenues EOP	17,001
Costa Rica	Portfolio of towers included in revenues EOP	268
	Total quantity of rents included in revenues EOP	269
Consolidated	Portfolio of towers included in revenues EOP	15,334
	Rents included in revenues EOP: AMX	15,334
	Rents included in revenues EOP: AMX adds (equivalents)	869
	Rents included in revenues EOP: Others	1,067
	Total rents included in revenues EOP	17,270
	Tenancy ratio EOP	1.126

Leverage ratio: 6.4x

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Consolidated statements of Financial Position (In thousands of Mexican pesos)

	As of Dec 31st 2017		As of Dec 31st 2016		4Q17 vs. 4Q16
Assets					
Current Assets					
Cash and equivalents	561,476	1.3%	231,533	0.5%	142.5 %
Accounts Receivable	240,267	0.5%	284,985	0.65%	(15.7)%
Recoverable taxes	25,176	0.1%	223,458	0.5%	(88.7)%
Total current assets	826,919	1.9%	739,976	1.7%	11.7 %
Non-current assets					
Towers, construction and others	50,431,539	113.2%	48,032,107	109.0%	5.0 %
Property and equipment, net	53,657	0.1%	31,138	0.1%	72.3 %
Depreciation	(6,864,313)	(15.4)%	(4,880,607)	(11.1)%	40.6 %
Total non-current assets	43,620,883	97.9%	43,182,638	98.0%	1.0 %
Deferred tax assets					
Deferred tax assets	6,273	0.0%	28,492	0.1%	(78.0)%
Other assets					
Other assets	109,613	0.2%	99,280	0.2%	10.4 %
Total assets	44,563,688	100%	44,050,386	100%	1.2 %
Liabilities and equity					
Short term debt					
Short term debt	463,258	1.0%	345,486	0.8%	34.1 %
Accounts payable					
Accounts payable	526,373	1.2%	628,146	1.4%	(16.2)%
Taxes payable					
Taxes payable	248,317	0.6%	76,094	0.2%	226.3 %
Interests payable					
Interests payable	493,457	1.1%	476,492	1.1%	3.6 %
Total short term liabilities	1,731,405	3.9%	1,526,218	3.5%	13.4 %
Long term debt					
Long term debt	22,018,851	49.4%	21,520,659	48.9%	2.3 %
Deferred income taxes					
Deferred income taxes	10,244,004	23.0%	10,488,050	23.8%	(2.3)%
Asset retirement obligation					
Asset retirement obligation	860,112	1.9%	831,670	1.9%	3.4 %
Other liabilities					
Other liabilities	4,452	0.0%	3,767	0.0%	18.2 %
Total long term liabilities	33,127,419	74.3%	32,844,146	74.6%	0.9 %
Total liabilities	34,858,824	78.2%	34,370,363	78.0%	1.4 %
Equity					
Share capital					
Share capital	35,000	0.1%	35,000	0.1%	0.0 %
Surplus					
Surplus	23,434,711	52.6%	23,861,672	54.2%	(1.8)%
Other components of equity					
Other components of equity	(13,067,482)	(29.3)%	(13,266,172)	(30.1)%	(1.5)%
Conversion effect					
Conversion effect	555	0.0 %	702	0.0 %	(20.9)%
Net income for the year					
Net income for the year	(697,920)	(1.6)%	(951,179)	(2.2)%	(26.6)%
Total Equity	9,704,864	21.8%	9,680,023	22.0%	0.3 %
Total liabilities and equity	44,563,688	100%	44,050,386	100%	1.2 %

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Consolidated statements of Comprehensive Income (In thousands of Mexican pesos)

	As of December 31st 2017	As of December 31st 2016	4Q17 vs. 4Q16
Revenues	5,665,715	5,179,898	9.4%
Land	1,853,442	1,789,975	3.5 %
Tower	3,812,273	3,389,924	12.5 %
Expenses	(4,262,231)	(4,687,911)	(9.1)%
Land Rent	(1,863,678)	(1,734,152)	7.5 %
Administration and Operating Expenses	(356,187)	(396,452)	(10.2)%
Depreciation and Amortization	(2,042,366)	(2,557,308)	(20.1)%
Operating Result	1,403,484	491,987	185.3 %
Financial Expenses	(1,998,615)	(1,547,014)	29.2 %
Other Income	55,688	309	N/A
	(1,942,926)	(1,546,705)	25.6 %
Loss Before Income Taxes	(539,443)	(1,054,718)	(48.9)%
Current Income Taxes	(689,993)	(534,495)	29.1 %
Deferred Taxes	531,515	638,034	(16.7)%
	(158,478)	103,539	(253.1)%
Net Income	(697,920)	(951,179)	(26.6)%
EBITDA	3,445,849	3,049,295	13.0 %

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Consolidated statements of Cash Flows (In thousands of Mexican pesos)

	From January 1st to December 31st 2017	From January 1st to December 31st 2016	4Q17 vs. 4Q16
Operating activities			
Net income	(697,920)	(951,179)	-26.6%
Taxes	158,478	(103,517)	-253.1%
Interest gained and paid, net	1,976,334	1,547,134	27.7%
Depreciation and Amortization	2,116,429	2,557,196	-17.2%
Account receivables	13,009	(112,842)	-111.5%
Other accounts receivables	80,388	11,900	575.5%
Account payable	(99,185)	178,948	-155.4%
Other accounts payable	789,429		N/A
Other adjustments	52		N/A
Income taxes paid	(993,563)	(1,186,101)	-16.2%
	3,343,451	1,941,539	72.2%
Investment activities			
Property, equipment and site construction	(1,533,219)	(2,801,931)	-45.3%
Intangible asset acquisitions	(7,540)	(8,755)	-13.9%
Interest gain	22,280	38,250	-41.8%
	1,824,972	(830,897)	-319.6%
Financing activities			
Loans	1,555,000	2,848,119	-45.4%
Loans paid	(1,555,000)	(1,000,000)	55.5%
Interes paid	(1,495,029)	(1,255,968)	19.0%
	329,943	(238,746)	-238.2%
Net increase in cash and cash equivalents	329,943	(238,746)	-238.2%
Cash at the beginning of the period	231,533	470,279	-50.8%
Cash at the end of the period	561,476	231,533	142.5%

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