HCL TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

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INDEPENDENT AUDITOR´S REPORT

The Board of Directors and Shareholders of
HCL Technologies México, S. de R.L. de C.V.

Opinion

We have audited the accompanying financial statements of HCL Technologies México, S. de R.L. de C.V. (Company) which comprised the related statement of financial position as of December 31, 2017, statement of comprehensive income, statement of changes in shareholder´s equity and statement of cash flows for the year ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HCL Technologies México, S. de R.L. de C.V. as of December 31, 2017, and their comprehensive income and cash flows for the year ended, in accordance with Mexican Financial Reporting Standards ("MFRS").

Basis for opinion

We conducted our audit in accordance with International Standard on Auditing ("ISA´s"). Our responsibilities under those standards are further described in the "Auditor´s Responsibilities for the Audit of the Financial Statements Section" of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in México according with the "Código de Ética Profesional del Instituto Mexicano de Contadores Públicos" ("IMCP Code"), 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.

Responsibilities of Management and the Monitoring Body of the Entity in relation with the financial statements

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with Mexican Financial Reporting Standards ("MFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Monitoring Body is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISA's 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 financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional skepticism throughout the audit. Identify and assess the risks of material misstatement of the 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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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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 Company´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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion of the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Monitoring Body regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Among the issues that have been the subject of communication with the company´s surveillance body, we determine the most significant the audit of the financial statements of the current period and that are, consequently, the key issues of the audit.

We describe those issues in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that an issue should not be communicated in our report because it is reasonably expected that the adverse consequences of doing so would exceed the public interest benefits of that matter.

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The engagement partner on the audit resulting in this independent auditor´s report, is who signs it.

Kreston CSM
Kaudit and Legal Service, S.C.
Independent firm, a member of Kreston International, Ltd.

C.P.A. and T.M. Marco Antonio Carrillo Velasco
Audit Partner

April 09, 2018
Guadalajara, Jalisco, México

HCL TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.

STATEMENT OF FINANCIAL POSITION

(Amounts in Mexican Pesos)

	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 29,125,167	$ 20,553,425
Accounts receivable (Note E)	147,499,611	74,066,482
Related parties receivable (Note G)	131,486,543	206,777,911
Total current assets	308,111,321	301,397,818
Long term assets		
Furniture and equipment – net (Note F)	144,181,175	90,486,341
Other intangible assets	21,874,757	18,699,045
Deferred income tax (Note K)	14,782,981	11,808,357
Deferred employee´s profit sharing	4,927,660	3,294,367
Total long term assets	185,766,573	124,288,110
Total assets	$ 493,877,894	$ 425,685,928
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Related parties payable (Note G)	$ 295,141,649	$ 318,193,983
Accounts payable and accrued expenses	45,325,307	28,969,287
Taxes payable	69,679,293	52,476,561
Benefits to employees (Note H)	13,709,894	11,697,176
Deferred income	20,324	143,785
Employees statutory profit sharing	11,396,278	9,454,826
Total liabilities	435,272,745	420,935,618
Shareholder´s equity (Note J)		
Share stock	45,725,892	15,635,892
Legal reserve	365,232	365,232
Cumulative results	12,514,025	(11,250,814)
Total shareholder´s equity	58,605,149	4,750,310
Total liabilities and shareholder´s equity	$ 493,877,894	$ 425,685,928

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated April 06, 2018.

Oscar Rodrigo Palacios Rodríguez
Legal Representative

HCL TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in Mexican Pesos)

	December 31,	
	2017	2016
Net income	$ 826,733,749	$ 640,056,353
Operating expenses	792,545,145	610,344,282
Operating income	34,188,604	29,712,071
Other income – net	9,109,010	12,902,112
Comprehensive financing result:		
Interest expense - net	(8,013,765)	(4,024,453)
Foreign exchange result - net	488,229	(42,109,102)
	(7,525,536)	(46,133,555)
Profit (loss) before income taxes	35,772,078	(3,519,372)
Income taxes (Note K)	12,007,239	18,147,752
Comprehensive income	$ 23,764,839	($ 21,667,124)

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated April 06, 2018.

Oscar Rodrigo Palacios Rodríguez
Legal Representative

HCL TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.

STATEMENT OF CHANGES IN SHAREHOLDER´S EQUITY

(Amounts in Mexican Pesos)

	Share stock	Legal reserve	Cumulative results	Total
Balances at January 01, 2016	$ 15,635,892	$ 365,232	$ 10,416,310	$ 26,417,434
Comprehensive income			(21,667,124)	(21,667,124)
Balances at December 31, 2016	15,635,892	365,232	(11,250,814)	4,750,310
Increase in share stock (Note J)	30,090,000			30,090,000
Comprehensive income			23,764,839	23,764,839
Balances at December 31, 2017	$ 45,725,892	$ 365,232	$ 12,514,025	$ 58,605,149

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated April 06, 2018.

Oscar Rodrigo Palacios Rodríguez
Legal Representantive

HCL TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.

CASH FLOW STATEMENT

(Amounts in Mexican Pesos)

	December 31, 2017	December 31, 2016
Operation activities		
Profit (loss) before income taxes	$ 35,772,078	($ 3,519,372)
ITEMS RELATING TO INVESTMENT ACTIVITIES		
Depreciation	15,875,134	11,335,225
Other investing activities	(1,633,293)	(180,588)
ITEMS RELATING TO FINANCING ACTIVITIES		
Interest in charge	8,013,765	4,024,453
Sum	58,027,684	11,659,718
Increase in accounts receivable	(76,608,841)	(6,107,529)
Increase (decrease) in accounts payable	20,774,305	(1,256,118)
Operating activities net cash flows	2,193,148	4,296,071
Investing activities		
Acquisition of furniture and equipment	(69,569,968)	(24,095,330)
Net cash flows after investing activities	(67,376,820)	(19,799,259)
Financing activities		
Cash flow by increase in share stock	30,090,000	-
Long term loans made with related parties	52,239,034	28,937,758
Interest paid	(6,380,472)	(2,661,084)
	75,948,562	26,276,674
Net cash flows after financing activities	8,571,742	6,477,415
Cash and cash equivalents at beginning of the year	20,553,425	14,076,010
Cash and cash equivalents at end of the year	$ 29,125,167	$ 20,553,425

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated April 06, 2018.

Oscar Rodrigo Palacios Rodríguez
Legal Representative

HCL TECHNOLOGIES MÉXICO, S. DE R.L. DE C.V.

NOTES TO THE FINANCIAL STATEMENTS AT

DECEMBER 31, 2017 AND 2016

(Amounts in Mexican Pesos)

A. HISTORY AND NATURE OF OPERATIONS OF THE COMPANY

The company was created in Mexico City on October 21, 2008 under the name of "Sanpabri, S. de R.L. de C.V." before the notary public number 4 of México City, Felipe Zacarías Ponce with duration of 99 years.

On June 12, 2009 by Extraordinary General Meeting, the shareholders decided to modify the corporate name to "HCL Technologies Mexico, S. de R.L. de C.V."

On November 29, 2009, by Ordinary General Meeting, the shareholders decided to modify the company´s main activity being as follows:

a) The purpose of the company is the purchase, sale, import, export, marketing, distribution, lease and generally all acts of hardware marketing, software and accessories, and providing services related to their installation and operation

b) To provide consulting and information services about computer and technological issues regarding the development of software and hardware, and can be rendered to any individual or legal entity, private or public nature

c) Information technology services on the development of software and hardware , data management and administration, equipment, policies, processes, human resources, systems, and storage and everything related to the administration and infrastructure management, outsourcing, and business process outsourcing services, network security, internet professional services, management and administration of network data centers, client servers, information services and assistance regarding to technology issues information, and general consulting services related to these activities.

d) Implementation, installation and licensing of computer software and hardware, support services and data recovery, technical consulting services and training, and any activities related to supplying software and hardware

B. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. **Basis for translation into english.** The accompanying financial statements have been translated from spanish into english for use outside of Mexico. These financial statements are presented on the basis of Mexican Financial Reporting Standards (MFRS). Certain accounting practices applied by the Company that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

2. **Monetary unit the financial statements.** The financial statements and notes as of December 31, 2017 and 2016 for the years then ended include balances and transactions denominated in mexican pesos of different purchasing power.

3. **The applicable financial reporting framework.** The accompanying financial statements have been prepared in full with the provisions of Mexican Financial Reporting Standards (MFRS), for a fair presentation of the financial position of the company at December 31, 2017 and 2016 and fulfillment statements of comprehensive income, changes in shareholder´s equity and cash flows for the years ended on those effective dates.

4. **Statement of comprehensive income.** The company has considered that the structure of the statement of comprehensive income that best reflects the essence of it is operations is by nature, since it is a common practice of the economic sector to which the entity belongs and allows to know the most important expenses related to their social object.

   In addition, for a better analysis of your financial situation, the company has considered necessary to show the amount of operating income separately in the statement of comprehensive income, because such information is a common disclosure practice sector to which it belongs the entity.

5. **Issuance of the financial statements.** The accompanying financial statements have been prepared specifically for presentation to the Board of Directors and Shareholders and to comply with statutory requirements that apply to the company.

   Also, the accompanying financial statements and their notes were authorized for issuance on April 06, 2018, by Oscar Rodrigo Palacios Rodriguez, legal representative.

6. **Effects of inflation.** To December 31, 2017 and 2016 of the accompanying financial statements, figures are presented in historical mexican pesos, since the company was created after January 1, 2008.

   In accordance with the guidelines of MFRS B-10 "Effects of Inflation", from January 01, 2008 recognizing the effects of inflation on the financial information (of inflationary accounting) was suspended because the mexican economy is in a non-inflationary environment by maintaining an accumulated inflation of the past three years less than 26% (threshold for an economy to be considered non-inflationary).

Following are percentages of inflation:

	December 31,	
	2017	2016
For the year	6.77%	3.36%
Accrued over the last three years	12.71%	9.57%

7. **Currency recording, functional and reporting.** According with the provisions of the MFRS B-15, it has been identified that the company has the following currencies:

Type	Currency	
	2017	2016
Recording	Mexican pesos	Mexican pesos
Functional	American dollar	American dollar
Reporting	Mexican pesos	Mexican pesos

C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MFRS require the use of certain critical accounting estimates in preparing financial statements. Also, the exercise of judgment by management in the process of defining the accounting policies of the company are required.

In the following significant accounting policies are summarized, which have been applied consistently in the years presented, unless otherwise specified.

1. **Cash and cash equivalents**. Cash and cash equivalents include only banks.

2. **Accounts receivable.** Accounts receivable are recorded when considering an accrual the operation that gave rise and express themselves to the nominal value of the transaction that originates it or contract that backs them. On December 31, 2017 and 2016, the company has registered an estimate for doubtful accounts amounting to $5,366,256 and $11,475,569, respectively. During exercise that finished in this date, the company (decreased) increased the estimate in the amount of ($6,109,313) and $1,392,956, respectively. On December 31, 2017 and 2016, the policy pursued by the company to consider an account of doubtful recovery is to consider the 100% of the portfolio with 360 days old, taking into account historical experience and specific identification of balances. See analysis of accounts receivable in Note E.

3. **Furniture and equipment.** Furniture and equipment are expressed at acquisition cost. Depreciation is calculated using the straight-line method, based on the useful lives of the assets, estimated by the administration of the company. The method of depreciation is reviewed at the end of each period. See analysis of furniture and equipment in Note F.

The depreciation rates used are the follows:

Leasehold improvements	5%
Computer equipment	30%
Furniture and equipment	10%

4. **Impairment of long-lived assets and their disposal.** Furniture and equipment are subject to annual impairment test only when signs of deterioration are identified. Not been a study to determine the value in use of long-life assets, since there are other factors which indicate that signs of deterioration there are no in those assets.

5. **Liabilities.** Liabilities payable by the company and the provisions of liability recognized in the statement of financial position, represent obligations present in which outflow of economic resources is likely to settle the obligation. These provisions have been accounted for, used under the best reasonable estimate made by the administration to settle the present obligation, however, actual results could differ from recognized provisions.

6. **Benefits to employees.** Liabilities by staff seniority premiums are considered in defined-benefit plans, the cost of such benefits is determined using the method of unit credit projected, with actuarial valuations performed at the end of each reporting period that is. Actuarial the gains and losses are recognized immediately in the other items of the comprehensive income net deferred tax, according to the asset or net liability recognized in the statement of financial position, to reflect the surplus (or deficit) of the benefit plan to employees; While services costs are recognized in income when the modification of the plan or when the costs are incurred for restructuring.

   Postretirement benefit obligations recognized in the statement of financial position, represent the present value of the defined benefit obligation, adjusted earnings and actuarial losses and past service costs, less the fair value of the plan assets.

   When the assets of the plan outweigh the liabilities of the plan for defined benefits, is the asset value to the lesser of: i) the surplus in defined benefit plan, and ii) the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the same. See analysis of benefits to employees in the Note H.

7. **Deferred employee´s statutory profit sharing.** Is recorded based on the method of assets and liabilities, which consist in recognizing a deferred employee´s statutory profit sharing for all differences between ledger and profit sharing plan value of the assets and liabilities in which is likely it is payment or recovery.

8. **Income tax deferred.** The income tax is recorded based on the method of assets and liabilities with a holistic approach, which is to recognize a tax deferred for all temporary differences between the accounting and tax values of assets and liabilities that are expected to materialize in the future, the rates enacted in the tax provisions in force at the date of the financial statements. See analysis of taxes in Note K.

9. **Comprehensive income.** Comprehensive income is represented by: 1) net income, 2) other comprehensive income (OCI), and 3) participation in the ORI of other entities. At December 31, 2017 and 2016 do not have additional items to net income for the year.

10. **Exchange differences.** Transactions in foreign currency are recorded initially in the recording currency, at the rate of exchange in effect on the date of the transaction. Assets and liabilities denominated in foreign currency are converted at the rate of exchange in effect on the balance sheet date. Differences arising from fluctuations in exchange rates between the dates on which transactions are entered into and those on which they are settled, or valuation at the year-end closing, are recorded in income as a component of comprehensive financing result (CFR). See analysis of exchange differences in Note D.

D. FOREIGN CURRENCY POSITION

Foreign currency position. At December 31, 2017 and 2016, the company had assets and liabilities in american dollars, as shown below:

	December 31,	
	2017	2016
Assets	Usd. 1,562,020	Usd. 1,699,196
Liabilities	(9,879,093)	(12,212,246)
Net liability position in U.S. dollars	(Usd. 8,317,073)	(Usd.10,513,050)

As December 31, 2017 and 2016, the exchange rate was $19.7354 and $20.6640 per U.S. dollar, respectively. As April 06, 2018, date of issuance of the financial statements, the exchange rate was $18.1081 per U.S. dollar.

At December 31, 2017 and 2016 the company had not hire a hedge against exchange risks.

E. ANALYSIS OF ACCOUNTS RECEIVABLE

	December 31,	
	2017	2016
Clients	$ 85,673,398	$ 65,191,998
Recoverable taxes	60,746,146	13,989,729
Other receivables	6,446,323	6,360,324
	152,865,867	85,542,051
Allowance for doubtful accounts	(5,366,256)	(11,475,569)
	$ 147,499,611	$ 74,066,482

F. ANALYSIS OF FURNITURE AND EQUIPMENT

	December 31,		January 1
	2017	2016	2016
Leasehold improvements	$ 87,228,351	$ 64,004,912	$ 22,266,186
Computer equipment	81,897,215	46,569,217	66,960,738
Furniture and equipment	18,792,692	8,164,449	5,416,324
	187,918,258	118,738,578	94,643,248
Cumulative depreciation	(43,737,083)	(28,252,237)	(16,917,012)
Furniture and equipment – net	$ 144,181,175	$ 90,486,341	$ 77,726,236

G. ANALYSIS OF RELATED PARTIES

1. **Balances.** The main receivable and payable balances with related parties as December 31, 2017 and 2016 are shown below:

a) Receivable:

	December 31,	
	2017	2016
HCL America Inc	$ 70,575,482	$ 90,762,093
HCL Technologies Ltd India	35,082,238	71,675,350
HCL Singapore PTE Ltd	15,382,925	16,026,196
HCL Tecnología da Informacao	1,872,836	1,311,037
HCL Technologies Shanghai	1,827,877	1,402,766
HCL Technologies Great Britain Ltd	1,134,004	2,906,136
HCL Comnet Systems & Services	1,001,909	1,001,909
Geometric Americas Inc	940,894	-
HCL Technologies Finland Ltd	791,511	895,163
HCL Technologies SA Venezuela	739,748	-
HCL Hong Kong	702,517	1,047,675
HCL Japan	490,759	281,371
HCL Technologies Thailand Ltd	419,843	-
HCL Canada	262,113	445,247
HCL Technologies Ltd IOMC	-	18,046,240
HCL Technologies BPO Services	-	436,337
HCL Brazil Technologia	-	415,023
Other minor accounts	261,887	125,368
Net to receivable	$ 131,486,543	$ 206,777,911

b) Payable:

	December 31,	
	2017	2016
HCL Singapore PTE Ltd	$ 258,170,386	$ 263,797,292
HCL Gmbh	16,815,561	-
HCL Tech Ltd IOMC	8,842,298	18,503,679
HCL Technologies Great Britain Ltd	5,841,695	945,209
HCL Technologies Shanghai	1,668,295	2,989,565
HCL Technologies Venezuela SA	1,618,034	-
HCL Technologies Ltd India	797,386	27,999,102
HCL Technologies Norway AS	788,345	-
HCL America Inc	567,598	545,486
HCL Poland Ltd	-	1,939,230
Axon Solutions Sdn Bhd	-	518,740
Axon Solutions Inc	-	368,759
HCL Brazil Tecnologia	-	259,241
Other minor accounts	32,051	327,680
Net to pay	$ 295,141,649	$ 318,193,983

2. **Operations.** The prices of the consideration agreed in transactions with related parties were made at market value. The main operations performed during the years 2016 and 2015 were as follows:

	December 31,	
	2017	2016
Revenues:		
HCL America Inc	$ 630,462,458	$ 393,790,349
HCL Technologies Ltd India	34,093,761	63,793,519
Other minor accounts	10,815,573	-
Total	$ 675,371,792	$ 457,583,868
Charges:		
HCL Technologies Ltd India	$ 81,706,576	$ 52,087,388
HCL America Inc	17,561,545	70,270,230
HCL Gmbh	16,473,429	-
HCL Technologies Germany	9,391,239	-
HCL Great Britain Ltd	9,285,886	-
Other minor accounts	11,442,508	-
Total	$ 145,861,183	$ 122,357,618

H. BENEFITS TO EMPLOYEES

The company has plans for payments by retirement, death or total disability, its personnel not unionized in the majority of its subsidiaries, and for payments for seniority premium for all its personnel, in accordance with provisions in contracts of employment. On liabilities and the annual cost of benefits are calculated by an independent actuary in accordance with conditions defined in the plans, using the unit credit method. The present values of these obligations and the rates used for the calculation are:

	December 31,	
	2017	2016
Obligation for benefits acquired	$ 721,387	$ 546,412
Actuarial gains	12,988,507	11,150,764
Passive net projected	$ 13,709,894	$ 11,697,176

	December 31,	
	2017	2016
Nominal rates used in actuarial calculations:		
Growth rate of the minimum wage	5.05%	5.05%
Discount rate	8.53%	7.14%
Inflation rate	3.50%	3.36%
Minimum wage	$88.36	$73.04

I. CONTINGENCIES

The liabilities for loss contingencies are recorded when it is probable that their effects will materialize, and there are reasonable elements for quantification. If there are no reasonable elements, a qualitative disclosure is included in the notes of the financial statements. Contingencies revenues, earnings and assets are not recognized until it is certainty of realization.

According with the current tax law, the Authority are entitled to examine five fiscal years prior to the last income tax return filed, in the case that the Authority review the calculations and contributions that the company is obligated to, could determine differences derived from the rejection of amounts or difference of the law interpretation, requiring the collection of taxes, accessories and fines that could proceed.

J. ANALYSIS OF SHAREHOLDER´S EQUITY

1. **Share stock.** In ordinary assembly, held in August 31, 2017, the shareholder's agreed to increase the share stock by contributions in cash. After the previous increase, the share stock as of December 31, 2017 is integrated as follows:

Social parts	Description	Amount
1	HCL Latin America Holding LLC	$ 45,725,891
1	HCL America Incorporation	1
2	Share stock at December 31, 2017	$ 45,725,892

At an ordinary shareholder´s meeting held on August 31, 2017, the shareholder´s agreed to increase the variable portion of the company´s partnership capital to $30,090,000. The capital was $15,635,892 and after this increase is composed by $45,725,892 of which $3,000 corresponds to the fixed minimum capital and $45,722,892 corresponds to the variable portion of the company.

At an ordinary shareholder´s meeting held on June 13, 2011, the shareholder´s agreed to increase the variable portion of the company´s partnership capital to $1,044,899. The capital was $14,590,993 and after this increase is composed by $15,635,892 of which $3,000 corresponds to the fixed minimum capital and $15,632,892 corresponds to the variable portion of the company.

At an ordinary shareholder´s meeting held on May 24, 2011, the shareholder´s agreed to increase the variable portion of the company´s partnership capital $2,291,999. The capital was $12,298,994 and after this increase is composed by $14,590,993.

At an ordinary shareholder´s meeting held on April 28, 2011, the shareholders agreed to increase the variable portion of the company´s partnership capital $2,263,999. The capital was $10,034,995 and after this increase is composed by $12,298,994.

At an ordinary shareholder´s meeting on April 08, 2011, the shareholders agreed to increase the variable portion of the company´s partnership capital $1,152,000. The capital was $8,882,995 and after this increase is composed by $10,034,995.

At an ordinary shareholder´s meeting held on March 30,2011, the shareholder´s agreed to increase the variable portion of the company´s partnership capital $584,999. The capital was $8,297,996 and after this increase is composed by $8,882,995.

At an ordinary shareholder´s meeting held on March 15, 2011, the shareholder´s agreed to increase the variable portion of the company´s partnership capital $3,959,998. The capital was $4,337,998 and after this increase is composed by $8,297,996.

At an ordinary shareholder´s meeting held on November 04, 2010, the shareholder´s agreed to increase the variable portion of the company´s partnership capital $2,447,999. The capital was $1,889,999 and after this increase is composed by $4,337,998.

2. **Legal reserve.** The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to 20% of the capital stock.

3. **Dividend tax.** The dividends that are paid to be free from income tax if they come from the net tax profit (CUFIN) account. Dividends exceeding such CUFIN will cause a tax equivalent to the 42.86% if paid by 2018. Caused tax will be paid by the company and may be credited against the income tax of the exercise or the two exercises immediate following. Paid dividends coming from utilities previously taxed by the income tax, will not be subject to any retention or additional payment of taxes for the company. Shareholders who receive dividends, must be subject to the current tax provisions, which currently require the company make a retention of the dividend paid; this tax is considered definitive and cannot be credit.

K. ANALYSIS OF TAXES

1. **Income tax.** In 2017 and 2016 the company determined an tax profit of $83,753,314 and $43,846,196, respectively. The fiscal result differs from the accounting profit due to temporary and permanent differences, latter caused basically by the tax recognition of the effects of inflation and non-deductible expenses. Income tax for the year is determined by applying the current existing rate of 30% at result. Such a result is determined by the procedures established in the income tax act requiring that cumulative revenues authorized deductions will decrease them.

The provision for income tax in 2017 and 2016 is analyzed as shown below:

	December 31,	
Income tax provisions	2017	2016
Current	$ 25,125,994	$ 13,153,859
Current (insufficiency) excess in provision	(8,510,838)	6,551,737
Deferred	(4,607,917)	(1,557,844)
	$ 12,007,239	$ 18,147,752

The reconciliation between book and taxable income is shown below:

	December 31, 2017	December 31, 2016
Profit (loss) before income tax	$ 35,772,078	($ 3,519,372)
Add impact of the following items:		
Accumulated costs and expenses	15,868,713	8,471,238
Non deductibles	7,970,595	6,914,894
Other permanent items	24,141,928	31,979,436
Tax profit	83,753,314	43,846,196
Current income tax rate	30%	30%
Current income tax	$ 25,125,994	$ 13,153,859

The effects of the deferred income tax recognition based on MFRS D-4 as shown below:

	December 31, 2017	December 31, 2016
Excess of tax value over book value of assets and liabilities, net	($ 49,276,603)	($ 33,380,982)
Applicable income tax rate	30%	30%
Deferred income tax (asset)	($ 14,782,981)	($ 10,014,295)

2. **Employee´s statutory profit sharing.** The company is subject to the employee´s statutory profit sharing which is calculated applying the procedures established in the income tax law. In 2017 and 2016 the company determined a provision of $6,556,789 and $3,474,618, respectively.

L. FUTURE IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET IN EFFECT

At the date of authorization of these financial statements, various new rules and modifications to existing standards have been published by the CINIF, which enter into force on January 01, 2018. These rules and modifications have not been adopted in advance by the company. Information about those expected to be relevant to the company´s financial statements in described below.

a) New MFRS

The following are the main changes to MFRS that enter into force on January 01, 2018 (with retrospective effects):

MFRS C-3 Accounts receivable

- Specifies that the accounts receivables that are based on a contract represent a financial instrument, while some of the other accounts receivable, generated by a legal or fiscal provision, may have certain characteristics of an instrument such as generating interest, but they are not financial instruments themselves.

- Establishes that the estimate for the uncollectability of accounts receivables is recognized from the moment the income is bearing, based on the expected credit losses, presenting the estimate in a heading of the expenses, separately when significant, in the statement of comprehensive income

- Establishes that, from the initial recognition, the value of the money in time should be considered, so that if the effect the present value of the account receivable is important in attention to its term, it must be adjusted based on that present value. It is considered that the effect of the present value is material when the collection of the account receivable is agreed, in whole or in part, to a period of more than one year, since it is presumed that there is a financing operation in those cases.

- An analysis of the change between the initial balance and the end of the estimate for uncollectability must be presented for each period presented.

MFRS C-9 Provisions, contingencies and commitments

The application for the first time of this standard does not generate accounting changes. The main changes are:

a) Financial liabilities are eliminated from this standard and are relocated in MFRS 19,
b) The definition of liability is amended, the qualifier of virtually inescapable was eliminated and the probable term was included.

b) Improvements to MFRS 2018

In December 2017, the following improvements were promulgated to MFRS, which will be in force in exercises starting on January 01, 2018, allowing early application in some cases:

MFRS B-2 Cash flow statement

It is necessary to disclose the relevant changes, whether or not they have required the use of cash or cash equivalents, in liabilities considered as part of the financing activities; preferably, a reconciliation of the initial and final balances of such items must be made, showing the following:

i. Cash flow changes;
ii. Changes arising from obtaining or losing control of subsidiaries and other businesses;
iii. The effect of changes in exchange rate fluctuations;
iv. Changes in fair value;
v. Changes in the associated financial assets, whose cash flows should be presented as part of the financing activities; such as, changes in financial assets that are used as hedging of financial liabilities; and
vi. Other changes considered relevant

MFRS C-6 Properties, plant and equipment

If clarifies that depreciation method used should reflect the pattern of consumption of the economic benefits of a component rather than revenue. An asset depreciation method based on the amount of income associated with the use of such assets is not appropriate, as such income amount may be affected by factors other than the employer's consumption of economic benefits.

It is considered that these MFRS and newsletters will not substantially affect the financial information presented by the company.

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