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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR´S REPORT

DECEMBER 31, 2018

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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, 2018, 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, 2018, 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.

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.

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

March 25, 2019
Guadalajara, Jalisco, México

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

STATEMENT OF FINANCIAL POSITION

(Amounts in Mexican Pesos)

	December 31,	
ASSETS	2018	2017
Current assets		
Cash and cash equivalents	$ 19,556,401	$ 29,125,167
Accounts receivable (Note E)	189,857,980	147,499,611
Related parties receivable (Note G)	118,461,069	131,486,543
Total current assets	327,875,450	308,111,321
Long term assets		
Furniture and equipment – net (Note F)	141,706,724	144,181,175
Other intangible assets	63,579,289	21,874,757
Deferred income tax (Note K)	9,266,409	14,782,981
Deferred employee´s profit sharing	3,088,803	4,927,660
Total long term assets	217,641,225	185,766,573
Total assets	$ 545,516,675	$ 493,877,894
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Related parties payable (Note G)	$ 352,557,338	$ 295,141,649
Accounts payable and accrued expenses	83,002,857	45,325,307
Taxes payable	31,163,414	69,679,293
Benefits to employees (Note H)	19,133,896	13,709,894
Deferred income	187,393	20,324
Employees statutory profit sharing	9,959,138	11,396,278
Total liabilities	496,004,036	435,272,745
Shareholder´s equity (Note J)		
Share stock	45,725,892	45,725,892
Legal reserve	365,232	365,232
Cumulative results	3,421,515	12,514,025
Total shareholder´s equity	49,512,639	58,605,149
Total liabilities and shareholder´s equity	$ 545,516,675	$ 493,877,894

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated March 22, 2019.

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,	
	2018	2017
Net income	$ 1,001,793,109	$ 826,733,749
Operating expenses	967,338,789	792,545,145
Operating income	34,454,320	34,188,604
Other income – net	5,680,689	9,109,010
Comprehensive financing result:		
Interest expense - net	(9,640,641)	(8,013,765)
Foreign exchange result - net	(5,107,770)	488,229
	(14,748,411)	(7,525,536)
Profit before income taxes	25,386,598	35,772,078
Income taxes (Note K)	34,479,108	12,007,239
Comprehensive income	($ 9,092,510)	$ 23,764,839

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated March 22, 2019.

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, 2017	$ 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
Comprehensive income			(9,092,510)	(9,092,510)
Balances at December 31, 2018	$ 45,725,892	$ 365,232	$ 3,421,515	$ 49,512,639

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated March 22, 2019.

Oscar Rodrigo Palacios Rodríguez
Legal Representantive

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

STATEMENT OF CASH FLOWS

(Amounts in Mexican Pesos)

	December 31,	
Operation activities	2018	2017
Profit before income taxes	$ 25,386,598	$ 35,772,078
ITEMS RELATING TO INVESTMENT ACTIVITIES		
Depreciation	19,938,224	15,875,134
Other investing activities	1,838,857	(1,633,293)
ITEMS RELATING TO FINANCING ACTIVITIES		
Interest in charge	9,640,641	8,013,765
Sum	56,804,320	58,027,684
Increase in accounts receivable	(84,062,901)	(76,608,841)
(Decrease) increase in accounts payable	(35,287,570)	20,774,305
Operating activities net cash flows	(62,546,151)	2,193,148
Investing activities		
Acquisition of furniture and equipment	(17,463,773)	(69,569,968)
Net cash flows after investing activities	(17,463,773)	(67,376,820)
Financing activities		
Cash flow by increase in share stock	-	30,090,000
Long term loans made with related parties	70,441,158	52,239,034
Interest paid	-	(6,380,472)
	70,441,158	75,948,562
Net cash flows after financing activities	(9,568,766)	8,571,742
Cash and cash equivalents at beginning of the year	29,125,167	20,553,425
Cash and cash equivalents at end of the year	$ 19,556,401	$ 29,125,167

The accompanying notes are an integral part of these financial statements, which were authorized for their issuance dated March 22, 2019.

Oscar Rodrigo Palacios Rodríguez
Legal Representative

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

NOTES TO THE FINANCIAL STATEMENTS AT

DECEMBER 31, 2018 AND 2017

(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, 2018 and 2017 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, 2018 and 2017 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 March 22, 2019, by Oscar Rodrigo Palacios Rodriguez, legal representative.

6. **Effects of inflation.** To December 31, 2018 and 2017 of the accompanying financial statements, figures are presented in historical mexican pesos, since the company was created after January 01, 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,	
	2018	2017
For the year	4.83%	6.77%
Accrued over the last three years	15.69%	12.71%

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	
	2018	2017
Recording	Mexican pesos	Mexican pesos
Functional	American dollars	American dollars
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, 2018 and 2017, the company has registered an estimate for doubtful accounts amounting to $3,109,641 and $5,366,256, respectively. During exercise that finished in this date, the company decreased the estimate in the amount of $2,256,615 and $6,109,313, respectively. On December 31, 2018 and 2017, 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, 2018 and 2017 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, 2018 and 2017, the company had assets and liabilities in american dollars, as shown below:

	December 31,	
	2018	2017
Assets	Usd. 2,036,008	Usd. 1,562,020
Liabilities	(15,787,953)	(9,879,093)
Net liability position in U.S. dollars	(Usd. 13,751,945)	(Usd. 8,317,073)

As December 31, 2018 and 2017, the exchange rate was $19.6566 and $19.7354 per U.S. dollar, respectively. As March 22, 2019, date of issuance of the financial statements, the exchange rate was $18.8694 per U.S. dollar.

At December 31, 2018 and 2017 the company had not hire a hedge against exchange risks.

E. ANALYSIS OF ACCOUNTS RECEIVABLE

	December 31,	
	2018	2017
Clients	$ 177,304,244	$ 85,673,398
Recoverable taxes	10,825,955	60,746,146
Other receivables	4,837,422	6,446,323
	192,967,621	152,865,867
Allowance for doubtful accounts	(3,109,641)	(5,366,256)
	$ 189,857,980	$ 147,499,611

F. ANALYSIS OF FURNITURE AND EQUIPMENT

	December 31,		January 01
	2018	2017	2017
Leasehold improvements	$ 94,258,517	$ 87,228,351	$ 64,004,912
Computer equipment	58,962,315	81,897,215	46,569,217
Furniture and equipment	52,190,187	18,792,692	8,164,449
	205,411,019	187,918,258	118,738,578
Cumulative depreciation	(63,704,295)	(43,737,083)	(28,252,237)
Furniture and equipment – net	$ 141,706,724	$ 144,181,175	$ 90,486,341

G. ANALYSIS OF RELATED PARTIES

1. **Balances.** The main receivable and payable balances with related parties as December 31, 2018 and 2017 are shown below:

a) Receivable:

	December 31,	
	2018	2017
HCL Technologies Corporate Ser Ltd.	$ 50,628,710	$ -
HCL Technologies Ltd. India	40,712,823	35,082,238
HCL Singapore PTE Ltd.	15,441,266	15,382,925
HCL Technologies Great Britain Ltd.	2,460,456	1,134,004
HCL Tecnología da Informacao	1,872,836	1,872,836
HCL Technologies Shanghai	1,746,129	1,827,877
HCL Technologies Finland Ltd.	1,290,187	791,511
HCL Comnet Systems & Services	1,001,909	1,001,909
Geometric Americas Inc.	844,443	940,894
HCL Australia Services Ltd.	821,810	-
HCL Technologies SA Venezuela	739,748	739,748
HCL Hong Kong	702,517	702,517
HCL America Inc.	-	70,575,482
Other minor accounts	198,235	1,434,602
Net to receivable	$ 118,461,069	$ 131,486,543

b) Payable:

	December 31,	
	2018	2017
HCL Singapore PTE Ltd	$ 196,436,824	$ 258,170,386
HCL Technologies Ltd. India	62,081,902	797,386
HCL America Inc.	42,862,020	567,598
HCL Gmbh	17,441,075	16,815,561
HCL Tech Ltd IOMC	14,444,075	8,842,298
HCL Technologies Great Britain Ltd.	11,201,161	5,841,695
HCL Technologies Germany	7,327,467	-
Other minor accounts	762,809	4,106,725
Net to pay	$ 352,557,333	$ 295,141,649

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 2018 and 2017 were as follows:

	December 31,	
	2018	2017
Revenues:		
HCL America Inc.	$ 656,338,436	$ 630,462,458
HCL Technologies Corporate Ser Ltd.	169,813,403	-
HCL Technologies Ltd India	55,279,869	34,093,761
Other minor accounts	25,790,588	10,815,573
Total	$ 907,222,296	$ 675,371,792
Charges:		
HCL Technologies Ltd India	$ 64,111,609	$ 81,706,576
HCL America Inc.	43,735,393	17,561,545
HCL Technologies Germany	10,262,894	9,391,239
HCL Technologies Ltd IOMC	5,796,332	16,473,429
HCL Great Britain Ltd	3,742,812	9,285,886
Other minor accounts	15,835,661	11,442,508
Total	$ 143,484,701	$ 145,861,183

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,	
	2018	2017
Obligation for benefits acquired	$ 1,255,539	$ 721,387
Actuarial gains	17,878,357	12,988,507
Passive net projected	$ 19,133,896	$ 13,709,894

	December 31,	
	2018	2017
Nominal rates used in actuarial calculations:		
Growth rate of the minimum wage	4.02%	5.05%
Discount rate	9.15%	8.53%
Inflation rate	3.50%	3.50%
Minimum wage	$102.68	$88.36

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, 2018 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, 2018	$ 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 account (CUFIN). Dividends exceeding such CUFIN will cause a tax equivalent to the 42.86% if paid by 2019. 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 credited.

K. ANALYSIS OF TAXES

1. **Income tax.** In 2018 and 2017 the company determined an tax profit of $96,533,168 and $83,753,314, 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 2018 and 2017 is analyzed as shown below:

	December 31,	
Income tax provisions	2018	2017
Current	$ 28,959,950	$ 25,125,994
Insufficiency or excess in provision	2,586	(8,510,838)
Deferred	5,516,572	(4,607,917)
	$ 34,479,108	$ 12,007,239

The reconciliation between book and taxable income is shown below:

	December 31,	
	2018	2017
Profit before income tax	$ 25,386,598	$ 35,772,078
Add impact of the following items:		
Accumulated costs and expenses	35,151,938	15,868,713
Non deductibles	22,502,363	7,970,595
Other permanent items	13,492,269	24,141,928
Tax profit	96,533,168	83,753,314
Current income tax rate	30%	30%
Current income tax	$ 28,959,950	$ 25,125,994

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

	December 31,	
	2018	2017
Excess of tax value over book value of assets and liabilities, net	($ 30,888,030)	($ 49,276,603)
Applicable income tax rate	30%	30%
Deferred income tax (asset)	($ 9,266,409)	($ 14,782,981)

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 2018 and 2017 the company determined a provision of $7,142,742 and $6,556,789, 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.

MFRS B-17 "Determination of fair value"

This MFRS defines fair value as the starting price obtained by selling an asset, or the price paid for transferring a liability in an orderly transaction between market participants at the date of valuation, that means, at a current value.

MFRS C-2 "Investment in financial instruments"

Incorporates the management of business model of the management of investments in financial instruments to obtain cash flows, starting that an entity can have more than one business model to administer the instrument.

MFRS C-3 "Accounts receivable"

This MFRS only considers receivables that do not accrue interest. The recognition of accounts receivable under this document must be considered as accrued the operation that gave rise to it, when a good is provided or a service is provided to the counterpart.

MFRS C-16 "Impairment of financial instruments receivable"

The accounting effect of the impairment is recognized based on the historical experience that the entity has on the credit losses incurred, the current economic conditions, as well as the reasonable and sustainable forecasts of the different future quantifiable events that their affect their clients and that could affect the cash flows to receive.

MFRS C-19 "Financial instruments payable"

There is now the possibility of subsequently valuing the initial recognition, certain financial liabilities at fair value, when certain exceptional conditions are met; to value the long-term liabilities to their present values in their initial recognition, considering their value in time when their term is greater than one year or outside the normal credit conditions, recognizing an implicit interest or adjusting the interest to one of market; when restructuring a liability, without substantially modifying future cash flows to liquidate it, the costs and commissions delivered in this process will affect the amount of the liability and be amortized on a modified effective interest rate, rather to directly affect the net profit or loss.

MFRS C-20 "Financial instruments to collect principal and interest"

The concept of acquisition and ownership of these is discarded in order to determine their classification. Instead the administration´s concept of business model is adopted, either to obtain contractual performance, generate contractual performance and sell to meet certain strategic objectives or to generate profits for its purchase and sale, to classify them according to the corresponding model. This allows to align the valuation of the investments in financial instruments with the real strategic management of the business and not with an intention that may prove not to be valid later.

MFRS D-1 "Customer contract revenue"

Establishes the recognition of income when the control is transferred on the goods or services agreed with the clients, in exchange for the amount that reflects the consideration to which an entity considers to be entitled in exchange for such goods or services.

MFRS D-2 "Customer contract costs"

It is complementary to MFRS D-1, which is why both documents are applicable from January 1st, 2018. The term for incremental costs is already established.

These amendments are effective for the annual periods beginning on or after January 1st, 2018 with permitted advance application. If the entity applies the amendments for an earlier period, it should disclose this fact. These amendments are not expected to have any impact on the company.

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Legal Representantive