Grupo Traxión, S. A. B. de C. V. and subsidiaries
(formerly Fondo de Transporte México, S. A. P. I. de C. V.)

Notes to consolidated financial statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

(Translation from Spanish Language Original)

Grupo Traxión, S. A. B. de C. V. and subsidiaries
(formerly Fondo de Transporte México, S. A. P. I. de C. V.)

Notes to consolidated financial statements

For the years ended December 31, 2017 and 2016

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

Independent auditors' report

(Translation from Spanish Language Original)

The Board of Directors and Stockholders

Grupo Traxión, S. A. B. de C. V.

(formerly Fondo de Transporte México, S. A. P. I. de C. V.)

Opinion

We have audited the consolidated financial statements of Grupo Traxión, S. A. B. de C. V. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Traxión, S. A. B. de C. V. and subsidiaries as at December 31, 2017 and 2016, and its consolidated results and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters have been addressed in the context of our audit of the consolidated financial statements as a whole, and in forming of our opinion thereon, and we do not express a separate opinion on these matters.

Impairment testing of goodwill (3,370,456 thousands of Mexican pesos of goodwill)	
See Note 13 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The goodwill derives from the acquisition of Transportadora Egoba, S. A. de C. V., Corporación Lipu, S. A. P. I. de C. V. and subsidiaries, Almacenadora y Distribuidora Aquarius, S. A. de C. V. and subsidiaries and Auto Express Frontera Norte, S. A. de C. V. and subsidiaries. All these acquisitions are considered as Cash Generating Units ("CGU"). The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less costs for sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate).	Our audit procedures in this area included, among others: -Involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGUs operate; -Evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; -Evaluating the adequacy of the financial statement disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG CARDENAS DOSAL, S. C.

Manuel Jimenez Lara

Mexico City, April 24, 2018.

Grupo Traxión, S. A. B. de C. V. and subsidiaries
(formerly Fondo de Transporte México, S. A. P. I. de C. V.)

Consolidated statements of financial position

December 31, 2017 and 2016

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

Assets	**Note**	**2017**	**2016**
Current assets:			
Cash and cash equivalents	7	$ 3,272,162	467,695
Accounts receivable, net	8	1,412,940	1,037,713
Related parties	10	50,081	51,319
Other receivables, net	9	658,715	693,898
Inventories (mainly spare parts)		89,924	65,414
Prepayments	11	30,914	15,888
Total current assets		5,514,736	2,331,927
Non-current assets			
Long-term prepayments	11	-	77,233
Transportation equipment and machinery, net	12	4,628,848	3,526,749
Investment in associated companies		3,365	3,394
Goodwill	13	3,370,456	3,370,456
Intangible asset and other assets, net	13	1,212,765	1,268,817
Deferred income taxes	20	139,106	41,716
Derivative financial instruments	26	27,763	-
Total non-current assets		9,382,303	8,288,365
Total assets		$ 14,897,039	10,620,292

Liabilities and stockholders' equity	**Note**	**2017**	**2016**
Current liabilities:			
Current installments of long-term debt	14	$ 360,499	51,566
Obligations under capital leases	19	91,659	40,001
Suppliers	15	472,553	477,645
Other liabilities		41,389	126,576
Other taxes	16	294,992	355,777
Accruals	18	117,553	128,342
Income taxes		64,634	26,111
Employee statutory profit sharing		43,288	45,056
Related parties	10	17,627	26,201
Advances from customers		48,502	25,771
Total current liabilities		1,552,696	1,303,046
Non-current liabilities:			
Long-term debt, excluding current installments	14	2,700,141	2,927,912
Obligations under capital leases, excluding current installments	19	344,053	220,710
Financial liability for stock purchase option		-	492,312
Contributions for future capital stock increases		921	13,669
Employee benefits	17	40,880	37,512
Deferred taxes liabilities	20	615,805	618,885
Total non-current liabilities		3,701,800	4,311,000
Total liabilities		5,254,496	5,614,046
Stockholders' equity:	22		
Capital stock		8,930,167	5,270,563
Additional paid-in capital		135,944	-
Legal reserve		23,159	-
Actuarial losses	17	(2,646)	(2,868)
Other equity accounts		176,297	(327,281)
Retained earnings		379,622	65,832
Total stockholders' equity		9,642,543	5,006,246
Contingent liabilities	27		
Subsequent events	31		
Total liabilities and stockholders' equity		$ 14,897,039	10,620,292

See accompanying notes to consolidated financial statements.

Grupo Traxión, S. A. B. de C. V. and subsidiaries
(formerly Fondo de Transporte México, S. A. P. I. de C. V.)

Consolidated statements of comprehensive income

Years ended December 31, 2017 and 2016

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

	Note		2017	2016
Service revenues from:				
Freights	10	$	3,401,442	2,736,384
Logistics	10		627,282	513,013
Personnel transportation	10		2,985,732	425,103
Other	10		57,594	27,893
Total revenues			7,072,050	3,702,393
Total costs	10 and 23		5,036,093	2,654,646
Gross profit			2,035,957	1,047,747
General expenses	10 and 24		1,371,812	712,890
Allowance for doubtful accounts			36,789	56,339
Other (income) expenses, net	25		(152,874)	(71,569)
Operating income			780,230	350,087
Comprehensive financial results:				
Interest expense			(388,131)	(113,157)
Financial cost of the defined benefit plans			(1,527)	(1,059)
Financing commissions			(8,866)	(520)
Foreign exchange loss, net			63,130	(107,751)
Effect of valuation of financial instruments			13,971	(4,112)
Interest income			48,166	31,401
Comprehensive financial results, net			(273,257)	(195,198)
Profit before income taxes			506,973	154,889
Income taxes:	21			
Current			247,752	183,420
Deferred			(77,728)	(62,076)
Total income taxes			170,024	121,344
Consolidated net income		$	336,949	33,545
Comprehensive income:				
Actuarial gain of the defined benefit plans		$	317	1,606
Deferred income taxes			(95)	(482)
			222	1,124
Comprehensive income		$	337,171	34,669
Comprehensive income attributable to:				
Non-controlling interest		$	-	(11,722)
Controlling interest			337,171	46,391
Comprehensive income			337,171	34,669
Basic earnings per share (in mexican pesos)	29	$	0.925	0.231

See accompanying notes to consolidated financial statements.

Grupo Traxión, S. A. B. de C. V. and subsidiaries
(formerly Fondo de Transporte México, S. A. P. I. de C. V.)

Consolidated statements of changes in stockholders' equity

Years ended December 31, 2017 and 2016

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

	Note		Capital stock	Additional paid- in capital	Legal reserve	Contributions for future capital stock increases	Actuarial (losses) gains	Other equity accounts	Retained earnings	Controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2015		$	1,124,005	-	-	943,018	(3,992)		31,565	2,094,596	11,722	2,106,318
Dividends paid	22(b)		-	-	-	-	-	-	(11,000)	(11,000)	-	(11,000)
Increase in capital stock	22(b)		4,246,558	-	-	(943,018)	-	-	-	3,303,540	-	3,303,540
Purchase option from Group SID	22(e)(iii)		-	-	-	-	-	(327,281)	-	(327,281)	-	(327,281)
Capital stock reimbursement	22(b)		(100,000)	-	-	-	-	-	-	(100,000)	-	(100,000)
Net comprehensive income	22		-	-	-	-	1,124	-	45,267	46,391	(11,722)	34,669
Balances as of December 31, 2016			5,270,563	-	-	-	(2,868)	(327,281)	65,832	5,006,246	-	5,006,246
Capital stock reclassifications	22(b)		(450,000)	-	-	-	-	450,000	-	-	-	-
Increases in capital stock, mainly IPO	22(b)		4,109,604	135,944	-	-	-	-	-	4,245,548	-	4,245,548
Legal reserve			-	-	23,159	-	-	-	(23,159)	-	-	-
IPO Capitalization effect	22(c)		-	-	-	-	-	(196,606)	-	(196,606)	-	(196,606)
Effect of purchase of AFN	22(e)(ii)		-	-	-	-	-	122,031	-	122,031	-	122,031
Purchase option from Group SID	22(e)(iii)		-	-	-	-	-	327,281	-	327,281	-	327,281
Share-based payment	22(e)(i)		-	-	-	-	-	(199,128)	-	(199,128)	-	(199,128)
Net comprehensive income	22		-	-	-	-	222	-	336,949	337,171	-	337,171
Balances as of December 31, 2017		**$**	**8,930,167**	**135,944**	**23,159**	**-**	**(2,646)**	**176,297**	**379,622**	**9,642,543**	**-**	**9,642,543**

See accompanying notes to consolidated financial statements.

Grupo Traxión, S. A. B. de C. V. and subsidiaries
(formerly Fondo de Transporte México, S. A. P. I. de C. V.)

Consolidated statements of cash flows

Years ended December 31, 2017 and 2016

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

		2017	2016
Cash flows from operating activities:			
Consolidated net income	$	336,949	33,545
Items relating to operating activities:			
Income tax expense		170,024	121,344
Depreciation		425,351	238,450
Amortization		52,966	24,634
Amortization of the share-based plan		18,103	-
Gain on sale of transportation equipment and machinery, net		(50,880)	(67,316)
Financial cost of the defined benefit plan		1,527	1,059
Cancellation of investment in subsidiaries		29	-
Interest income		(48,166)	(31,401)
Unrealized foreign exchange gain		(100,386)	-
Items related to financing activities:			
Loss on valuation of financial instruments		(13,971)	4,112
Effect of subsidiary disposal		-	7,240
Interest expense		388,131	113,157
Subtotal		1,179,677	444,824
Accounts receivable, net		(375,227)	224,217
Accounts receivable from related parties		8,427	14,781
Other receivables, net		154,964	(415,286)
Inventories, net		(24,510)	(2,857)
Prepayments		(15,026)	186,789
Income taxes		(172,005)	(188,781)
Suppliers		(179,981)	(352,248)
Other liabilities		(91,402)	2,509
Other taxes		(60,786)	251,032
Accruals		(10,789)	64,545
Accounts payable to related parties		(2,359)	10,325
Employee benefits		2,159	2,991
Advances from customers		22,731	25,771
Employee statutory profit sharing		(1,768)	20,077
Net cash provided by operating activities		434,105	288,689
Cash flows from investing activities:			
Acquisition of transportation equipment and machinery		(1,360,310)	(612,085)
Prepayments		-	(77,233)
Proceeds from sale of transportation equipment and machinery		278,449	181,513
Intangible assets and other assets		(1,091)	(25,108)
Investments in associated companies		-	(379)
Consideration paid for business acquisitions, net of cash acquired		(360)	(519,089)
Cash loans to related parties		(20,385)	(5,877)
Cash loans not related to operations granted to third parties		-	(100,837)
Security deposits		-	30,000
Cash received of loans to related parties		-	4,034
Interest received		46,956	36,426
Net cash used in investing activities		(1,056,741)	(1,088,635)
Cash flows from financing activities:			
Shares repurchase		-	(100,000)
Capital increase		4,028,223	1,783,683
Expenses incurred for IPO		(256,573)	-
Purchase of non-controlling interest		(43,000)	-
Dividends paid		-	(11,000)
Payments of bank loans		(236,146)	(3,482,992)
Lease payments capitalized		(56,082)	-
Settlement of derivative financial instruments		(13,792)	55,888
Return of contributions for future capital stock increases		(12,748)	(17,494)
Payment of loans to related parties		-	(224,866)
Proceeds from bank loans		243,125	2,980,000
Interest paid		(326,290)	(107,853)
Net cash provided by financing activities		3,326,717	875,366
Net increase in cash and cash equivalents		2,704,081	75,420
At beginning of year		467,695	392,275
Revaluation effect on cash		100,386	-
At end of year	$	3,272,162	467,695

See accompanying notes to consolidated financial statements.

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

(1) Reporting entity-

The consolidated financial statements of Grupo Traxión S. A. B. de C. V. (formerly Fondo de Transporte México, S. A. P. I. de C. V.) includes the financial information of the holding Grupo Traxion, S. A. B. de C. V. ("Traxion") and the following subsidiaries: Servicios Corporativos FTM, S. C. (“Servicios FTM”), Transportadora Egoba, S. A. de C. V. (“Egoba”), Grupo Mudancero, S. A. P. I. de C. V. and subsidiaries (“GM”), starting 2016 includes the financial information of the following acquired entities (see note 28): Almacenadora y Distribuidora Aquarius, S. A. de C. V. and subsidiaries (“Grupo SID”), Auto Express Frontera Norte, S. A. de C. V. and subsidiaries (“AFN”), Corporación Lipu, S. A. P. I. de C. V. and subsidiaries (“Grupo Lipu”), as of 2017 includes the financial information of the following entities: Palex Servicios Internacionales de Carga Consolidada, S. A. de C. V. (“Palex”), Prosperity Factor, S. A. de C. V., SOFOM, E. N. R. (“SOFOM”) and Comercializadora Traxión, S. A. de C. V. (“Comercializadora”) and jointly referred as the “Group” or “Grupo Traxión”.

Traxión was incorporated in Mexico on July 27, 2011, under the name of Fondo de Transporte México, as a corporation of investment promotion with variable capital. On September 14, 2017, at the shareholders' extraordinary meeting it was agreed the change of name and denomination to stock corporation with variable capital, to be named "Group Traxion, stock corporation with variable capital" or its abbreviation "S. A. B. de C. V.".

Traxion is based at Paseo de la Reforma 115 floors 17 and 18, Colonia Lomas de Chapultepec, Mexico City, Mexico.

The main activities of Traxión are: to participate as partner, shareholder, or investor in all kinds of mercantile corporations, Mexican or foreign; acquire, dispose and negotiate all types of shares, certificates of participation or any other security, whether debt or equity; as well as obtain, grant, perform financing activities of any kind in the short, medium or long term, with or without specific guarantee, including pledges and mortgages.

Through Traxión, subsidiaries, the Group's main activities are to provide freight services, storage and logistics services necessary for the coordination of these activities; As well as provide school, personnel and tourist transportation services in Mexico.

(Thousands of Mexican pesos)

No entity or individuals has control over the Group.

Entities of the group-

The subsidiaries in which the Group has control, as well as its equity participation and main activities, are mentioned below:

Subsidiary	2017	2016	Principal activity
GM:			
Grupo Mudancero, S. A. P. I. de C. V.	99.99	99.99	Cargo and freight.
Transportes Muebleros MYM, S. A. de C. V.	100	100	Cargo and freight.
Transportes Olímpicos, S. A. de C. V.	99.99	99.99	Cargo and freight.
Transportes FL, S. A. de C. V.	100	100	Cargo and freight.
MyM Internacional, S. A. de C. V.	98	98	General merchandise packing, relocation and cargo.
Transporte de Carga Grupo MyM, S. A. de C. V.	99	99	Cargo and freight.
Egoba:			
Transportadora Egoba, S. A. de C. V.	100	100	Cargo services.
Servicios FTM:			
Servicios Corporativos FTM, S. C.	100	100	Professional services.
Grupo SID:			
Almacenadora y Distribuidora Aquarius, S. A. de C. V. (iii)	100	100	Storage services.
Transportes Suvi, S. A. de C. V.	100	100	Cargo services.
Almacenaje y Distribución Stellos, S. A. de C. V. (iii)	-	100	Storage services.
Almacenaje y Distribución Anthar, S. A. de C. V.	100	100	Storage services.
Almacenaje y Distribución Deneb, S. A. de C. V. (iii)	-	100	Storage services.
Almacenaje y Distribución Avior, S. A. de C. V.	100	100	Storage services.
Beaumont, S. A. de C. V.	100	100	Storage services.
Almacenaje y Distribución Naos, S. A. de C. V.	100	100	Storage services.
Andara, S. A. de C. V.	100	100	Storage services.
Almacenaje y Distribución Cygnus, S. A. de C. V.	100	100	Storage services.

(Thousands of Mexican pesos)

Subsidiary	2017	2016	Principal activity
Almacenaje y Distribución Polaris, S. A. de C. V. (iii)	-	100	Storage services.
Almacenadora y Distribuidora Kentaurus, S. A. de C. V. (iii)	-	100	Storage services.
Servicios Administrativos Cetus, S. A. de C. V.	100	100	Storage services.
Tractocamiones Europeos, S. A. de C.V.	100	100	Tractor-truck maintenance.
Servicios Integrales Suvi, S. A. de C. V.	100	100	Administrative services.
Almacenaje y Distribución Delphinus S. A. de C. V. (iii)	-	100	Administrative services.
Almacenadora y Distribuidora Hesse, S. A. de C. V.	100	100	Leasing.
AFN (viii):			
Auto Express Frontera Norte, S. A. de C. V.	100	59.99	Cargo and freight.
Inter Mexicana de Transportes, S. A. de C. V.	100	59.99	Box transfers.
AFN Logistic, LTD.	100	59.99	International logistic.
Grupo Lipu:			
Transportes Lipu, S. A. de C. V.	100	99.99	School, personnel and tourist transportation.
Corporación Lipu, S. A. P. I. de C. V.	100	100	Bus leasing.
Fastbus, S. A. P. I. de C. V.	100	99.98	Bus leasing.
Autotransportes Miguel Meza Sánchez, S. A .P. I. de C. V.	100	99.97	School and personnel transportation.
Loxtel Asesores, S. A. P. I. de C. V.	100	99.81	Personnel transportation.
Grupo Settepi, S. A. P. I. de C. V.	100	99.99	Personnel transportation.
Settepi de Oriente, S. A. P. I. de C. V. (iv)	100	99.99	Truck leasing.
Operadora Settepi del Bajío, S. A. P. I. de C. V. (iv)	-	99.99	Truck leasing and personnel transportation services.
Transportación Especializada de Personal de Saltillo, S. A. P. I. de C. V. (iv)	-	99.99	Truck leasing and personnel
	-	99.99	transportation services.
Admical, S. A. P. I. de C. V. (ii)	-	99.99	Personnel services.
Lilka, S. A. P. I. de C. V. (ii)	-	99.99	Personnel services.
Admson, S. A. P. I. de C. V. (ii)	-	99.99	Personnel services.
Operadora Settepi de Baja California, S. A. P. I. de C. V. (iv)	-	99.99	Personnel services.

(Thousands of Mexican pesos)

Geluz, S. A. P. I. de C. V. (ii)	-	99.99	Personnel services.
Corporación de Nogales, S. A. P. I. de C. V. (ii)	-	99.99	Personnel services.
Servioperativos, S. A. P. I. de C. V. (ii)	-	99.99	Personnel services.
M&A Traxion, S. A. P. I. de C. V (Servitransportes Empresariales de Sahuaro, S. A. P. I. de C. V.)	100	99.99	Personnel services.
Excelencia en Transporte Escolar y de Personal, S. A. P. I. de C. V.	100	100	School, personnel and tourist transportation services.
Publica Advertising, S. A. de C. V. (i)	100	-	Advertising services
Palex:			
Palex Servicios Internacionales de Carga Consolidada, S. A. de C. V. (vii)	100	-	Cargo transport
SOFOM:			
Prosperity Factor, S. A. de C. V., SOFOM, E.N.R. (vi))	98	-	Financial Services
Comercializadora:			
Comercializadora Traxión, S. A. de C. V. (v)	100	-	Administrative Services

During 2017, the following transactions ocurred:

i. On May 15, 2017, Grupo LIPU and Grupo Mudancero, S. A. P. I. de C. V. acquired 99% and 1% respectively, of the shares representing capital stock of Publica Advertising, S. A. de C. V. (49,999 shares for Group Lipu and 1 share for Grupo Mudancero). The main activity of Publica Advertsing is to provide advertising services.

ii. On June 22, 2017, Grupo LIPU sold its shareholding and lost control over the following companies: Admical, S. A. P. I. de C. V., Lilka, S. A. P. I. de C. V., Admson, S. A. P. I. de C. V., Geluz, S. A. P. I. de C. V., Corporacion de Nogales, S. A. P. I. de C. V. and Servioperativos, S. A. P. I. de C. V. The impact of such operations generated a loss of $13,003, which is presented in other expenses, in the statement of comprehensive income.

iii. On June 26, 2017, Grupo SID merged the companies "Transportes Suvi", S. A. de C. V. (surviving entity) "Almacenadora y Distribuidora Kentaurus", S. A. de C. V., "Almacenaje y Distribucion Delphinus", S. A. de C. V., "Almacenadora y Distribuidora Deneb", S. A. de C. V., "Almacenaje y Distribución Polaris”, S. A. de C. V. and “Almacenaje y Distribución Stellos”, S. A. de C. V. (merging entities).

iv. On July 20, 2017, Grupo Lipu merged the companies "Settepi de Oriente " S. A. P. I. de C. V. (surviving entity) "Operadora Settepi del Bajio " S. A. P .I. de C. V., " Operadora Settepi de Baja California" S. A. P. I. de C. V. and "Transportación Especializada de Personal de Saltillo" S. A. P. I. de C. V. (merging entities)

v. As part of its expansion plans, on August 7, 2017, Grupo Traxion incorporated the entity Comercializadora Traxion, S. A. de C. V. "Comercializadora", with a 100% ownership. The main activity of Comercializadora is to purchase and sale all kinds of goods and services related to the business of the Group.

vi. On August 31, 2017, the Group acquired the 100% of the entity "Prosperity Factor", S. A. de C. V., SOFOM, E.N.R. ("SOFOM), this operation did not have a significant effect for the Group.

vii. On May 10, 2017, Traxion incorporated the entity Palex, S. A. de C. V. ("Palex") with a 100% shareholding. The main activity of Palex is to provide consolidated cargo.

viii. During September 2017, the acquisition of the remaining 40% of the shares of AFN took place, (see note 22g (ii)).

The aforementioned entities have their principal business place in Mexico, except AFN, Logistics, L. T. D., which operations are immaterial and which carries out its activities in the United States of America.

(2) Relevant events-

a) *Initial public offering ("IPO")-*

On September 28, 2017, the Group carried out an IPO consisting in a primary offer of subscription and payment of 267,236,481 shares (including 28,106,046 shares which are subject of over-allotment option) Series "A" ordinary Class "I" without nominal expression. On September 29, of 2017, the Company was registered in the Mexican Stock Exchange ("BMV").

b) *Automatic cancellation of Series "A" Class "I" shares (fixed capital)-*

On October 30, of 2017, concluded the stabilization period that begin on the day of the IPO, without exercising the over-allotment option of the 28,106,046 shares intended for this purpose in the global offering (see note 22(d)).

c) ***Cancellation of the financial liability for stock purchase option-***

On December 31, 2016, the Group reported a liability for $492,312, which was represented by two purchase options: a) a put option arising from the acquisition of AFN, (see note 28(b)) and a call option related to the acquisition of Grupo SID, (see note 28(a)).

As a result of the IPO of the Group and the purchase and sale of 40% of the shares of AFN, the assumptions underlying the options became extinct. On December 31, 2017, the financial liability was cancelled against other capital accounts (see note 22(e)(ii)).

d) ***Business acquisitions-***

For the year ended December 31, 2016, as part of its expansion plans, Traxion acquired Grupo SID, AFN and Grupo Lipu. The details of the acquisitions are presented in note 28.

e) ***Bank loan-***

On December 1, 2016, Traxion obtained a bank loan of $2,980,000. The entities Transportadora Egoba, S. A. de C. V., Grupo Mudancero, S. A. P. I. de C. V., Almacenadora y Distribuidora Aquarius, S. A. de C. V., Auto Express Frontera Norte, S. A. de C. V. and Corporación Lipu, S. A. P. I. de C. V. all these jointly obligors of Traxion, which details are presented in note 14.

(3) Basis of preparation-

a) ***Statement of compliance-***

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB).

On April 24, 2018, Aby Lijtszain Chernisky (Chief Executive Officer) and Victor Bravo (Vice President of Finance and Administration), authorized the issuance of these consolidated financial statements and accompanying notes.

b) ***Basis of measurement-***

The consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities from a business combination, which were recorded at fair value as of the date of the acquisition and the derivative financial instruments which are recorded at fair value.

In accordance with the General Corporations Law and the Traxion's bylaws, the stockholders are empowered to modify the consolidated financial statements after issuance. The consolidated financial statements will be submitted for approval at the next Shareholders' Meeting.

c) ***Functional and reporting currency-***

The accompanying consolidated financial statements are presented in thousands of Mexican pesos (Thousands of pesos) which is both, the reporting and the functional currency of the Group.

For the purpose of disclosure in the notes to the consolidated financial statements, when reference is made to Thousands of pesos, these are thousands of Mexican pesos, and when reference is made to dollars, it means thousands of dollars of the United States of America.

d) ***Use of estimates and judgments-***

The preparation of the consolidated financial statements requires management to take a number of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses reported. Actual results may differ from those estimates.

The relevant estimates and assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized prospectively.

The information about judgments made in the implementation of accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in:

- Note 4(d)(iii) - useful lives of transportation equipment and machinery;
- Note 4(h)(i) - allowance for doubtful receivables;
- Note 4(j) - provisions;
- Note 4(m) - classification of leases and;
- Note 4(n) - deferred taxes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the consolidated financial statements in the next year are included in the following notes:

- Note 4(h)(ii) - impairment of goodwill;
- Note 4(i) - actuarial assumptions;
- Note 4(j) - provisions and
- Note 4(r) - contingencies.

(4) Summary of significant accounting policies-

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Basis of consolidation-

(i) Subsidiaries-

The consolidated financial statements of Grupo Traxion include the financial information of the subsidiaries mentioned in note 1. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that the control ceases.

(ii) Transactions eliminated on consolidation-

Intercompany balances and transactions between consolidates entities, as well as any unrealized gain and loss, have been eliminated in the preparation of these consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(iii) Business combinations

Business acquisitions are recognized through the purchase accounting method. The consideration transferred in a business acquisition is measured at fair value, which is calculated as the sum of the values of the assets acquired, less the liabilities assumed by the Group with the previous owners of the acquired entity on the date of acquisition.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at fair value.

Costs related to the acquisition are recognized in the income statement as incurred.

As a result of the non-controlling interest purchase option by the acquisition of AFN (note 28b)), the Group recognized in advance the acquisition of such non-controlling interest.

(b) Foreign currency transactions-

Transactions in foreign currency are translated to the respective functional currencies of the Group entities at the exchange rate prevailing at the dates of the transactions. The foreign exchange gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for payments and effective interest during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reported period. Foreign exchange differences arising from the conversion are recognized in the comprehensive financial results as a cost or financial gain.

(c) Financial instruments-

(i) Non-derivative financial assets-

Non-derivative financial instruments primarily include cash and cash equivalents, accounts receivables, related parties receivables and other receivables.

The Group initially recognizes deposits in cash, accounts receivable from customers, from related parties and other accounts receivable on the date they are originated. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred.

Financial assets and liabilities should offset and the net amount is presented in the consolidated statement of financial position only when the Group has the legal right to offset the amounts and intends either to settle on a net basis or, to realize the asset and settle the liability simultaneously.

Cash and cash equivalents-

Cash and cash equivalents include cash balances (including restricted cash) and temporary investments with high liquidity.

Accounts receivable, related parties and other accounts receivable-

Accounts receivable, from related parties and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus the costs directly attributable to the transaction. Subsequent to the initial recognition, accounts receivables from customers, loans to related parties and other accounts receivable are stated at amortized cost using the effective interest method, less impairment.

(ii) Non-derivative financial liabilities-

The non-derivative financial liabilities are recognized initially on the date of contract in which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: debt, suppliers, other accounts payable, loans due to related parties and a financial liability for stock purchase option. Such financial liabilities are initially recognized at fair value plus costs directly attributable to the transaction. Subsequent to the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments-

The Group maintains derivative financial instruments to hedge the interest rate risk exposure.

The derivative financial instruments are initially recognized at fair value; any directly attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, the derivative financial instruments are recorded at fair value and their changes are recognized in profit or loss.

(iv) Capital stock-

Ordinary shares comprising the share capital of the Group are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effect. At December 31, 2017, the Company has only one type of ordinary shares, which is Series “A” Class “1” shares, and are representative of the fixed portion, without par value. Series “A” have total voting rights.

When shares previously recognized as part of stockholders' equity are repurchased (treasury shares), the amount paid shall be recognized as a deduction of capital. Repurchased shares are classified as part of equity.

(d) Transportation equipment and machinery, net-

(i) Recognition and measurement-

Upon initial recognition, the transportation equipment and machinery are recognized at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. Acquired computer programs that are integral to the functionality of the related fixed assets are capitalized as part of that equipment.

In its subsequent measurement, transportation equipment and machinery are recognized at cost less accumulated depreciation, and less any impairment losses.

When parts of the transportation equipment and machinery have different useful lives, they are recorded as separate components (major components).

Gains and losses on the sale of an item of transportation equipment and machinery are determined by comparing the proceeds from the sale against the carrying value of transportation equipment and machinery, and are recognized net in statement of comprehensive income.

(ii) Subsequent costs-

The replacement cost of an item of transportation equipment and machinery is recognized when it is probable that future economic benefits will flow to the Group and its cost can be determined reliably. The carrying value of the replaced part is recorded in the statement of comprehensive income.

Maintenance costs are recognized in profit or loss as incurred.

(Thousands of Mexican pesos)

(iii) Depreciation-

Transportation equipment and machinery are depreciated from the date they are available for use or, in the case of internally constructed assets, from the date the asset is completed and ready for use.

Depreciation is calculated on the amount susceptible to depreciation, which corresponds to the cost of an asset, less its residual value.

Depreciation is recognized in the statement of comprehensive income using the units produced method (kilometers traveled) for certain tractor-trucks and for the rest of the machinery and equipment the straight-line method is used in accordance with the estimated useful life each time that this better reflects the expected consumption pattern of the future economic benefits included in the asset.

The annual depreciation rates of the principal asset classes are as follows:

• Tractor-trucks and transportation equipment	5% to 75%
• Platforms and boxes (for tract-trucks)	5% and 15%
• Machinery and equipment	10% to 25%
• Computer equipment	30%
• Telephonic equipment	10% and 25%
• Building	5%
• Storage equipment	10%
• Office furniture and equipment	10%
• Trawling equipment	10% to 50%
• Safety equipment	10%

Leasehold improvements are amortized during the useful period of the improvement or as of the termination of the contract, whichever is lower.

The Administration of the Group conducted economic-financial analysis to determine the residual value that corresponds to their assets, as a result, as of January 1, 2017, the residual value for the tractor-trucks of some of its subsidiaries, leaving the residual value in a range from 5.5% to 75% over the cost of acquisition, depending on the use of the assets and the value of disposition (sale) historical reported. The overall effect of the above-mentioned changes was recognized as a debit in the statement of comprehensive income in the amount of $38,754. The best estimate of the Group with regard to this impact in future periods indicates that there will be an annual decrease of depreciation expense, up to the amount of $38,734, which will be reduced depending on the useful life of the assets that were used for the determination of this change in the residual values to use. The determination of the amount to depreciate of the assets acquired subsequent to the date of the change, will recognize the residual value as described above. The Group updates the aforementioned analysis at least every year.

The transportation equipment used to provide personnel transportation has a residual value of 10%.

Management reviews at the end of each year: the depreciation method, useful lives and residual values, and where applicable, these values are adjusted.

(e) Intangible assets-

Intangible assets with defined useful lives are mainly composed of the recognized customer relationship in a business combination, at its fair value as of the acquisition date, and is amortized in a straight line over its estimated useful life of 10 and 15 years, which was determined based on the historical facts of the permanence that the clients have with the Group.

Intangible assets with indefinite useful life include mainly acquired brands in a business combination, at its fair value as of the combination date less impairment losses.

(f) Goodwill-

Goodwill is measured as the excess of the sum of the consideration transferred in a business combination, over the net of fair value of the assets acquired and liabilities assumed at the acquisition date.

(g) Inventories and cost of sales-

Inventories are measured at cost or net realizable value, whichever is lower. Inventories are mainly represented by fuel, lubricants and spare parts. The cost of inventories is determined by the acquisition cost method.

Unit cost is determined using the average cost method.

The Group records the necessary allowances for inventory impairment arising from damaged, obsolete or slow-moving inventories or any other reason indicating that the use or realization of the items that are part of the inventory will be lower than the recorded value.

(h) Impairment-

(i) Financial assets-

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event occurred after the initial recognition of the asset, and that such event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes lack of payment or delinquency by a debtor, restructuring of an amount due to the Group in terms that otherwise, there are no indicators that the debtor will fall into bankruptcy.

The Group considers evidence of impairment for accounts receivable, other accounts receivables and loans to related parties both at specific asset and collective level. All individually significant accounts are assessed for specific impairment. All the accounts receivable, other receivables and loans to related parties that are found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Accounts receivable, other accounts receivable and loans to related parties that are not individually significant are assessed collectively for possible impairment by grouping items that have similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of losses incurred, adjusted by management's analysis as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

(ii) Non-financial assets-

The carrying value of non-financial assets, different of inventories and assets from deferred income taxes, are assessed at each reporting date to determine whether there is any indication of possible impairment. If evidence of impairment is identified, then the recoverable value of the asset is estimated.

The amount recorded in the category of goodwill and intangible assets shall be subject to impairment testing at least once a year.

The recoverable value of an asset or cash-generating unit is the greater of its value in use and its fair value less selling costs.

In assessing the value in use, estimated future cash flows are discounted at their present value at a pre-tax discount rate that reflects the actual market valuations of the value of money attributable to the time factor and the risks specific to the asset. For impairment testing purposes, assets that cannot be tested individually are integrated into smaller groups of assets that generate cash inflows for continuous use and are mostly independent of the cash inflows of other assets or groups of assets (The "cash-generating unit"). For the purposes of the impairment tests of goodwill, this is distributed to the group of money-generating units expected to benefit from the synergies of the business combination that originated it. Such distribution is subject to an operating segment ceiling test and reflects the lowest level at which the goodwill is monitored for internal reporting purposes.

Corporate assets do not generate separate cash inflows. If there is any indication that a corporate asset is impaired, then the recovery value of the cash-generating unit to which the corporate asset belongs is determined.

An impairment loss is recognized if the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. As of today, there are no impairment losses that need to be recognized.

(i) Employee benefits-

(i) Defined benefit plans-

The Group’s obligations regarding seniority premiums are calculated by estimating the amount of future benefits earned by employees in exchange for their services in the current and past periods; that benefit is discounted to determine its present value.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the maturity of the Group’s obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

The Group recognizes the actuarial gains and losses derived from the defined benefit plans in the other comprehensive income account, in the period in which they accrued.

(ii) Termination benefits-

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer that is made to encourage voluntary resignation. Termination benefits for voluntary retirement are recognized as an expense only if the Group has made an offer of voluntary resignation, it is probable that the offer is accepted, and the number of acceptances can be reliably estimated. If benefits are payable more than 12 months after the reporting period, they are discounted at present value.

(iii) Short-term employee benefits-

Obligations for short-term employee benefits are valued on an undiscounted basis and recorded as expense as the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans, if the Group has a legal or assumed obligation to pay such amounts as a result of prior services rendered by the employee, and the obligation can be reliably estimated.

(iv) Employee statutory profit sharing (ESPS)-

The ESPS payable in the year is determined in accordance with the tax regulations. Under tax legislation, companies are required to share 10% of their taxable profits to their employees. ESPS is recorded as a general expense.

(j) Provisions-

Based on management´s estimations, the Group recognizes provisions accruals for present obligations that arise as a consequence of past events and when Group expects to disburse resources that incorporate economic benefits.

(k) Revenue-

Revenues from freight´s, logistics and personnel transportation services are recognized as they are provided.

(l) Finance income and costs-

Finance income consists of interest income on invested funds and highly liquid bank deposits and exchange earnings. Interest income is recognized as incurred.

Financial costs include interest expense on bank debt, foreign exchange losses, valuation effects of financial instruments, financing commissions and the financial cost of the defined benefit plan.

(m) Leases assets-

The rents paid by the Group for operating leases are recognized in the statement of comprehensive income using the straight-line method in accordance with the term of the lease even when the payments are not made on the same basis.

Leases in which, in accordance with its terms, the Group assumes substantially all the risks and benefits of ownership are classified as financing leases. At initial recognition, the leased asset is recorded at its fair value or the present value of the minimum lease payments, whichever is lower. After initial recognition, the asset is recorded in accordance with the applicable accounting policy.

(n) Income taxes-

Current tax and deferred tax are recognized in the statement of comprehensive income, except when it relates to a business combination or items recognized directly in equity, as part of the other comprehensive income.

The income tax for the year is determined in accordance with legal and tax requirements, applying the rates of taxes enacted or substantially enacted at the reporting date, and any adjustment to the tax charged in respect of prior years. These tax requirements require calculating the tax result considering the income collected and deductions paid in the year.

Deferred income tax is recorded under the assets and liabilities method, which compares the book and tax values of the Group's assets and liabilities and recognizes deferred income taxes (assets or liabilities) in respect of differences between these values. Deferred income taxes are not recognized for the initial recognition of assets and liabilities in a transaction that does not affect the accounting or fiscal result, and differences related to investments in subsidiaries and associates as long as the Group can control the reversal date and will likely not be reversed in the foreseeable future.

Deferred taxes are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be materialized simultaneously.

A deferred asset is recognized for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which it can be applied. Deferred tax assets are reviewed at the reporting date and are reduced to the extent that realization of the related tax benefit is no longer probable.

(o) Prepayments-

Include mainly insurance, security deposits and rents paid in advance that will be received after the date of the statement of financial position and during the normal course of operations. When the terms of the acquisitions and services are over 12 months, the amount that exceeds the established term is presented as non-current assets in the statement of financial position.

(p) Government subsidies-

Derived from the main activity of the Group, it is entitled to subsidies such as: the Government provides tolls and fuel. Such subsidies are transferred to the Group as a reduction to the income tax. Due to its economic substance, the Company recognizes these subsidies as a decrease from total costs.

(q) Other assets-

Mainly represent leasehold improvements which are recorded at acquisition cost.

(r) Contingencies-

Liabilities or significant losses related to contingencies are recorded when it is probable that its effects are likely to materialize and there are reasonable elements for their quantification. If these reasonable elements do not exist, their disclosure is included qualitatively in the notes to the financial statements. Income, profits or contingent assets are recognized until there is certainty that they will be realized.

(s) Share-based payment-

The Group established a payment program based on shares of its equity for to certain key executive personnel of the Administration, subject to certain conditions of performance. The cost of the payments is recognized in the general expenses line within the concept of labor cost, with the corresponding application in the equity, in the vesting period (3 years). The details of this plan are mentioned in note 22(i).

(t) Basic earnings per share-

The Group presents information on the basic amount corresponding to its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common stockholders of the Company between the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(u) Segment information-

An operating segment is a component of the Group that engages in business activities for which it can earn revenues and incur expenses, which includes revenues and expenses related to transactions with any of the other components of the Group. Inter-segment transactions are determined on the basis of comparable prices to those that would be used with or between independent parties in comparable transactions.

(v) New accounting policies and standards-

New standards and interpretations adopted-

A series of new standards, amendments to standards and interpretations are applicable to annual periods beginning after January 1, 2017, and have been applied in the preparation of these consolidated financial statements are the following:

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable the users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The modifications are applicable for annual periods beginning on or after 1 January 2017.

In addition to the disclosure in note 14, the implementation of this amendment does not have an impact on the consolidated financial statements of the Group.

Recognition of Deferred Tax Assets for Unrealized Losses (Modifications to IAS 12)

The amendments clarify the accounting treatment of the deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017. The application of this amendment does not have an impact on the consolidated financial statements.

New standards not adopted-

A number of new standards, amendments to standards and interpretations are applicable annual periods beginning after January 1, 2018 and are available for early adoption in annual periods beginning on January 1, 2017.

IFRS 15 Revenue from Ordinary Activities from Contracts with Customers

Effective Date: January 1, 2018-

This amendment introduces a new model of five steps for the recognition of contracts with customers and extensive disclosure requirements of qualitative and quantitative form that allows users to understand the nature, amount, time and uncertainties of the income and cash flows of the customer contracts. This new standard replaces the revenue recognition guides (IAS 18 Revenue, IAS 11 Construction Contracts). The Standard is effective for annual periods beginning on January 1, 2018 and early adoption is permitted.

The standard allows you to choose between the retrospective method and the method of cumulative effect. For this reason, it will reset the financial information for comparative exercises to be submitted (exercises ended December 31, 2016 and 2017). Grupo Traxion shall apply the IFRS 15 prospectively considering all existing contracts that has not been completed on the date of initial application.

Currently, Grupo Traxion is making a qualitative and quantitative evaluation of the impacts that the adoption of the IFRS 15 will result in their financial statements. The assessment includes, among others, the following activities:

- Analysis of the contracts concluded with customers and their main characteristics;
- Implementation of the five steps model for recognition;
- Analysis of the disclosures required by the IFRS 15 and the impacts of the same processes and internal controls of the Group.

Based on the above analysis and based on the facts and circumstances existing at that date, the administration of the Panel has determined that the impact of IFRS is not significant.

IFRS 9 - Financial Instruments-

Effective Date: January 1, 2018-

This standard provides a new approach for classification and measurement of financial assets that reflects the business model in which the financial assets are managed and the characteristics of the cash flow. In relation to the provisions for impairment of financial assets, the IFRS 9 replaces the model of "loss incurred" of the IAS 39 by a model of "expected loss".

In addition, IFRS 9 introduces certain changes and modifications concerning the rules to apply hedge accounting. On the other hand, IFRS 9 largely preserves the existing requirements of IAS 39 for the classification of financial liabilities.

The standard is effective for annual periods beginning on January 1, 2018 and allows its early adoption. The standard allows you to choose method retrospective and prospective.

The approach that will be used by Grupo Traxion in the adoption of the new IFRS 9 in relation to Classification and Measurement and Impairment and Hedge Accounting is the prospective approach. The Group does not reset financial information for comparative exercises to be submitted (exercises ended December 31, 2017 and 2016); however, there is a need for a level of revelation according to the norm in the notes to its consolidated financial statements.

Currently, the Group is making a qualitative and quantitative evaluation of the impacts that the adoption of the IFRS 9 will result in its consolidated financial statements.

The assessment includes, among others, the following activities:

- Review of the actuarial models, accounting policies, processes and internal controls related to financial instruments.
- Determination of the impact of the model of expected loss under IFRS 9.
- Determining the type of calculation of provisions based on the model of Expected Loss.
- Analysis of the disclosures required by IFRS 9 and the impacts of the same processes and internal controls of the Company.

As a result of the above, it is possible to determine the new model of Expected Loss of financial assets that are best suited to the management of their financial assets at the consolidated level and its principal subsidiaries, to calculate the provisions that should be recorded. Although it is not yet quantified the financial impact is not expected to have a significant impact to the provisions of the accounts receivable.

IFRS 16 – Leases-

Effective Date: January 1, 2019-

You enter a single accounting model leases for tenants, where an asset is recognized right to use that represents your right to use the underlying asset and a liability of lease that represents its obligation to make lease payments. There are optional exemptions for short-term leases and leasing of items of low value. The accounting of the lessors remains similar to the current standard, that is to say, landlords are still sorting out the leases as operating or finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from contracts with customers, on the date of initial application of IFRS 16 or before. The Group is in the process of determining the potential impacts to be derived in its consolidated financial statements for the adoption of this standard, although by the nature of its operations is not expected to have a significant impact.

(5) Determination of fair values-

Some of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values for the purposes of measurement and disclosure were determined on the basis of the following methods. Where applicable, disclosures in the notes to the consolidated financial statements include information on the assumptions made in determining the specific fair values of that asset or liability.

(a) Call deposits-

The fair value of call deposits with original maturities of three months or less from the date of acquisition is similar to the historical cost since they are subject to insignificant risks of changes in their fair value and are used by the Group to fulfill short-term commitments.

(b) Accounts receivable from customers and other accounts receivable-

The fair value of accounts receivable from customers, related parties and other accounts receivable is estimated at the present value of future cash flows, discounted at the market interest rate at the reporting date.

(c) Non-derivative financial liabilities-

The fair value of non-derivative financial liabilities is calculated based on the present value of future cash flows of principal and interest, discounted at the market interest rate at the reporting date. The amount calculated does not differ substantially from the book value recorded of these assets.

(d) Assets acquired in business combinations-

The fair value of the intangible asset in relation to customer relationships was determined through the "multi-period excess earnings" method, which requires a return to each of the tangible and intangible assets that contribute to the generation of income by the intangible asset subject to evaluation.

For the estimation of the fair value of the brand, the "relief from royalty" methodology was used, which considers market royalties comparable to the acquired business transaction.

For property and equipment the fair value is determined based on quotes considering the price at which the asset would be purchased ("exit price").

(e) Derivative financial instruments-

Derivative financial instruments are measured at fair value with valuation methodologies and inputs accepted in the financial environment.

(6) Financial risk management-

The Group is exposed to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information on the Group's exposure to each of the aforementioned risks, the objectives, policies and processes of the Group for risk measurement and management, as well as the Company's capital management. More quantitative disclosures are included in various sections of these consolidated financial statements.

Risk management framework-

Management has overall responsibility for the establishment and supervision of the Risk Management framework. Management is responsible for the development and monitoring of Risk Management policies and reports its activities to the Board of Directors on a regular basis.

Risk Management policies are established to identify and analyze the risks they face, to establish appropriate limits and controls, and to monitor risks and to enforce limits. Risk Management policies and systems are periodically reviewed to reflect changes in market conditions and in Group activities.

The Group, through training, its management standards and procedures, seeks to develop a disciplined and constructive control environment in which all employees understand their functions and obligations.

Credit risk

Credit risk represents the risk of financial loss of the Group, if a customer or counterparty risk of a financial instrument does not comply with its contractual obligations, and originates mainly from the accounts receivable and investment instruments available to the Group.

In the case of the fair value of derivative financial instruments, they should reflect the credit quality of the financial instrument; for such purpose a "credit valuation adjustment" which includes the own risk (CVA and DVA, respectively) in accordance with the methodologies used in the market.

The carrying amount of financial assets represents the maximum exposure to credit risk.

Accounts receivable from customers and other receivables-

The Group's exposure to credit risk is derived mainly by the individual characteristics of each customer. However, Management also considers the demographics of the Group's customer base, which includes the default risk of the industry in which customers operate, as these factors may influence credit risk. The Company's revenues are attributed to sales transactions with different customers. As of the date of these consolidated financial statements there is no significant concentration of sales and accounts receivable in a single customer.

The Management has implemented a credit policy under which each new customer is analyzed individually for creditworthiness before offering the standard terms and conditions of payment and delivery. The review carried out by the Group includes external ratings, when available, and in some cases bank references. For each client are set days of credit and where applicable purchase limits, which represent the amount open maximum; these limits are reviewed every six months. Clients who do not meet the credit references can only carry out operations with the Group, by payment in advance.

When monitoring the credit risk of clients, they are grouped according to their credit characteristics, which include whether it is a person or a corporation, geographic location, industry, seniority, maturity and existence of previous financial difficulties. Clients classified as "high risk" are included in a list of restricted customers and are monitored by the Management, and future sales are made through prepayment.

The transportation service provided is subject to clauses set forth by the domain reservation laws, so that in case of non-compliance, the Company may have a claim with a guarantee. Normally, the Group does not require guarantees regarding accounts receivable and other accounts receivable.

The Company creates an accrual for impairment losses that represents its best estimate of the losses incurred in connection with accounts receivable and other accounts receivable.

(Thousands of Mexican pesos)

Investments

The Group limits its exposure to credit risk by investing only in "call deposit" and constantly monitors credit ratings, therefore Management does not anticipate that any counterparty will fail to meet its obligations.

Derivatives

The Group has a policy of having derivative financial instruments solely to cover the risk exposure. Currently maintains a derivative financial instrument to cover the risk of interest rate. The initial recognition is at fair value; any directly attributable transaction costs are recognized in results when it is incurred. After initial recognition, derivative financial instruments are valued at their fair value, and changes are recognized in results.

Exposure to credit risk-

The book value of the financial assets represents the maximum credit exposure:

	2017	2016
Cash and equivalents [1]	$ 3,272,162	467,695
Accounts receivable, net	1,412,940	1,037,713
Related parties	50,081	51,319
Other accounts receivable, net	658,715	693,898
	$ 5,393,898	2,250,625
	=======	=======

[1] The balance of the account of cash and cash equivalents at 31 December 2017, includes the placement of shares. The Administration has taken decisions of temporary investments with daily availability.

(Thousands of Mexican pesos)

Impairment losses-

The table below incudes classification of accounts receivable according to their aging at the date of the statement of financial position:

		2017		2016	
		Gross	**Impairment**	**Gross**	**Impairment**
Current	$	751,722	-	724,148	-
Past due from 0 to 90 days		476,207	-	226,179	-
Past due from 91 to 120 days		43,723	-	44,091	(236)
Past due over 121 days		194,673	(53,385)	153,023	(109,492)
	$	1,466,325	(53,385)	1,147,441	(109,728)
		=======	=====	=======	======

The movements of the allowance for doubtful of accounts receivable from customers, is as follows:

		2017	**2016**
Balance at the beginning of the year	$	109,728	83,393
Increases		36,789	56,339
Applications		(93,132)	(30,004)
Balance at the end of the year	$	53,385	109,728
		=====	======

Liquidity risk-

Liquidity risk represents the possibility that the Group may have difficulties complying with its obligations related to its financial liabilities that are settled through the delivery of cash or another financial asset. The approach to manage liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to settle its liabilities on maturity, in both normal and extraordinary conditions, without incurring unacceptable losses or risk to the reputation of the Group.

The Group uses a budget control based on cost and activity centers, which helps it to monitor cash flow requirements and optimize the cash yield of its investments. Normally, the Group ensures that sufficient cash is available to cover operating expenses for a period of 15 to 30 days, which includes payment of its financial obligations; this excludes the possible impact of extreme circumstances that are not reasonably predictable, such as natural disasters.

(Thousands of Mexican pesos)

The following table shows the maturities of financial liabilities, including estimated interest payments and excluding the impact of the netting agreements:

2017		Carrying amount	Cash flows	0-12 months	2 years	More than 3 years
Debt	$	3,060,640	4,320,661	587,189	1,142,362	2,591,110
Finance lease obligation		435,712	435,712	91,659	344,053	-
Suppliers and provisions		590,106	590,106	590,106	-	-
Other liabilities		41,389	41,389	41,389	-	-
Related parties		17,627	17,627	17,627	-	-
Other taxes		294,992	294,992	294,992	-	-
Income taxes		64,634	64,634	64,634	-	-
	$	4,505,100	5,765,121	1,687,596	1,486,415	2,591,110

2016		Carrying amount	Cash flows	0-12 months	2 years	More than 3 years
Debt	$	2,979,478	4,737,030	46,534	342,985	4,347,511
Finance lease obligation		260,711	260,711	40,001	220,710	-
Suppliers and provisions		605,987	605,987	605,987	-	-
Other liabilities		126,576	126,576	126,576	-	-
Related parties		26,201	26,201	26,201	-	-
Contributions for future capital stock increases		13,669	13,669	13,669	-	-
Other taxes		26,111	26,111	26,111	-	-
Income taxes		355,777	355,777	355,777	-	-
	$	4,394,510	6,152,062	1,240,856	563,695	4,347,511

Market risk-

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates may affect the Group's revenue. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, while yields are optimized.

Currency risk-

Interest on loans are denominated in the currency that is consistent with the cash flows generated by the underlying transactions of the Group, mainly the Mexican peso. This offers economic coverage and therefore no derivative contracts are entered into.

Exposure to exchange rate risks-

Below is shown the Group´s exposure to currency risks, based on amounts in thousands of US amounts:

		2017	**2016**
Assets [(1)]	$	92,040	7,171
Liabilities		(666)	(301)
Net assets	$	91,374	6,870
		=====	====

[(1)] The balance of the account of cash and cash equivalents at the end of December 2017, considers the available resources, on which, the administration has taken a temporary investment decisions with daily availability.

The following exchange rates at the closing and average exchange rates have been applied during the periods:

		Average	
		2017	**2016**
US Dollar	$	18.91	18.66
		====	====

		Closing	
		2017	**2016**
US Dollar	$	19.73	20.73
		====	====

The exchange rate of April 24, 2018 is $18.86
The price of diesel of April 24, 2018 is $18.70

(Thousands of Mexican pesos)

Sensitivity analysis-

A strengthening of the US dollar against the Mexican peso would have increased the equity and the results of the period in the amounts shown below. This analysis is based on the variations in the currency exchange rate that the Group considers will be reasonably possible at the end of the period of the consolidated financial statements.

The analysis assumes that all other variables, especially interest rates, remain constant.

	Closing	
	2017	**2016**
Dollar (10% variation)	$ 250,818	52,286
	======	=====

A weakening of the US dollar against the Mexican peso at December 31, would have had the same opposite effect, in the amounts shown, assuming all the other variables remain constant.

a) Interest rate risk-

Interest rate fluctuations mainly impact debt by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group's Management entered into a swap on the variable rate (rate swap) of 75% of the loan of $2,980,000 (original amount) mentioned in note 15 and for 75% of the loan term, to mitigate the risk of interest rate.

Exposure to interest rate risk-

The interest rate profile at December 31, 2017 and 2016 on interest-bearing financial instruments were as follows:

	2017	**2016**
Fixed rate:		
Financial liabilities	$ 483,250	300,089
	=======	=======
Variable rate:		
Financial liabilities	$ 2,926,076	2,920,400
	=======	=======

(Thousands of Mexican pesos)

Analysis of fair value sensitivity for fixed rate instruments-

The Group does not record financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments based on a fair value hedge accounting model. Therefore, a change in the interest rate at year-end would not affect the results.

The swaps are recognized at their fair value through the income statement. A movement of 100 bp in the interest rate, assuming that the other inputs remain unchanged, it would have affected the results for the financial year 2017 as follows:

		Income effect	
	Notional amount	**100 bp**	**-100 bp**
Swap	2,235,000,000	27,572,481	-28,752,990

At 31 December 2016, sensitivity analysis was not performed, the derivatives were purchased at the end of the year and therefore its tendency does not reflect the position that had the rest of the year.

Sensitivity analysis on cash flows for variable-rate instruments

An increase or decrease of the reference interest rate, at the end of the year, could have affected the profit or loss for the financial year. This analysis is based on the changes you might suffer the TIIE interest rate (interest rate under 2 different scenarios (+/- one percentage point). The following analysis assumes that all other variables remain constant.

		Income effect	
	Years end amount	**100 bp**	**-100 bp**
Loan	2,980,000,000	-29,800,000	29,800,000
Revolving credit	80,000,000	-800,000	800,000
Swap	2,235,000,000	22,350,000	-22,350,000

(Thousands of Mexican pesos)

Risks and sensitivity analysis in the price of diesel-

Effective January 1, 2017, the Mexican Government announced the release of the price of diesel (and petrol). This release has led to a variation in the cost of diesel. At 31 December 2017, the cumulative weighted price of diesel for the Group was $17.83 pesos per liter. An increase or decrease in the price of diesel, at the close of the financial year, could have affected the profit or loss for the financial year in approximately $80.650 (net impact considering stimulus of IEPS).

This analysis is based on the changes you might suffer the price of diesel under the scenario of the increase of 5 percentage points. The analysis assumes that all other variables remain constant.

Other market price risk

Significant investments within the portfolio are managed individually and all purchase and sale decisions are approved by the Management. The Group only invests in liquid funds with high credit ratings.

Fair values versus book values

The fair values of financial assets and liabilities are shown below, together with the carrying amounts shown in the statement of financial position:

		2017		**2016**	
		Book value	**Fair value**	**Book value**	**Fair value**
Assets recorded at fair value:					
Cash and cash equivalents	$	3,272,162	3,272,162	467,695	467,695
Accounts receivable, net		1,412,940	1,412,940	1,037,713	1,037,713
Related parties		50,081	50,081	51,319	51,319
Other receivables, net		658,715	658,715	693,898	693,898
	$	5,393,898	5,393,898	2,250,625	2,250,625

(Thousands of Mexican pesos)

		2017		2016	
		Book value	**Fair value**	**Book value**	**Fair value**
Financial liabilities at fair value:					
Lease obligations	$	435,712	435,712	260,711	260,711
Suppliers and supplies		590,106	590,106	605,987	605,987
Creditors		41,389	41,389	126,576	126,576
Related parties		17,627	17,627	26,201	26,201
Financial liability for purchase option		-	-	492,312	492,312
Other taxes		294,992	294,992	355,777	355,777
Income taxes		64,634	64,634	26,111	26,111
	$	1,444,460	1,444,460	1,893,675	1,893,675
Liabilities at Amortized cost:					
Debt	$	3,060,640	2,108,630	2,979,478	2,979,478

Fair value hierarchy-

All financial instruments recorded at fair value of the Group are defined within Level 2. Therefore, the group does not have any financial instruments within levels 1 and 3. The levels mentioned above are defined as:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices that are included within Tier 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data for (unobservable inputs).

(Thousands of Mexican pesos)

Capital management-

The policy of the Board of Directors is to maintain a solid capital base in order to maintain confidence in the Group of the investors, creditors and market, and to sustain the future development of the business. The Board of Directors monitors the capital yield, which the Group defines as the result of operating activities, divided by the total stockholders' equity.

The Group's debt-equity ratio at the end of the reporting periods is as follows:

		2017	2016
Total liabilities	$	5,254,496	5,614,046
Cash and cash equivalents		3,272,162	467,695
Net debt	$	1,982,334	5,146,351
Capital stock	$	9,642,543	5,006,246
Ratio of debt to equity	$	0.21	1.03

(7) Cash and cash equivalents-

		2017	2016
Cash funds	$	1,714	1,569
Call deposits		3,052,028	224,443
Cash in banks		128,228	199,435
Restricted cash (1)		90,192	42,248
Cash and cash equivalents	$	3,272,162	467,695

(1) As of December 31, 2017 and 2016, the Group has restricted cash of $90,192 and $42,248 respectively, equivalent to the payment or immediately following maturity of principal plus interest on the debt that is indicated in note 14.

(Thousands of Mexican pesos)

Note 6 discloses the Group's exposure to credit risks related to cash and cash equivalents.

(8) Accounts receivable, net

		2017	2016
Accounts receivable	$	1,466,325	1,147,441
Less allowance for doubtful accounts		53,385	109,728
Total accounts receivable	$	1,412,940	1,037,713
		=======	=======

Note 6 discloses the Group's exposure to credit risks, foreign exchange and impairment losses related to accounts receivable.

(9) Other receivables-

		2017	2016
Recoverable taxes	$	572,585	632,083
Sundry debtors		57,113	42,891
Bus operators		14,955	12,711
Officials and employees		8,267	7,227
Other		6,090	-
		659,010	694,912
Less allowance for doubtful accounts		295	1,014
	$	658,715	693,898
		======	======

Note 6 discloses the Group's exposure to credit, foreign exchange and impairment losses related to other accounts receivable.

(Thousands of Mexican pesos)

(10) Transactions, loans and balances with related parties-

(a) Compensations to key management personnel-

The key members of the Administration of the Group received the following remunerations and other benefits (action plan), which are included in personnel costs (note 23):

		2017	2016
Short-term benefit	$	98,257	24,900
Termination benefit		18,103	-
		=====	=====

The remunerations and benefits for the year 2016, represent the compensations paid to the key executives of the corporate and the subsidiaries acquired (from which these companies consolidated their results in Group Traxion) compared with the figures for the year of 2017, which in addition to considering this type of expenditure for a period of 12 months for all companies, the number of key positions increase.

(b) Transactions with related parties-

All related parties listed in this note correspond to "related parties", as they are not joint agreements, subsidiaries, partners or key personnel of the administration, except as indicated in the balance shown in the accounts receivable in the amount of $21,601 and the balance shown in accounts payable in the amount of $10,472, which correspond to key management personnel. These balances may not be compensated among them.

In the normal course of activities, Grupo Traxion commercial transactions with other related parties, including operations with the supply of raw materials and the leasing of real estate.

Transactions with related parties for the years ended December 31, 2017 and 2016 were as mentioned in the following page.

(Thousands of Mexican pesos)

Company	Income from the Operation:	2017	2016
Operadora Arrendadora de Vehículos Puli, S. A. de C. V.	Revenues for the Transport of people	$ 2,610	390
Pública Entertaiment, S.A. de C.V	Load/Income Income SC	273	-
Grupo Publica Espectaculares y Vallas, S. A. de C. V.	Labels and administrative services	-	12,297
Pública Advertising, S. A. de C. V.	Revenues from sales of fixed assets	-	7,858
Transportes Suvi, S. A. de C. V.	Income Maintenance	-	5,830
MYM Spirit, S. A. de C. V.	Income per charge, expenses for services of logistics	-	238
Medios de Transporte WA, S. A. de C. V.	Income per load, logistics and administrative services	-	77
Seguridad Privada e Inteligencia Empresarial, S. A. de C. V.	Income per load and administrative services, other expenses	-	27
Inversora del Centro, S. A. de C.V.	Income for administrative services, leases and other expenses	-	15
Arrendadora de Vehículos Alfa, S. A. de C. V.	Load/Income Income SC	-	8
Inmobiliaria Albali, S.A. de C. V.	Income per load, leases and other expenses	-	6
		=====	=====

Company	Expense:	2017	2016
Inmobiliaria Albali, S. A. de C.V.	Property type income expenditure and other expenses	14,186	5,915
Tracto servicios Especializados de Querétaro, S. A. de C. V.	Maintenance costs	11,054	10,980
Inmobiliaria Eventus, S. A. de C. V.	Property type Income Expenditure	9,108	-
Operadora y Arrendadora de Vehículos Puli, S. A. de C. V.	Transport costs of staff	5,083	28

(Thousands of Mexican pesos)

Company	Expense:	2017	2016
Key management	Expenditures for administrative services	4,559	-
Inversora del Centro, S. A. de C. V.	Property type Income Expenses	166	1,675
Suma Partners, S. A. de C.V.	Other expenses	49	-
Grupo Impresor Esfera Digital, S. A. de C. V.	Labeling expense / adminstrative	17	156
Arrendadora de Vehículos Alfa, S. A. de C. V.	Costs of labelling / administrative costs	14	-
Grupo Publica Espectaculares y vallas, S. A. de C. V.	Expenses for labels and other expenses	-	5,096

Related party loans receivable and payable in the short term are as shown below:

		2017	2016
Loans receivable in the short term.			
Publica Entertainment, S. A de C. V.	$	8,000	-
Remaining loan granted to Inmobiliaria Albali, S. A. de C. V.		3,000	3,000
Publica Below the line, S. A de C. V.		1,397	-
Remanent (accrued interest) of a loan with a fixed rate of 10 % per annum due in December of 2017.		-	4,391
Total loans receivable, short-term	$	12,397	7,391
		=====	====

(Thousands of Mexican pesos)

The balances receivable from related parties, at December 31, 2017 and 2016, are as follows:

Accounts receivable in the short term		**2017**	**2016**
Key management (2)	$	21,601	8,611
Empaques MYM, S. A. de C. V. (1)		3,606	3,606
Muebles y Mudanzas, S. A. de C. V. (2)		3,587	-
Empresas Coordinadas, MYM, S. A. de C. V. (2)		2,165	2,826
Operadora y Arrendadora de Vehículos Puli, S. A. de C. V. (1)		1,188	1,436
Medios de Transporte WA, S. A. de C. V. (2)		-	208
Publica Entertainment, S. A. de C. V. (2)		658	-
Arrendadora de Vehículos Alfa, S. A. de C. V. (2)		203	199
Inversora del Centro, S. A. de C. V (2)		-	121
MyM Spirit, S. A. de C. V. (2)		-	630
Pública Advertising, S. A. de C. V. (1)		-	9,195
Inmobiliaria Terminal de Carga Oriente, S. A. de C. V.		-	227
Other related parties (2)		4,676	16,869
	$	37,684	43,928

(1) The balances receivable correspond to accounts that do not have specific due date, nor bear interests.

(2) Accounts receivable transactions for services provided that do not have specific due date nor bear interests.

(Thousands of Mexican pesos)

Accounts payable		**2017**	**2016**
Key members of the management	$	10,472	8,831
Seguridad Privada e Inteligencia WA, S. A. de C. V.		-	303
Grupo Publica Espectaculares y Vallas, S. A. de C. V.		-	1,245
Muebles y Mudanzas, S. A. de C. V.		2,050	218
Grupo Impresor Esfera Digital, S. A. de C. V.		1,704	1,684
Tracto servicios Especializados de Querétaro, S. A. de C. V.		1,601	4,586
Inmobiliaria Terminal Carga Oriente, S. A. de C. V.		1,510	1,737
Operadora y Arrendadora de Vehículos Puli, S. A. de C. V.		115	129
Medios de Transporte WA, S. A. de C. V.		-	567
Inmobiliaria Eventus, S. A. de C. V.		-	4,575
Inmobiliaria Albali, S. A. de C. V.		-	791
Empresas SETTEPI, S. A.		-	663
Almacenadora y Distribuidora Pegasus, S.A. de C.V.		-	178
Other related parties		175	694
	$	17,627	26,201
		=====	=====

The balance payable to related parties and shareholders correspond to current account loans that do not have specific due, nor cause interest.

(Thousands of Mexican pesos)

(11) Prepayments-

		2017	2016
Advances to suppliers	$	16,324	1,796
Insurances paid in advance		8,699	9,754
Other expenses paid in advance		5,891	4,338
		30,914	15,888
Advances to suppliers for purchase of equipment (long term)		-	77,233
Total prepayments	$	30,914	93,121

(12) Transportation equipment and machinery-

The movements of the items that compose the transportation equipment and machinery for the year 2017, are shown below:

Additions and disposals.

Cost	2016	Additions	Disposals	2017
Tractor trucks	$ 1,469,859	334,005	143,625	1,660,239
Platforms and boxes (1)	461,331	73,959	3,924	531,366
Transportation equipment	373,948	32,284	5,166	401,066
Personnel transportation equipment	1,624,209	1,376,808	344,274	2,656,743
Machinery and equipment	62,515	21,541	2,528	81,528
Computer equipment	38,381	13,722	1,491	50,612
Telephones	4,424	12	-	4,436
Building	15,448	1,857	-	17,305
Storage equipment	12,748	-	-	12,748
Office furniture and equipment	13,941	3,442	2,315	15,068
Trawling equipment	10,783	2,180	285	12,678
Safety equipment	1,037	-	-	1,037
Others	3,112	-	-	3,112
	$ 4,091,736	1,859,810	503,608	5,447,938

(Thousands of Mexican pesos)

Depreciation-

Accumulated depreciation		2016	Depreciation	Disposals	2017
Tractor trucks	$	224,868	185,106	81,152	328,822
Platforms and boxes		185,488	73,159	1,535	257,112
Transportation equipment		79,745	10,773	4,304	86,214
Personnel transportation equipment		17,438	133,949	82,654	68,733
Machinery and equipment		29,950	5,610	673	34,887
Computer equipment		14,970	10,966	701	25,235
Telephones		3,038	92	-	3,130
Building		663	1,320	-	1,983
Storage equipment		4,241	-	-	4,241
Office furniture and equipment		1,960	1,799	-	3,759
Trawling equipment		1,374	2,577	229	3,722
Safety equipment		1,247	-	-	1,247
Other		5	-	-	5
		564,987	425,351	171,248	819,090
Carrying value, net	$	3,526,749	1,434,459	332,360	4,628,848

The movements of the items that compose the transportation equipment and machinery for the year 2016, are shown below:

Cost		2015	Additions	Business combination	Disposals	2016
Tractor trucks	$	436,189	208,279	978,608	153,217	1,469,859
Platforms and boxes (1)		211,285	130,345	139,610	19,909	461,331
Transportation equipment		341,917	5,751	28,262	1,982	373,948
Personnel transportation equipment		-	313,836	1,311,804	1,431	1,624,209
Machinery and equipment		45,015	1,332	17,083	915	62,515
Computer equipment		15,899	12,349	10,620	487	38,381
Telephones		4,382	12	30	-	4,424
Land		12,775	-	-	12,775	-
Building		5,475	-	16,324	6,351	15,448
Storage equipment		10,433	-	10,173	7,858	12,748
Office furniture and equipment		2,752	6,556	13,898	9,265	13,941
Trawling equipment		1,099	467	9,228	11	10,783
Safety equipment		1,037	-	-	-	1,037
Other		-	2,408	703	-	3,111
	$	1,088,258	681,335	2,536,343	214,201	4,091,735

(Thousands of Mexican pesos)

Accumulated depreciation		2015	Additions	Business combination	Disposals	2016
Tractor trucks	$	160,247	154,619	-	89,998	224,868
Platforms and boxes		137,502	52,548	-	4,562	185,488
Transportation equipment		78,565	2,126	-	946	79,745
Personnel transportation equipment		-	17,953	-	515	17,438
Machinery and equipment		25,716	4,411	-	177	29,950
Computer equipment		10,982	4,468	-	480	14,970
Telephones		2,905	133	-	-	3,038
Building		2,209	845	-	2,391	663
Storage equipment		4,241	-	-	-	4,241
Office furniture and equipment		1,272	688	-	-	1,960
Trawling equipment		719	655	-	-	1,374
Safety equipment		1,247	-	-	-	1,247
Other		-	4	-	-	4
		425,605	238,450	-	99,069	564,986
Carrying value, net	$	662,653	442,885	2,536,343	115,132	3,526,749

Impairment-

During the periods ended December 31, 2017 and 2016, the Group did not recognize any impairment in relation to transportation equipment and machinery.

Leasing-

At 31 December 2017 and 2016, the Group has recognized transportation units under the scheme of leasing by a net book value of $424,211 and $221,437, respectively (see note 19).

(13) Goodwill, intangible assets and other assets-

At December 31, 2017 and 2016, the goodwill was derived from the acquisitions of Egoba for $335,988, Grupo SID for $509,599, AFN for $295,518 and Grupo Lipu for $2,229,351.

The movements in intangible assets and other assets for the year 2017, are mentioned in the following page.

(Thousands of Mexican pesos)

Additions and disposals-

Cost		**2016**	**Additions**	**Disposals**	**2017**
Brands	$	676,938	-	-	676,938
Relationship with customers		544,284	-	-	544,284
Leasehold improvements		51,625	11,824	-	63,449
Security deposits		31,777	2,514	21,848	12,443
Other assets		23,432	6,382	1,958	27,856
	$	1,328,056	20,720	23,806	1,324,970

Amortization-

Cost		**2016**	**Amortization of the year**	**Disposals**	**2017**
Relationship with customers	$	34,334	37,005	-	71,339
Leasehold improvements		19,314	10,063	-	29,377
Other assets		5,591	5,898	-	11,489
Total		59,239	52,966	-	112,205
Intangible assets and other assets, net	$	1,268,817	(32,246)	23,806	1,212,765

The movements in intangible assets and other assets for the year 2016, are as follows:

Costs		**2015**	**Additions**	**Business acquisitions**	**Disposals**	**2016**
Brands	$	51,407	-	625,531	-	676,938
Relationship with customers		91,414	-	452,870	-	544,284
Leasehold improvements		28,668	10,891	12,066	-	51,625
Security deposits		7,754	2,443	37,784	16,204	31,777
Other assets		10,528	11,774	1,130	-	23,432
	$	189,771	25,108	1,129,381	16,204	1,328,056

(Thousands of Mexican pesos)

Amortization		**2015**	**Additions**	**Business acquisitions**	**Disposals**	**2016**
Relationship with customers		15,595	18,739	-	-	34,334
Leasehold improvements		16,147	3,167	-	-	19,314
Other assets		2,863	2,728	-	-	5,591
		34,605	24,634	-	-	59,239
Intangible assets and other assets, net	$	155,166	474	1,129,381	16,204	1,268,817
		======	=====	=======	=====	=======

(14) Long-term debt

The long-term debt as of December 31, 2017 and 2016, is as follows:

		2017	**2016**
Loan, bearing interest at an annual rate of TIIE plus 4.00 points, payable in 24 quarterly installments, maturing in December 2023(1)	$	2,926,076	2,920,400
Loan, bearing interest at an annual rate of 18.0%. The principal and interest payments are paid monthly, with a maturity date in February 2017.		-	20,700
Loan, bearing interest an annual rate of 9.20%, maturing in 2021.		6,733	7,670
Loan credit with Interbanco S. A. in USD, for the acquisition of 27 truck trailers at an annual rate of LIBOR plus 2.00 percentage points, maturing in 2018.		1,171	4,874
Loan, bearing interest an annual rate of 8.1%, maturing in 2020.		1,901	2,768
Carried forward	$	2,935,881	2,956,412

(Thousands of Mexican pesos)

		2017	2016
Brought forward	$	2,935,881	2,956,412
Loan, bearing interest at an annual rate of 5%, maturing in 2017.		-	1,234
Loan, bearing interest at an annual rate of 5%, maturing in 2017.		-	895
Loan, bearing interest at an annual rate of 10.86%, maturing in October 2017.		-	317
Loan, bearing interest at a rate of 5% per annum, maturing in 2017.		-	301
Loan, bearing interest at an annual rate of 4.75%, maturing in 2017.		-	221
Loan, bearing interest at an annual rate of 4.75%, maturing in 2017.		-	183
Loan, bearing interest at a rate of 11% per annum, maturing in 2017.		-	149
Loan, bearing interest at a rate of 12% per annum, maturing in 2017.		-	66
Credit for the acquisition of car utility at a rate of 29% notes due in 2018.		17	-
Inventory credit contracted with Daimler Financial Services for the acquisition of 10 TR at a rate of 11.0% due in 2021.		9,051	-
Inventory credit contracted with Daimler Financial Services for the acquisition of 10 TR at a rate of 10.0% in 2021.		28,665	-
Accrued interest payable		87,026	19,700
Total debt		3,060,640	2,979,478
Less current maturities		360,499	51,566
Long-term debt, excluding current maturities	$	2,700,141	2,927,912
		=======	=======

(Thousands of Mexican pesos)

2017

	Beginning balance	Loans received during 2017	Payments of principal	Interest paid	Total cash transactions	Other financial costs	Unrealized exchange loss	Accrued interest	Business acquisition	Ending balance
Long term debt	2,979,478	37,731	(29,573)	(320,804)	**2,666,832**	5,677	-	388,131	-	**3,060,640**

(1) This credit establishes certain restrictive covenants, among which are:

- limitations on the transfer title of its assets (including, without limitation, fixed assets or securities of any subsidiary),
- limitations on participation in acquisitions, spin offs or mergers,
- not to reduce the Groups's equity.
- insurances on the property and equipment,
- maintain certain financial measurements,
- not to grant any type of loan or credit, with or without guarantee, except for loans or credits between Grupo Traxion and the jointly obligors.
- not to pay dividends or make distributions in cash or in kind to its shareholders,
- not to contract, or allow any of its subsidiaries to contract, debt (including the granting of encumbrances that guarantee it) for a total amount that implies the breach of any of the financial obligations in the contract.
- not assume or guarantee obligations of third parties, except for the obligations under this agreement.

Also, as shown in note 7, the Company must maintain a cash reserve fund equivalent to the next immediate payment of principal and interest on the credit. As of December 31, 2017 and 2016, the covenants have been fulfilled.

(15) Suppliers-

The Group does not have a significant concentration of purchases from a specific supplier since its main cost is the fuel which accounts for 25.52% and 23.90% from the total costs for the years ended in 2017 and 2016 respectively. Fuel is provided by various suppliers.

Note 6 discloses the Group's exposure to exchange rate and liquidity risk related to suppliers.

(Thousands of Mexican pesos)

(16) Other taxes-

		2017	2016
Other taxes and duties	$	241,259	306,232
Value added tax		53,733	49,545
	$	294,992	355,777
		======	======

(17) Employee benefits-

		2017	2016
Present value of unfunded obligations	$	40,880	37,512
Recognized liability for defined benefit obligations	$	40,880	37,512
		=====	=====

Movements in the present value of defined benefit obligations (DBO)

		2017	2016
DBO as of January 1	$	37,512	12,236
Business acquisitions (note 28)		-	22,683
Current service labor cost		9,155	5,801
Financial cost		1,527	1,059
Actuarial (gain) losses		(317)	(1,606)
Payments during the period		(6,997)	(2,661)
DBO as of December 31	$	40,880	37,512
		=====	=====

a) Recognized expense on results

		2017	2016
Current service labor cost	$	9,155	5,801
Financial cost		1,527	1,059
	$	10,682	6,860
		=====	====

(Thousands of Mexican pesos)

b) Actuarial losses recognized in the comprehensive income account

		2017	**2016**
As of January 1,	$	2,868	3,992
Recognized during the exercise		(317)	(1,606)
Deferred income tax		95	482
As of December 31	$	2,646	2,868
		====	====

c) Actuarial assumptions

The actuarial assumptions at the dates of the consolidated financial statements are shown below:

	2017	**2016**
Discount rate	4.66% to 7.80%	5.19% to 7.90%
Salary increase	2.91% to 6.50%	3.44% to 5.25%
Minimum salary increase	2.35% to 6.50%	2.75% to 4.40%
Inflation rate	6.67%	3.36%

Assumptions about future mortality are based on published statistics and mortality tables. At present, the retirement age in Mexico is 65 years.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions indicated above.

d) Sensitivity analysis

The possible variations at the reporting date, in one of the most significant actuarial assumptions, and assuming that the rest of the variables remained constant, would have affected the defined benefit obligations as of December 31, 2017 and 2016, in the amounts shown below:

		Increase	**Decrease**
2017			
Discount rate (1% variation)	$	(1,621)	1,814
		====	====

		Increase	Decrease
2016			
Discount rate (1% variation)	$	(1,828)	1,801
		====	====

(18) Accruals-

		2017	2016
Beginning balances	$	128,342	50,315
Business acquisitions		-	110,784
Increases		933,828	448,428
Payments and write-offs		(944,617)	(481,185)
Closing balances	$	117,553	128,342
		======	======

The accruals mainly include service costs that represent the estimated costs for services rendered and on which the invoice is not available. This provision is adjusted on a monthly basis, reducing it by those costs that have already been invoiced, and increasing it by the estimated costs of new services rendered and for which no corresponding invoices are yet available. As of December 31, 2017 and 2016, service costs include an increase of $316,107 and $238,585, respectively recorded in earnings and payments and write-offs for $339,366 and $262,798, respectively.

In addition, as of December 31, 2017 and 2016, provisions for employee benefits include an increase of $126,071 and $197,910, respectively recorded in profit or loss and payments and write-offs of $120,346 and $202,063, respectively.

(19) Finance and operating leases-

a) Finance leases-

As of December 31, 2017 and 2016, the Group has transportation equipment and machinery (boxes) under the finance lease scheme at a net book value of $424,211 ($476,269 less accumulated depreciation of $52,058) and $221,437 ($235,346 less accumulated depreciation of $13,909), respectively. The finance leases have a term of 56 months from the date of signature, expiring on 2020.

(Thousands of Mexican pesos)

The finance lease liability is payable as shown below:

		Future minimum payments	Interest	Present value of minimum payments
Less than one year	$	131,062	39,403	91,659
Between one and five years		447,854	103,801	344,053
	$	578,916	143,204	435,712
		======	======	======

b) Operating leases-

Operating lease income not subject to cancellation is as follows:

		2017	2016
Less than one year	$	18,979	107,121
Between one and five years		1,833	184,929
More than five years		-	-
	$	20,812	292,050
		=====	======

During the years ended December 31, 2017 and 2016, the Group recognized the amount of $83,572 and $137,418, respectively, as rent expense in regards to operating leases.

At 31 December 2017, operating leases for Grupo LIPU were paid in full.

(Thousands of Mexican pesos)

(20) Deferred tax assets and liabilities-

a) Deferred tax assets (and liabilities)

		2017	2016
Accounts receivable and allowance for doubtful receivables	$	(159,465)	(117,961)
Other receivables		(3,147)	(12,459)
Inventories		(2,041)	(1,970)
Commissions to amortize		21,302	-
Prepayments		(36,825)	(24,763)
Transportation equipment and machinery		(315,296)	(490,554)
Net operating loss carryforwards		325,737	209,560
Debt transaction costs		-	(1,826)
Intangible assets		(462,707)	(322,665)
Other assets		601	18,466
Advances from customers		1	(2,344)
Commissions paid in advance		(16,177)	-
Tax credits		-	1,261
Suppliers		106,067	129,836
Employee statutory profit sharing		9,190	9,108
Trade accounts payable		14,406	(330)
Accruals		34,888	17,618
Employee benefits		6,767	11,854
	$	(476,699)	(577,169)
		======	======

(Thousands of Mexican pesos)

b) Movements in temporary differences during exercises-

	2016	Recognized in earnings	Recognized in OCI	2017
Accounts receivable and allowance for doubtful rec.	$ (117,961)	(41,504)	-	(159,465)
Other receivables	(12,459)	9,312	-	(3,147)
Inventories	(1,970)	(71)	-	(2,041)
Commissions to amortize	-	21,302		21,302
Prepayments	(24,763)	(12,062)	-	(36,825)
Transportation equipment and machinery	(490,554)	175,258	-	(315,296)
Tax losses	209,560	116,177	-	325,737
Debt transaction costs	(1,826)	1,826	-	-
Intangible assets	(322,665)	(140,042)	-	(462,707)
Other	18,466	(17,865)	-	601
Commissions paid in advance	-	(16,177)		(16,177)
Suppliers	129,836	(23,769)	-	106,067
Employee statutory profit sharing	9,108	82	-	9,190
Trade accounts payable	(330)	14,736	-	14,406
Provisions	17,618	(5,567)	22,837	34,888
Tax credits	1,261	(1,261)	-	-
Advances from customers	(2,344)	2,345	-	1
Employee benefits	11,854	(4,992)	(95)	6,767
	$ (577,169)	77,728	22,742	(476,699)

(Thousands of Mexican pesos)

	2015	Recognized in earnings	Business acquisition	Recognized in OCI	2016
Accounts receivable and allowance for doubtful rec.	$ (64,840)	(3,856)	(49,265)	-	(117,961)
Other receivables	(52)	(10,672)	(1,735)	-	(12,459)
Inventories	(3,499)	3,259	(1,730)	-	(1,970)
Prepayments	(4,307)	4,787	(25,243)	-	(24,763)
Transportation equipment and machinery	(176,606)	(624)	(313,324)	-	(490,554)
Tax losses	(11,402)	24,215	196,747	-	209,560
Debt transaction costs	(1,826)	-	-	-	(1,826)
Intangible assets	117	738	(323,520)	-	(322,665)
Other	16,786	1,680	-	-	18,466
Suppliers	9,351	21,832	98,653	-	129,836
Employee statutory profit sharing	6,502	(1,609)	4,215	-	9,108
Trade accounts payable	861	(1,195)	4	-	(330)
Provisions	6,718	(13,837)	24,737	-	17,618
Tax credits	-	1,261	-	-	1,261
Advances from customers	-	(2,345)	1	-	(2,344)
Employee benefits	3,689	3,140	5,507	(482)	11,854
	$ (218,508)	26,774	(384,953)	(482)	(577,169)

In assessing the recoverability of the deferred tax assets, Management considers the probability that some or all of them may not realize.

The final realization of the deferred income tax assets depends on the generation of taxable income in the periods in which temporary differences will be deductible.

In carrying out this evaluation, the Administration considers the expected reversal of deferred tax liabilities, projected taxable profits and planning strategies. Deferred tax assets have not been recognized with regard to tax losses, because it will probably not have the fiscal resources to implement such losses.

(Thousands of Mexican pesos)

At 31 December 2017, the amount of the tax losses is $1,858,896, which expiration date has a range from the year 2018 to 2027.

(21) Tax on earnings (Income Tax (IT))-

As of December 31, 2017 and 2016, some subsidiaries are subject to income tax under the conditions set forth it the “current coordinated tax regime”, which, like the “simplified tax regime” in force at December 31, 2013, is applicable to companies engaged on freight transportation services. Tax law establishes that an entity is engaged on freight transportation services, when no more than 10% of its total revenue comes from different sources than freight transportation services. The coordinated tax regime establishes that the tax basis for income tax is determined on revenue collected less deductions paid as well as the simplified tax regime.

According to the current IT Law, it establishes a rate of 30% for 2014 and thereafter.

a) *Tax on earnings*

		December 31,	
		2017	**2016**
Current IT	$	247,752	183,420
Deferred IT		(77,728)	(62,076)
	$	170,024	121,344
		======	======

Tax in OCI-

		2017		
		Gross	**Tax**	**Net of tax**
Actuarial losses	$	317	(95)	222
		===	==	===

		2016		
		Gross	**Tax**	**Net of tax**
Actuarial losses	$	1,606	(482)	1,124
		====	===	====

(Thousands of Mexican pesos)

b) Reconciliation of the effective tax rate

		December 31, 2017	December 31, 2016
Profit before income taxes	$	506,973	154,889
Computed "expected" tax expense		152,091	46,467
Effects of inflation, net		(28,494)	31,895
Non-deductible expenses		71,522	42,982
Recognizing of deferred assets		(21,093)	-
Other, net		(4,002)	-
IT expense	$	170,024	121,344

(22) Stockholders' equity-

The principal characteristics and structure of Stockholders' equity are described below:

(a) Structure of capital stock-

At December 31, 2017, the capital stock subscribed and paid is $8,930,167.19 represented by 543,478,261 shares of Series "A", class "I", which are ordinary shares without par value, fully subscribed and paid. In addition, there are 36,730,910 treasury shares, which might represent up to 6.3% of the capital stock once they are subscribed and paid.

The Company´s shares began trading on the Mexican Stock Exchange ("BMV") by September 29, 2017 and may be subscribed for or acquired by investors of Mexico or Mexican companies in whose bylaws contain the foreigners´ exclusion clause.

(b) Movements of capital stock-

On September 28, 2017, the Group published its IPO consisting of a primary offer of subscription and payment of 267,236,481 ordinary shares (including 28,106,046 shares which are the subject of the over-allotment option) Series "A", class "I" without par value. As part of the resources received in the IPO for $4,065,217, it was included a premium subscription of shares for $135,944.

On September 14, 2017, through an extraordinary shareholders meeting, it was agreed, among others: (i) merge the fixed and variable portion of the capital stock into only one fixed portion; (ii) consolidate (reverse split) the shares of our capital stock, through the issuance of new shares for each of the shares in circulation; (iii) reclassify the totality of the shares of our capital stock in order to unify the class shares representing the capital stock in a unique series of registered shares, ordinary shares, without par value, identified as "series A", class "I"; and (iv) increase our social capital stock in $4,994,642.68, as such our capital stock will amount to $9,995,536.48.

On September 4, 2017, through an ordinary shareholders meeting, it was agreed an increase in the variable portion of the capital stock of $180,286.87. As a result, the capital stock, fully subscribed and paid amounted to $5,000,893.79

On December 1, 2016, through an ordinary shareholders meeting, it was agreed to increase the variable portion of the capital stock by $182,210.00. As a result, the capital stock, fully subscribed and paid amounted to $4,820,606.92 withour considering other movement by $450,000.

On October 26, 2016, through an extraordinary shareholders meeting, it was agreed to increase the variable portion of the capital stock by $1,282,391.20. As a result, the capital stock, fully subscribed and paid amounted to $4,638,396.92.

On October 26, 2016, through an ordinary shareholders meeting, it was agreed the repurchase of shares of the variable portion of the capital stock by $100,000.00. As a result, the capital stock, fully subscribed and paid amounted to $3,356,005.72.

On October 25, 2016, through an ordinary shareholders meeting, it was agreed to increase the variable portion of the capital stock by $190.00. As a result, the capital stock, fully subscribed and paid amounted to $3,456,005.72.

On October 24, 2016, through an ordinary shareholders meeting, it was agreed to increase the variable portion of the capital stock by $764,647.31. As a result, the capital stock, fully subscribed and paid amounted to $3,455,815.72.

On October 24, 2016, through an ordinary shareholders meeting, it was agreed to increase the variable portion of the capital stock by $594,151.29. As a result, the capital stock, fully subscribed and paid amounted to $2,691,168.40.

On October 18, 2016, through an out-of-assembly shareholders meeting, it was agreed to capitalize the future capital stock increases account by $943,017,64. As a result, the capital stock, fully subscribed and paid amounted to $2,097,017.11.

On May 2, 2016, through an extraordinary shareholders meeting, it was agreed to increase the variable portion of the capital stock by $30,000.00. As a result, the capital stock, fully subscribed and paid amounted to $1,153,999.47

On April 15, 2016, through an out-of-assembly shareholders meeting, it was agreed a decrease in the variable portion of the capital stock by $5.63. As a result, the capital stock, fully subscribed and paid amounted to $1,123,999.47. In addition it was agreed a preferential dividend payment to two shareholders for $11,000, which were paid in cash.

(c) Capitalization of expenses related to the IPO-

The expenses inherent to the IPO that were initially recognized in the consolidated statement of financial position as other current assets, and subsequently, recognized in other equity accounts at the time of the IPO. These expenses are recorded net of taxes for an amount of $196,606.

(d) Automatic cancellation of shares Class "1" Series "A" (fixed portion of capital stock) 2017

On October 30, 2017, concluded the period to exercise the option granted at the IPO of issuing additional 28,106,046 shares destined for this purpose in the global offer.

(e) Other equity accounts-

_i._ Share-based payment-

On September 4, 2017, through an ordinary shareholders meeting, it was agreed an increase in the variable portion of the capital stock through the issuance of shares, which were considered for the share based payment plan granted to certain executives of the Group for a total of $217,231 (equivalent to 51,518,076 shares valued at the grant date). This plan is subject to a period of thirty-six months beginning from the grant date. As at 31 December 2017, it was recognized as part of labor costs (general expenses) a total of $18,103.

_ii._ Option to purchase AFN-

Derived from the acquisition of shares of AFN carried out in 2016 and which is mentioned in the note 28(b), it was set forth an option to buy out the remaining 40% of the shares representing the capital of AFN. The Group recognized in advance the acquisition of this non-controlling interest. This option was exercised on September, 7 2017, thus cancelling the financial liability of $165,031 recognized in 2016 and reduced by a payment of $43,000 made to minority shareholders in accordance with the purchase agreement. Therefore the consolidated statement of changes in stockholders' equity shows a net amount of $122,031.

iii. Option to purchase Group SID-

This account includes the recognition of certain put option granted to a minority shareholder (see note 28(a)). The counterpart of this amount was recognized as a financial liability in the statement of financial position as at 31 december 2016 for $327,281. During 2017, this option ceased to exist and the liability was reversed. In addition, an amount of $450,000 was reclassified from capital stock to other equity accounts, which were part of the consideration for the acquisition of Grupo SID (see note 28 (a)). This has no effect on equity.

(Thousands of Mexican pesos)

(f) ***Actuarial gains and losses-***

This account represents the accumulated amount, net of deferred income tax, from changes in actuarial assumptions used in the calculation of the labor obligations (see note 17).

(23) Costs-

		December 31, 2017	2016
Fuel (1)	$	1,285,309	634,342
Labor cost		1,298,377	631,709
Tolls (2)		374,876	239,581
Depreciation and amortization		421,305	234,167
Maintenance of trucks		352,399	182,728
Logistic services		105,605	125,558
Cost of labor obligations		143,216	87,474
Freight		7,574	57,707
Handling		30,230	56,149
Tractor insurance		83,032	55,444
Rent of work equipment		10,469	6,896
Rent of properties		93,273	35,236
Leasing of transport		123,095	-
Cost of services in journey		54,263	21,508
GPS monitoring services		25,486	10,123
Operating leases		57,820	45,800
Fixed costs		212,505	22,561
Phones		20,322	4,661
Monitoring		15,606	12,610
Maintenance and toilet		13,236	3,069
Other		308,095	187,323
	$	5,036,093	2,654,646
		=======	=======

(1) Include an income by $(388,960) and $(162,005) of tax subsidy for IEPS tax as at December 31, 2017 and 2016.

(2) Include $(40,440) and $(36,271) of tax subsidy for tolls as at December 31, 2017 and 2016.

(Thousands of Mexican pesos)

(24) General expenses-

		2017	2016
Labor cost	$	704,394	269,107
Rent of properties		63,078	42,813
Fees for services		84,935	2,260
Depreciation and amortization		57,012	28,917
Administrative services		77,316	60,024
Not deductible expenses		29,374	24,140
Travel expenses		43,174	16,087
Private security		18,810	11,699
Advertising and events		13,676	11,247
IT costs		15,137	8,370
Expenses for restructuring (1)		-	102,400
Inventory valuation adjustment (2)		-	19,646
Refinancing costs (3)		-	32,536
Taxes and fees		8,854	10,939
Equipment rental		12,798	6,489
Maintenance of offices and equipment		21,318	7,948
Insurance		8,913	6,053
Bank fees		9,949	8,508
Fees and subscriptions		13,021	1,644
Stationery and office supplies		6,988	2,544
Telephone		5,683	3,823
Other (4)		177,382	35,695
Total expenses	$	1,371,812	712,889

(1) This item includes certain receivables from former related parties that were written off, and related tax, legal and professional fees.

(2) Adjustment of inventories by changes in accounting policies.
(3) Includes professional services and commissions.
(4) Includes concepts such as: costs of information systems, insurance, among others.

(Thousands of Mexican pesos)

(25) Other income, net-

Other income and other expenses for the years ended December 31, 2017 and 2016 are shown below:

		2017	2016
Gain on sale of machinery and equipment	$	50,880	67,316
Other		121,621	17,130
Loss on share of equity (note l (ii))		(13,003)	-
Miscellaneous expenses and share repurchase loss		(6,624)	(12,877)
Total other income, net	$	152,874	71,569
		======	=====

(26) Financial instruments and hedging operations-

Derivatives for trading purposes (not formally designated for hedging purposes)-

On December 30, 2016, the Group acquired swaps, which pay a fixed rate of interest and receives a variable rate of TIIE plus 4%. These swaps are used to cover the payments of variable interest rate loans.

Explicit derivative financial instruments not designated formally or were not eligible to be designated for hedging purposes, therefore, changes in the fair value at december 31, 2017 were recognized in the comprehensive financing result. The fair value of the derivative financial instruments as at december 31, 2017 and 2016 is $27,763 and $0, respectively.

(27) Contingent liabilities-

(a) Insurance-

The Group has contracted insurance coverage for damages to third parties for its tractor-trucks, as well as different risks coverage such as civil liability, insurance of major medical expenses and life insurance, mainly. The Group's risk management considers performing periodic risk assessments against hedges in order to maintain an acceptable level of risk exposure whose impact does not have an adverse effect on the Group's operations.

(b) Litigation-

The Group is involved in various suits and claims arising from the normal course of its operations, which are expected to have no material adverse effect on its financial position and future results of operations.

(c) Employee benefits-

There is a contingent liability arising from the labor obligations mentioned in note 4(i).

(d) Tax contingencies-

In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the IT Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest, in addition to penalties of up to 100% of the omitted taxes.

(28) Business acquisitions

(a) Grupo SID acquisition-

On May 2, 2016, FTM acquired 100% of the voting shares of Grupo SID. Previously, the Company did not hold any interest in Grupo SID. The main activities of Grupo SID are the public freight transport services, storage and distribution services, sale of spare parts and maintenance.

As a result of the control acquired of the Grupo SID, the Group has increased its freight transport routes, as well as its logistics services, through access to its client portfolio, exploitation of its brand, among other elements.

(Thousands of Mexican pesos)

For the eight months ended December 31, 2016, Grupo SID contributed to the Group's results a total of $1,214,897 of revenue and contributed a net loss of ($13,020). If the acquisition occurred on January 1st, 2016, management estimates that consolidated revenues would have been $4,258,714, while consolidated net income for the year would have been $49,252. To determine these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had taken place on January 1st, 2016.

Consideration

The consideration paid is as follows:

Cash	$	530,000
Ordinary shares of FTM (1)		450,000
Pre-existing relationship (2)		644,608
	$	1,624,608
		=======

(1) Equivalent to 176,791,290 shares. The fair value of the shares of Traxion was calculated based on recent historical precedents of acquisition of shares.

(2) Before the acquisition date, Traxion granted a loan to Group SID for $644,608 ($100,837 in 2016 and $535,000 in 2015, plus interest accrued of $8,771). This contractual pre-existing relationship was considered as settled as of the date of acquisition. The difference between the fair value and the carrying amount of the loan was not significant; consequently, an impact in the consolidated statement of comprehensive income was not recognized.

Costs related to the acquisition

In the years ended December 31, 2016, Traxion incurred costs related to the acquisition of Grupo SID for $4,843, mainly related to audits, legal and notarial fees, which were recognized in profit and loss.

Assets acquired and liabilities assumed

The allocation of the purchase price of Grupo SID to the assets acquired and liabilities assumed at that date, based on their fair value, is presented below:

(Thousands of Mexican pesos)

		Fair value
Cash and cash equivalents	$	105,993
Accounts receivable		235,735
Related parties		5,634
Other receivables		176,633
Inventories		11,975
Prepayments		41,226
Transportation equipment and machinery		928,187
Intangibles related to the acquisition:		
Brand		91,000
Relation with clients		173,234
		1,769,617
Current installments of long-term debt		66,377
Obligations under capital leases		54,016
Related parties		6,384
Suppliers		89,120
Other liabilities		200,172
Other taxes		60,969
Accruals		9,914
Income taxes		14,048
Long-term debt		12,662
Deferred tax liabilities		140,946
Carried forward		654,608
Net assets acquired		1,115,009
Consideration		1,624,608
Goodwill	$	509,599

(b) AFN acquisition-

On June 3, 2016, Traxion acquired 60% of the voting shares of AFN. Previously, the Company did not hold any interest in AFN. The main activity of AFN is the ground transportation service in general, local and foreign.

(Thousands of Mexican pesos)

As a result of the control acquired of AFN, the Group will increase its freight transport routes, through access to its client portfolio, exploitation of its brand, among other elements. In that sense, the acquisition of AFN will allow the Group to increase its participation in the freight transport industry.

For the seven months ended December 31, 2016, AFN contributed to the results of the Group with a total of $309,962 of revenue and contributed a net profit of $26,739. If the acquisition had occurred on January 1st. 2016, management estimates that consolidated revenues would have been $3,902,822, while consolidated earnings for the year would have been $31,961. To determine these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had taken place on January 1st. 2016.

Consideration-

The consideration paid is as follows:

Cash payment	$	340,061
Ordinary shares of FTM [(1)]		40,000
Financial liability for stock purchase option [(2)]		165,031
	$	545,092
		======

(1) Equivalent to 18,867,925 shares. The fair value of the shares was calculated based on the market and income methodology applicable to Traxion.

(2) For this business acquisition, a stock purchase option (by FTM) and sale (by the non-controlling shareholder of AFN) of 40% of the shares representing AFN's capital stock was established at the end of the year 2020. That option will be exercisable in case of failure to meet certain conditions established in the contract; As a result, the Company recognized a financial liability of $165,031. In addition, the Company recognized in advance the acquisition of this non-controlling interest. When the assumptions occurred the options were extinguished, therefore as of December 31, 2017, this financial liability was applied against other capital accounts.

Costs related to the acquisition

In the year ended December 31, 2016, Traxion incurred costs related to the acquisition of AFN for $2,693, mainly related to audits, legal and notarial fees, which were recognized in profit and loss.

Assets acquired and liabilities assumed

The allocation of the cost of acquisition of Grupo SID to the assets acquired and liabilities assumed at that date, based on their fair value, is presented in the next page.

(Thousands of Mexican pesos)

		Fair value
Cash and cash equivalents	$	25,679
Accounts receivable		139,953
Inventories		1,051
Prepayments		6,924
Transportation equipment and machinery		231,121
Intangible asset and other assets		4,364
Intangibles related to the acquisition:		
Brand		27,531
Relation with clients		47,636
Investment in associated companies		3,015
		487,274
Current installments of long-term debt		22,677
Suppliers		40,318
Other liabilities		6,573
Other taxes		14,947
Long-term debt		93,723
Employee benefits		641
Deferred tax liabilities		58,821
Net assets acquired		249,574
Consideration		545,092
Goodwill	$	295,518
		=======

(c) Grupo Lipu acquisition-

On October 26, 2016, Traxion acquired 100% of the voting shares of Grupo Lipu. The main activity of Grupo Lipu is the school and personnel transportation services, as well as tourist transportation in Mexico.

With the acquisition of Grupo Lipu, Traxion entered the school, personnel and tourist market in Mexico.

(Thousands of Mexican pesos)

For the two months ended December 31, 2016, Grupo Lipu contributed to the Group's results with a total of $446,752 of revenue and contributed a net loss of $(233,176). If the acquisition had occurred on January 1st. 2016, management estimates that consolidated revenues would have been $5,588,315 while consolidated loss for the year would have been $196,079. To determine these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had taken place on January 1st, 2016.

Consideration

The consideration paid is as follows:

Cash payment	$	362,700
Ordinary shares of FTM (1)		994,247
	$	1,356,947

(1) Equivalent to 266,775,861 shares. The fair value of the shares of FTM was calculated based on recent historical precedents of acquisition of shares.

Costs related to the acquisition

In the year ended December 31, 2016, FTM incurred costs related to the acquisition of Grupo Lipu for $6,706 mainly related to audits, legal and notarial fees, which were recognized in profit and loss.

Assets acquired and liabilities assumed

The allocation of the cost of acquisition of Grupo Lipu to the assets acquired and liabilities assumed at that date, based on their fair value, is presented below:

(Thousands of Mexican pesos)

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		Fair value
Cash and cash equivalents	$	82,000
Accounts receivable		579,000
Inventories		38,000
Prepayments		147,000
Security deposits		33,000
Transportation equipment and machinery		1,377,000
Intangibles related to the acquisition:		
Brand		507,000
Relation with clients		232,000
Intangible asset, and other asset		64,000
Total assets		3,059,000
Current maturities of long-term debt		348,000
Obligations under capital leases		53,000
Suppliers		619,000
Income taxes		2,000
Long-term debt		2,466,000
Related parties		20,000
Obligations under capital leases		190,000
Employee benefits		12,918
Deferred tax liabilities		220,486
Net assets acquired		(872,404)
Consideration		1,356,947
Goodwill	$	2,229,351
		=======

(29) Earnings per share-

The calculation of basic earnings per share at the December 31, 2017 and 2016 was based on the profit attributable to ordinary shareholders by $ 336,949 and $33,545 respectively, in the weighted average number of ordinary shares outstanding at December 31, 2017, which were 364,130,435 shares and the weighted average corresponding to December 31, 2016, which were 144,928,813 ordinary shares outstanding.

As a result of the reverse split, the weighted average number of common shares for all periods presented have been adjusted retroactively, recognizing the effect such as at september 14, 2017. The calculations for action corresponding to the periods ended 31 December 2017 and 2016 are based on the new number of ordinary shares after the split. This generates a change in the earnings per share previously reported.

The Group does not have ordinary shares with diluting potential effects.

(30) Segment information

(a) Segmentation basis-

The Group has two operating segments, which are classified by type of service and due to the similarity of its economic characteristics:

- Freight transportation
- Personnel transportation

The freight transportation segment integrates dedicated freight, consolidated, parcel and specialized cargo transportation services; while the personnel transportation segment integrates the shuttle services for business, educational and tourist personnel.

The prices established between inter-segment operations are determined on the basis of prices comparable to those which would be used with or between independent parties in comparable operations. The accounting policies of the operating segments are the same as those described in the similar note.

(b) Financial information of the operating segments-

The performance of the operating segments is measured based on the operating profit and net income of each operating segment, since the management considers that said information is the most appropriate for the evaluation of the results.

The financial information for each of the operating segments is detailed on the next page.

(Thousands of Mexican pesos)

2017		Freight Transportation	Personel Transportation	Reportable Segments Total
Services revenue:				
External clients	$	4,035,857	3,030,630	7,066,487
Inter-segment		1,188	4,375	5,563
	$	4,037,045	3,035,005	7,072,050
Depreciation and amortization	$	282,812	154,790	437,602
Operating income		362,082	450,624	812,706
Net income		212,646	404,947	617,593
Total assets		3,424,909	3,938,156	7,363,065
Total liabilities	$	971,456	676,597	1,648,053
2016				
Services revenue:				
External clients	$	3,256,231	445,152	3,701,383
Inter-segment		210	800	1,010
	$	3,256,441	445,952	3,702,393
Depreciation and amortization	$	223,036	21,045	244,081
Operating income		405,717	(25,411)	380,306
Net income		210,102	(179,452)	30,650
Total assets		3,075,310	2,614,764	5,690,074
Total liabilities	$	1,071,908	662,350	1,734,257

(Thousands of Mexican pesos)

(c) Conciliation of revenues by operating segment-

Consolidated net income

		2017	**2016**
Net profit by reportable segments	$	617,593	30,650
Corporate expenditures, net		(280,644)	26,955
Consolidated net income	$	336,949	33,545
		======	=======

Assets

Total assets by operating segments	$	7,363,065	5,690,074
Corporate assets (mainly goodwill and brands)		7,533,974	4,930,218
Consolidated assets	$	14,897,039	10,620,292
		========	========

Liabilities		**2017**	**2016**
Total liabilities by operating segments	$	1,648,053	1,734,257
Corporate liabilities		3,606,443	3,879,789
Consolidated liabilities	$	5,254,496	5,614,046
		========	=======

(a) Information by geographic area

The following information analyzes revenue by geographic area with respect to the location of the customers who request the services.

2017		**Mexico**	**USA**	**Total**
Freight transportation revenue	$	3,938,113	98,932	4,037,045
Personnel transportation revenue		3,035,005	-	3,035,005
		=======	=====	=======

2016	**Mexico**	**USA**	**Total**
Freight transportation revenue	$ 3,190,983	65,458	3,256,441
Personnel transportation revenue	445,952	-	445,952
	=======	=====	=======

Because most of the Group's operations are carried out in Mexico, non-current assets located outside Mexico are not significant.

(b) Main clients-

Because the Group provides services to a diverse number of customers, there is no significant dependence on any major customer.

(31) Subsequent events-

At the issuance date of the consolidated financial statements, the most significant subsequent events are as follows:

I. On April 9, 2018, the Company obtained a loan in the amount of $4,500,000 for 5 years, this was as part of the financing strategy of the Group, with the aim of improving both the conditions of indebtedness and the general profile of the debt, as well as resources to finance growth, both organic and inorganic. The negotiated rate is TIIE of 28 days, plus a margin ranging between 200 and 315 basis points, and whose calculation will depend on the ratio of total debt-to-EBITDA of the Group with quarterly basis.

II. In relation to IEPS, the Mexican government offered to maintain the tax subsidy on fuel prices during 2018, in accordance with the terms approved within the Tax Law.

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