

## Atento Reports Fiscal 2017 First-Quarter Results

### Solid Start in Fiscal 2017 Highlighted by Topline Growth, Maintained Margins and Continued Improvement in Cash flow

- Focused growth strategy drives 3.0% increase in consolidated revenues and 8.8% in Multisector:
  - Broad based gains in Multisector in all regions: Brazil up 9.7%, EMEA +8.3%, Americas +7.5%
  - Revenue mix from higher value-add solutions increased 380 basis points to 26.3%
- Reported net income of \$9.0 million and adjusted EBITDA margin of 11.5%
- Improvement in cash conversion and strengthened balance sheet
  - Free Cash Flow before Net Interest of \$(9.7) million, an improvement of \$17.8 million versus last year
  - Earnings growth supported by acceleration of deleveraging begun in 2016, continued in Q2 2017
- Reaffirmed full-year 2017 financial targets

**NEW YORK, May 9, 2017** – Atento S.A. (NYSE: ATTO), the largest provider of customer-relationship management and business-process outsourcing services in Latin America, and among the top three providers globally, today announced its first-quarter 2017 operating results. All comparisons in this announcement are year-over-year and in constant-currency (CCY), unless noted otherwise.

#### Summary

(\$ in millions except EPS)	Q1 2017	Q1 2016	CCY Growth
<b>Revenue <sup>(1)</sup></b>	<b>468.0</b>	415.7	3.0%
<b>Reported Net Income <sup>(2)</sup></b>	<b>9.0</b>	(4.4)	
<b>Reported Earnings Per Share <sup>(2)</sup></b>	<b>\$0.12</b>	(\$0.06)	
<b>Net Operating Cash Flow from/(used) in Operating Activities</b>	<b>(9.3)</b>	(22.9)	
<b>Adjusted EBITDA <sup>(3)</sup></b>	<b>53.6</b>	49.0	-0.2%
<b>Adjusted Margin</b>	<b>11.5%</b>	11.8%	
<b>Adjusted Earnings per Share <sup>(2)</sup></b>	<b>\$0.17</b>	\$0.13	30.8%
<b>Free Cash Flow before Net Interest <sup>(4)</sup></b>	<b>(9.7)</b>	(27.6)	
<b>Leverage (x) <sup>(5)</sup></b>	<b>1.6x</b>	1.9x	

(1) Revenue excludes Morocco which was divested in September 2016.

(2) Reported Net Income and Earnings Per Share and Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Earnings per Share refer only to continuing operations. Reported and Adjusted Earnings Per Share, for the period ended March 31, 2017, were calculated considering the number of ordinary shares of 73,909,056. For the period ended March 31, 2016, the number of ordinary shares was 73,751,131.

(3) EBITDA is defined as profit/(loss) for the period from continuing operations before net finance costs, income taxes and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted to exclude acquisition and integration related costs, restructuring costs, sponsor management fees, asset impairments, site relocation costs, financing and IPO fees, and other items which are not related to our core results of operations. EBITDA and Adjusted EBITDA are not measures defined by IFRS. The most directly comparable IFRS measure to EBITDA and Adjusted EBITDA is net income for the period from continuing operations.

(4) We define Free Cash Flow (FCF) as net cash flow from operating activities less net cash and disposals of payments for acquisition of property, plant, equipment and intangible assets.

(5) Considered the pro-forma Net Debt adjusted to give effect to the Reorganization Transaction, regarding Preferred Equity Certificates.

Alejandro Reynal, Atento’s Chief Executive Officer, commented, “We are off to a solid start in Fiscal 2017 as our focused growth strategy drove a 3.0% increase in consolidated revenues. Importantly, revenue from multisector clients increased 8.8% supported by gains from new and existing clients in every region. Adjusted EBITDA margin of 11.5% reflects our continued focus in disciplined inflation pass-through, efficiency initiatives and improved mix of revenue. Adjusted EPS increased 30.8% in constant currency supported by lower interest expense as a result of our accelerated debt payments. Based on our first-quarter results, and the strength of our commercial pipeline, we are confident in the trajectory of our business and ability to meet our full-year targets.”

Mauricio Montilha, Atento’s Chief Financial Officer, said, “Our focus on working capital management and capital allocation discipline drove a \$17.8 million improvement in Free Cash Flow in the first quarter, in line with seasonality factors, and we are on track to reach our target of 40% cash conversion for the year. In April 2017, we continued our program of accelerated pay-down of higher-cost Brazil debentures with a voluntary payment of \$27 million.”

For Fiscal 2017, Atento is targeting constant currency revenue growth in the range of 1% to 5% and adjusted EBITDA margin in the range of 11% to 12%.

### **First Quarter Consolidated Operating Results**

All comparisons in this announcement, unless otherwise noted, are year-over-year, in constant-currency (CCY) and exclude the effects of our divestiture of Morocco in September 2016.

On a reported basis, total revenue increased 12.6%, while revenue on a constant currency basis increased 3.0%. Consolidated revenue growth was driven by Brazil and EMEA, with broad-based growth of 8.8% from multisector clients in all regions, partially offset by a 4.7% decline in revenue from Telefónica driven by macro pressures mainly in Argentina and Mexico. During the first quarter, we experienced solid growth in multisector, which is aligned with our revenue diversification strategy. We saw particular strength in financial services, technology and telco non-Telefónica. In particular, we won over 2,200 Workstations in telco non-Telefónica during the first quarter. Our mix of revenue from multisector clients increased 4.0 percentage points to a record 60% of revenue, showing stability compared to the fourth quarter.

Reported net income from continuing operations totaled \$9.0 million while adjusted EBITDA and adjusted EBITDA margin were \$53.6 million and 11.5%, respectively. Stable margins in the quarter reflect continued focus in disciplined inflation pass-through, efficiency initiatives and improved mix of services.

Reported EPS of \$0.12 increased by \$0.18 as compared with the prior year period, while Adjusted EPS of \$0.17 increased by \$0.04, driven by lower net interest expense.

Cash from operating activities was \$(9.3) million and free cash flow was \$(23.4) million, an improvement of \$18.6 million year-over-year, mainly driven by better working capital.

At the end of the first quarter, we had a liquidity position of \$224.4 million and net debt to adjusted EBITDA of 1.6x.

Adjusted earnings, adjusted EBITDA and adjusted earnings per share are non-GAAP financial measures and are reconciled to their most directly comparable GAAP measures in the accompanying financial tables.

## Segment Reporting

(\$ in millions)	Q1 2017	Q1 2016	CCY growth
<b>Brazil Region</b>			
Revenue	<b>238.4</b>	182.5	5.2%
Operating Income	<b>18.7</b>	7.2	114.9%
Adjusted EBITDA	<b>34.3</b>	24.9	12.8%
Margin	<b>14.4%</b>	13.6%	
<b>Americas Region</b>			
Revenue	<b>173.4</b>	177.3	-0.3%
Operating Income	<b>6.8</b>	14.5	-52.4%
Adjusted EBITDA	<b>17.4</b>	23.4	-24.7%
Margin	<b>10.0%</b>	13.2%	
<b>EMEA Region</b>			
Revenue	<b>56.7</b>	56.3	4.2%
Operating Income	<b>1.9</b>	(3.1)	N.M
Adjusted EBITDA	<b>4.2</b>	2.9	68.0%
Margin	<b>7.4%</b>	5.2%	

### Brazil Region

The trajectory of revenue in Brazil improved significantly, registering the strongest progression in 5 quarters, up 5.2%. Growth was mainly driven by a 9.7% increase in revenue from multisector clients supported by new client wins. Telefónica revenue decreased 3.3% in the quarter, however was a sequential improvement over Q4 2016. Revenue mix from multisector clients increased 2.8 percentage points to a record of 68.4% in the quarter. On a reported basis, revenue increased 30.6%.

Operating Income was \$18.7 million, up 115% in the quarter. Adjusted EBITDA was \$34.3 million, with an adjusted EBITDA margin of 14.4%, up 80 basis points. The improvement in profitability was supported by the strong growth in revenue, as well as the continued focus on cost and efficiency initiatives and improved macro conditions in the region.

### Americas Region

Americas revenue declined modestly as a 7.5% increase in revenue from multisector clients, supported by growth in Colombia, Chile, Peru and U.S. Nearshore, was offset by a 9.0% decline in revenue from Telefónica, reflecting lower volumes in Mexico and Argentina.

Revenue mix from multisector clients reached the 56.5% in the quarter, up 340 percentage points. The mix of revenue from higher value-add solutions increased 3.1 percentage points to the record historical high of 15.5%. In the quarter, we won 2,869 workstations, of which approximately 72% came from new clients. On a reported basis, revenue declined 2.2%.

Operating income was \$6.8 million. Adjusted EBITDA was \$17.4 million, with an adjusted EBITDA margin of 10.0%. Profitability remains under pressure reflecting declines in volume and continued challenges macroeconomic environment in Mexico and Argentina.

**EMEA Region**

Revenue in EMEA returned to growth, up 4.2% in the quarter, driven by strong growth of 8.3% in multisector clients, supported by new service gains, and by a 2.1% increase in revenues from Telefónica. The mix of revenue from multisector clients increased 1.3 percentage points to 35.2%, while the mix of revenue from higher value-add solutions increased 2.3 percentage points to 11.8%. On a reported basis, revenue increased 0.7%.

Operating profit was \$1.9 million in the first quarter. Adjusted EBITDA was \$4.2 million with an adjusted EBTIDA margin of 7.4%. The significant improvement in profitability was supported by higher volumes in both Telefónica and multisector clients.

**Strong Balance Sheet and Continued Program of Accelerated Debt Pay Down Enhances Financial Flexibility**

At March 31, 2017, we had cash and cash equivalents of \$170.9 million and undrawn revolving credit facilities of €50 million for total liquidity of \$224.4 million. Total net debt with third parties was \$368.9 million and last twelve month (LTM) adjusted EBITDA to net debt with third parties was 1.6x as compared to 1.9x at March 31, 2016, reflecting our focus on deleveraging.

During the first quarter of 2017, we invested \$6.7 million, or 1.4% of revenue, in cash capital expenditures.

In the second quarter, we continued our accelerated debt pay down program, with a voluntary payment of \$27 million of higher-cost Brazil debentures. The \$27 million payment was comprised of \$20 million accelerated from Q4 2017 and \$7 million from 2018.

**Reaffirmed Fiscal 2017 Guidance**

We continue on track with our growth strategy to allow us to deliver a return to both top and bottom line growth in Fiscal 2017, generate free cash flow, continue to outperform the market, further increase our leadership position in Latin America, and remain the reference partner for the CRM BPO needs of our clients. We expect macroeconomic headwinds to diminish as we progress through the year. We remain focused on driving the optimal balance of profitable growth and liquidity, strengthening our balance sheet and maintaining financial flexibility.

We reaffirm our outlook for Fiscal 2017:

	<b><u>Guidance</u></b>
Consolidated Revenue Growth (CCY)	1% to 5%
Adjusted EBITDA Margin Range (CCY) <sup>(1)</sup>	11% to 12%
Non-recurring Expenses – Adjustments to EBITDA	~\$13MM
Net Interest Expense Range	\$60MM to \$65MM
Cash Capex (% of Revenue)	~3-4%
Effective Tax Rate	~34%
Diluted Share Count	~73.9MM shares
Cash Conversion as % of Adj. EBITDA	~40%

This guidance assumes no change in the current operating environment, capital structure or exchange rates movements on the translation of our financial statements into U.S. dollars except where noted.

## **Conference Call**

We will host a conference call and webcast for analysts on Tuesday, May 9, 2017 at 5:00 pm ET to discuss our financial results. The conference call can be accessed by dialing: +1 (877) 407-3982 toll free domestic, UK: (+44) 0 800 756 3429 toll free, Brazil: (+55) 0 800 891 6221 toll free, or Spain: (+34) 900 834 236 toll free. All other international callers can access the conference call by dialing: +1 (201) 493-6780 toll free. No passcode is required. Individuals who dial in will be asked to identify themselves and their affiliations. The conference call will also be webcasted through a link on our Investor Relations website at [investors.atento.com](http://investors.atento.com). A web-based archive of the conference call will also be available at the above website.

## **About Atento**

Atento is the largest provider of customer relationship management and business process outsourcing (CRM BPO) services in Latin America, and among the top three providers globally, based on revenues. Atento is also a leading provider of nearshoring CRM/BPO services to companies that carry out their activities in the United States. Since 1999, the company has developed its business model in 13 countries where it employs 150,000 people. Atento has over 400 clients to whom it offers a wide range of CRM/BPO services through multiple channels. Atento's clients are mostly leading multinational corporations in sectors such as telecommunications, banking and financial services, health, retail and public administrations, among others. Atento's shares trade under the symbol ATTO on the New York Stock Exchange (NYSE). In 2016, Atento was named one of the World's 25 Best Multinational Workplaces by Great Place to Work® for a fourth consecutive year. For more information visit [www.atento.com](http://www.atento.com)

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## Forward-Looking Statements

This press release contains forward-looking statements. Forward-looking statements can be identified by the use of words such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "continue" or similar terminology. These statements reflect only Atento's current expectations and are not guarantees of future performance or results. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those contained in the forward-looking statements. These risks and uncertainties include, but are not limited to, competition in Atento's highly competitive industries; increases in the cost of voice and data services or significant interruptions in these services; Atento's ability to keep pace with its clients' needs for rapid technological change and systems availability; the continued deployment and adoption of emerging technologies; the loss, financial difficulties or bankruptcy of any key clients; the effects of global economic trends on the businesses of Atento's clients; the non-exclusive nature of Atento's client contracts and the absence of revenue commitments; security and privacy breaches of the systems Atento uses to protect personal data; the cost of pending and future litigation; the cost of defending Atento against intellectual property infringement claims; extensive regulation affecting many of Atento's businesses; Atento's ability to protect its proprietary information or technology; service interruptions to Atento's data and operation centers; Atento's ability to retain key personnel and attract a sufficient number of qualified employees; increases in labor costs and turnover rates; the political, economic and other conditions in the countries where Atento operates; changes in foreign exchange rates; Atento's ability to complete future acquisitions and integrate or achieve the objectives of its recent and future acquisitions; future impairments of our substantial goodwill, intangible assets, or other long-lived assets; and Atento's ability to recover consumer receivables on behalf of its clients. In addition, Atento is subject to risks related to its level of indebtedness. Such risks include Atento's ability to generate sufficient cash to service its indebtedness and fund its other liquidity needs; Atento's ability to comply with covenants contained in its debt instruments; the ability to obtain additional financing; the incurrence of significant additional indebtedness by Atento and its subsidiaries; and the ability of Atento's lenders to fulfill their lending commitments. Atento is also subject to other risk factors described in documents filed by the company with the United States Securities and Exchange Commission.

These forward-looking statements speak only as of the date on which the statements were made. Atento undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

## SELECTED FINANCIAL DATA

The following selected financial information should be read in conjunction with the interim consolidated financial statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented elsewhere in the Form 6-K.

## Consolidated Income Statements for the Three Months Ended March 31, 2016 and 2017

(\$ in millions, except percentage changes)	For the three months ended March 31,		Change (%)	Change excluding FX (%)
	2016 (*)	2017		
	(unaudited)			
<b>Revenue</b>	<b>415.7</b>	<b>468.0</b>	<b>12.6</b>	<b>3.0</b>
Other operating income	0.8	0.8	-	14.3
<b>Operating expenses:</b>				
Supplies	(15.0)	(16.8)	(12.0)	(4.3)
Employee benefit expenses	(312.6)	(345.8)	(10.6)	(1.6)
Depreciation	(10.7)	(11.8)	(10.3)	1.7
Amortization	(10.7)	(13.6)	(27.1)	(16.2)
Changes in trade provisions	(0.3)	(0.2)	33.3	33.3
Other operating expenses	(51.1)	(55.8)	(9.2)	2.8
<b>Total operating expenses</b>	<b>(400.4)</b>	<b>(444.0)</b>	<b>(10.9)</b>	<b>(1.4)</b>
<b>Operating profit</b>	<b>16.1</b>	<b>24.8</b>	<b>54.0</b>	<b>42.5</b>
Finance income	1.5	2.1	40.0	16.7
Finance costs	(17.9)	(17.4)	2.8	12.1
Change in fair value of financial instruments	0.5	-	N.M.	N.M.
Net foreign exchange (loss)/gain	(3.6)	3.3	N.M.	N.M.
<b>Net finance expense</b>	<b>(19.5)</b>	<b>(12.0)</b>	<b>38.5</b>	<b>43.7</b>
<b>(Loss)/profit before tax</b>	<b>(3.4)</b>	<b>12.8</b>	<b>N.M.</b>	<b>N.M.</b>
Income tax expense	(1.0)	(3.8)	N.M.	N.M.
<b>(Loss)/profit from continuing operations</b>	<b>(4.4)</b>	<b>9.0</b>	<b>N.M.</b>	<b>N.M.</b>
Loss from discontinued operations	(0.4)	-	N.M.	N.M.
<b>(Loss)/profit for the period</b>	<b>(4.8)</b>	<b>9.0</b>	<b>N.M.</b>	<b>N.M.</b>
<b>(Loss)/profit attributable to:</b>				
Owners of the parent	(4.8)	8.9	N.M.	N.M.
Non-controlling interest	-	0.1	N.M.	N.M.
<b>(Loss)/profit for the period</b>	<b>(4.8)</b>	<b>9.0</b>	<b>N.M.</b>	<b>N.M.</b>
<b>Other financial data:</b>				
<b>EBITDA <sup>(1)</sup> (unaudited)</b>	<b>37.5</b>	<b>50.2</b>	<b>33.9</b>	<b>22.4</b>
<b>Adjusted EBITDA <sup>(1)</sup> (unaudited)</b>	<b>49.0</b>	<b>53.6</b>	<b>9.4</b>	<b>(0.2)</b>

(1) For reconciliation with IFRS as issued by the IASB, see section "Summary Consolidated Historical Financial Information - Reconciliation of EBITDA and Adjusted EBITDA to profit/(loss)".

(\*) Restated, excluding discontinued operations - Morocco.

N.M. means not meaningful

**Reconciliation of EBITDA and Adjusted EBITDA to profit/(loss):**

(\$ in millions)	For the three months ended March 31,	
	2016	2017
	(unaudited)	
<b>(Loss)/profit from continuing operations (*)</b>	<b>(4.4)</b>	<b>9.0</b>
Net finance expense (*)	19.5	12.0
Income tax expense (*)	1.0	3.8
Depreciation and amortization (*)	21.4	25.4
<b>EBITDA (non-GAAP) (unaudited)</b>	<b>37.5</b>	<b>50.2</b>
Restructuring costs (a)	6.2	3.4
Site relocation costs (b)	5.7	-
Asset impairments and Other (c)	(0.4)	-
<b>Total non-recurring items (**)</b>	<b>11.5</b>	<b>3.4</b>
<b>Adjusted EBITDA (non-GAAP) (unaudited)</b>	<b>49.0</b>	<b>53.6</b>

(\*)The amounts of March 31, 2016, were restated excluding discontinued operations – Morocco

(\*\*) Non-recurring items fall primarily into three categories of investment:

- The first includes investments to lower our variable cost structure, which is mostly labor, in response to the exceptional and severe adverse macroeconomic conditions in key markets such as Brazil, Mexico, Argentina and Spain, which drove significant declines in volume. For the three months ended March 31, 2016 and 2017 we invested \$4.6 million and \$2.5 million, respectively, in these activities.
- The second includes investments in Brazil, to relocate and consolidate our sites from higher to lower costs locations. This program started in 2014 when 53 percent of our sites were in Tier 2 cities. For the three months ended March 31, 2016 we invested \$5.7 million in these activities. We have not invested in this program for the three months ended in March 31, 2017 as we consider it was substantially completed in 2016. We ended the three months period at March 31, 2017 with 64.5% of our sites in Tier 2 cities.
- The third includes investments to drive a more sustainable lower-cost and competitive operating model, especially considering the exceptional adverse macroeconomic circumstances and associated declines in volume referenced above. For the three months ended March 31, 2016 and 2017 we invested \$1.6 million and \$0.9 million, respectively, in these activities. We expect these adjustments due to exceptional macro circumstances in most cases like Brazil and Argentina, will continue until the third quarter of 2017.

- (a) Restructuring costs incurred in the three months ended March 31, 2016 and 2017 primarily included restructuring activities and other personnel costs that were not related to our core results of operations. Restructuring costs for the three months ended March 31, 2016, primarily relates to costs to adapt the organization in EMEA to lower levels of activity, and severance costs in Brazil. Restructuring costs incurred in three months ended March 31, 2017, primarily relates to the costs to adapt the organization in Argentina to the lower level of activities and the investments made in Brazil to implement a lower-cost operating model.
- (b) Site relocation costs incurred for three months ended March 31, 2016 include costs associated with our strategic initiative to relocate call centers from tier 1 cities to tier 2 cities in Brazil to achieve efficiencies through lower rental costs, attrition and absenteeism.
- (c) Asset impairments and other costs incurred for the three months ended March 31, 2016 primarily relates to the collection in EMEA of receivables that had previously been impaired.



**Reconciliation of Adjusted Earnings to (loss)/profit:**

(\$ in millions)	For the three months ended March 31,	
	2016	2017
	(unaudited)	
<b>(Loss)/profit from continuing operations <sup>(*)</sup></b>	<b>(4.4)</b>	<b>9.0</b>
Amortization of acquisition related intangible assets <sup>(a)</sup>	5.4	6.8
Restructuring costs <sup>(b) (**)</sup>	6.2	3.4
Site relocation costs <sup>(c) (**)</sup>	5.7	-
Asset impairments and Other <sup>(d) (**)</sup>	(0.4)	-
Net foreign exchange gain on financial instruments <sup>(e)</sup>	(0.5)	-
Net foreign exchange impacts <sup>(f)</sup>	3.0	(3.3)
Tax effect <sup>(g)</sup>	(5.3)	(3.4)
<b>Total of add-backs</b>	<b>14.1</b>	<b>3.5</b>
<b>Adjusted Earnings (non-GAAP) (unaudited)</b>	<b>9.7</b>	<b>12.5</b>
<b>Adjusted Basic Earnings per share (in U.S. dollars) <sup>(***)</sup> (unaudited)</b>	<b>0.13</b>	<b>0.17</b>

(\*)The amounts of March 31, 2016, were restated excluding discontinued operations – Morocco

(\*\*) Non-recurring items fall primarily into three categories of investment:

- The first includes investments to lower our variable cost structure, which is mostly labor, in response to the exceptional and severe adverse macroeconomic conditions in key markets such as Brazil, Mexico, Argentina and Spain, which drove significant declines in volume. For the three months ended March 31, 2016 and 2017 we invested \$4.6 million and \$2.5 million, respectively, in these activities.
  - The second includes investments in Brazil, to relocate and consolidate our sites from higher to lower costs locations. This program started in 2014 when 53 percent of our sites were in Tier 2 cities. For the three months ended March 31, 2016 we invested \$5.7 million in these activities. We have not invested in this program for the three months ended in March 31, 2017 as we consider it was substantially completed in 2016. We ended the three months period at March 31, 2017 with 64.5% of our sites in Tier 2 cities.
  - The third includes investments to drive a more sustainable lower-cost and competitive operating model, especially considering the exceptional adverse macroeconomic circumstances and associated declines in volume referenced above. For the three months ended March 31, 2016 and 2017 we invested \$1.6 million and \$0.9 million, respectively, in these activities. We expect these adjustments due to exceptional macro circumstances in most cases like Brazil and Argentina, will continue until the third quarter of 2017.
  - Amortization of acquisition related intangible assets represents the amortization expense of customer base, recorded as intangible assets. This customer base represents the fair value (within the business combination involving the acquisition of control of Atento Group) of the intangible assets arising from service agreements (tacit or explicitly formulated in contracts) with Telefónica Group and with other customers.
- (b) Restructuring costs incurred in the three months ended March 31, 2016 and 2017 primarily included restructuring activities and other personnel costs that were not related to our core results of operations. Restructuring costs for the three months ended March 31, 2016, primarily relates to costs to adapt the organization in EMEA to lower levels of activity, and severance costs in Brazil. Restructuring costs incurred in three months ended March 31, 2017, primarily relates to the costs to adapt the organization in Argentina to the lower level of activities and the investments made in Brazil to implement a lower-cost operating model.
- (c) Site relocation costs incurred for three months ended March 31, 2016 include costs associated with our strategic initiative to relocate call centers from tier 1 cities to tier 2 cities in Brazil to achieve efficiencies through lower rental costs, attrition and absenteeism.
- (d) Asset impairments and other costs incurred for the three months ended March 31, 2016 primarily relates to the collection in EMEA of receivables that had previously been impaired.
- (e) Since April 1, 2015, the Company designated the foreign currency risk on certain of its subsidiaries as net investment hedges using financial instruments as the hedging items. As a consequence, any gain or loss on the hedging instrument, related to the effective portion of the hedge is recognized in other comprehensive income (equity) as from that date. The gains or losses related to the ineffective portion are recognized in the income statements and for comparability, and those adjustments are added back to calculate Adjusted Earnings.

(f) Since 2015, management analyzes the Company financial condition performance excluding net foreign exchange impacts, which eliminates the volatility of foreign exchange variances from our operational results.

(g) The tax effect represents the impact of the taxable adjustments based on a tax rate of 27.3% and 49.3%, for the three months ended March 31, 2016 and 2017, respectively.

(\*\*\*) Adjusted Earnings per share is calculated based on 73,909,056 weighted average number of ordinary shares outstanding as of March 31, 2017, 73,751,131 as of March 31, 2016.

## Financing Arrangements

(\$ in millions, except Net Debt/Adj. EBITDA LTM)	As of March 31,	
	2016	2017
Cash and cash equivalents	148.6	170.9
<b>Debt:</b>		
7.375% Senior Secured Notes due 2020	296.6	298.2
Brazilian Debentures	192.3	167.6
Contingent Value Instrument <sup>(1)</sup>	23.9	-
Finance Lease Payables	4.2	3.2
Other Borrowings	80.0	70.8
<b>Total Debt</b>	<b>597.0</b>	<b>539.8</b>
<b>Net Debt with third parties <sup>(2)</sup> (unaudited)</b>	<b>448.4</b>	<b>368.9</b>
Adjusted EBITDA LTM <sup>(3)(*)</sup> (non-GAAP) (unaudited)	240.3	226.8
<b>Net Debt/Adjusted EBITDA LTM (non-GAAP) (unaudited)</b>	<b>1.9x</b>	<b>1.6x</b>

(\*) Restated, excluding discontinued operations – Morocco.

- (1) The CVI was terminated on November 8, 2016 as described in “Note 10 of the interim consolidated financial statements”.
- (2) In considering our financial condition, our management analyzes Net debt with third parties, which is defined as total debt less cash, cash equivalents, and short-term financial investments. Net debt with third parties is not a measure defined by IFRS and it has limitations as an analytical tool. Net debt with third parties is neither a measure defined by or presented in accordance with IFRS nor a measure of financial performance, and should not be considered in isolation or as an alternative financial measure determined in accordance with IFRS. Net debt is not necessarily comparable to similarly titled measures used by other companies.
- (3) Adjusted EBITDA LTM (Last Twelve Months) is defined as EBITDA adjusted to exclude certain acquisition and integration related costs, restructuring costs, management fees, site-relocation costs, financing fees and other items, which are not related to our core results of operations.

## Free Cash Flow

(\$ in millions)	For the three months ended March 31,	
	2016	2017
	(unaudited)	
Net cash flow used in operating activities	(22.9)	(9.3)
Payments for acquisition of property, plant, equipment and intangible assets	(19.1)	(14.1)
<b>Free cash flow (non-GAAP) (unaudited)</b>	<b>(42.0)</b>	<b>(23.4)</b>