Annual report 2015

GRUPO carso


Sanborns

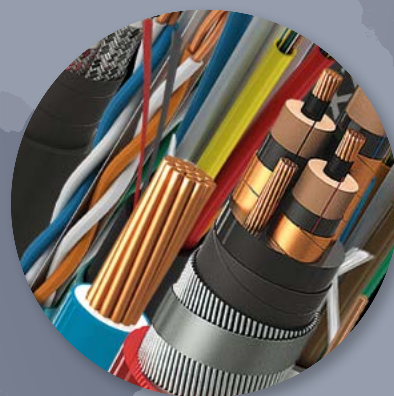

Corporate profile

Grupo Carso is one of the largest and most diversified conglomerates in Latin America. It is made up of four strategic sectors, namely Commercial, Industrial, Infrastructure and Construction, and Energy sectors.

The Group has a strong presence in the Mexican economy, where it is one of the market leaders due to an exceptional portfolio of stores, products, and services.

Since its foundation over 30 years ago, its dynamism, innovation in processes and technologies, including a sustainable management of resources, have characterized Grupo Carso. To this extent, its operating synergies and profitability, jointly with the continuous generation of cash flow, translate into a proven track record of value generation for our shareholders.

Divisions, products and services



Commercial and retail

Grupo Sanborns

Operates some of the most successful retail formats in Mexico, with widely recognized brands. Through 431 units and one million 115 thousand square meters of retail area, it serves a large percentage of middle, middle-high and high-income consumers.

Retail Outlets

- Department stores and boutiques
- Store-Restaurant
- Electronic and multimedia stores

Main Brands:

- Sears
- Sanborns
- iShop
- MixUp
- Saks Fifth Avenue

- 50.3% Contribution to sales
- 47.5% Contribution to operating income

Industrial and manufacturing

Grupo Condumex

Has a portfolio of products and services focused on meeting the needs of the telecommunications, construction, electricity, energy, automotive and mining industries.

Services and products

- Cables (power, telecommunications, electronics, coaxial, fiber optic, mining and automotive, among others),
- Electric automotive harnesses,
- Precision steele piping,
- Power transformers and reactors,
- Alternative energies.

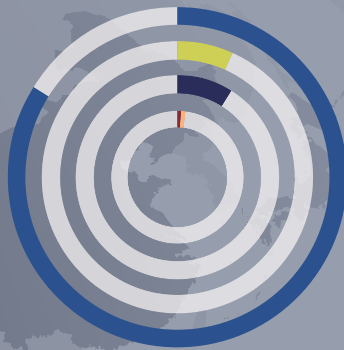
Main brands:

- Condumex
- Latincasa
- Condulac
- IEM
- Precitubo
- Sitcom
- Amatech
- Microm
- Sinergia
- Equiter
- Logtec

- 30.5% Contribution to sales
- 36.4% Contribution to operating income

- Grupo Sanborns
- Grupo Condumex
- Carso Infraestructura y Construcción
- Carso Energy

Sales breakdown by geographic division



- 83.9% Mexico
- 9.0% North America
- 6.7% Central, South America and the Caribbean
- 0.2% Europe
- 0.2% Rest of the world

Infrastructure and construction

Carso Infraestructura y Construcción

Serves 5 sectors: chemical and oil industry, pipeline installations, infrastructure, civil construction and housing developments. It focuses in the construction of:

- Highways, tunnels, water-treatment plants and infrastructure projects in general,
- Oil platforms and equipment for the chemical and oil industry,
- Drilling of oil and phreatic wells, drilling services,
- Shopping centers, industrial plants, offices and housing,
- Installations for telecom, gas and water pipelines.

Main brands:

- Carso Infraestructura y Construcción
- Swecomex
- Bronco Drilling
- Cilsa
- GSM
- PC Construcciones
- Urvitec

- 18.7% Contribution to sales
- 18.8% Contribution to operating income

Carso Energy

Carso Energy

Participates in the energy and oil industry. Currently is dedicated to providing services for the Federal Electricity Commission. It aims to take advantage of bids and businesses from the energy reform.

- Provision of gas transportation services.

Main brands:

- Carso Energy
- Carso Oil & Gas
- Carso Electric

- 0.9% Contribution to sales
- -4.3% Contribution to operating income

Key financial information

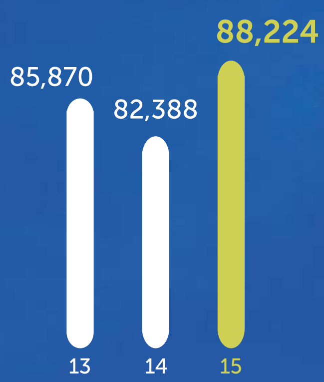
(Amounts in thousand pesos, except earnings per share, which is shown in pesos, and outstanding shares)	2013	2014	2015	Var% 2015 vs 2014	
Sales	85,870,545	82,387,858	88,223,816	7.1%	
Gross Profit	22,905,636	23,206,133	25,562,314	10.2%	
Operating Income	17,277,276	9,089,522	10,329,259	13.6%	
EBITDA	18,699,382	10,606,017	12,570,512	18.5%	
Controlling Participation in Net Income	13,929,481	5,684,990	6,196,155	9.0%	
Earnings per share (EPS)*	6.08	2.48	2.72	9.7%	
Margins					
Gross	26.7%	28.2%	29.0%	0.8	pp
Operating	20.1%	11.0%	11.7%	0.7	pp
EBITDA	21.8%	12.9%	14.2%	1.3	pp
Net	16.2%	6.9%	7.0%	0.1	pp
Revenues					
Retail	40,514,434	41,202,547	44,413,058	7.8%	
Industrial	26,722,998	25,956,926	26,951,014	3.8%	
Infrastructure and Construction	18,818,223	14,799,667	16,492,889	11.4%	
EBITDA**					
Retail	5,500,202	5,027,548	5,707,369	13.5%	
Industrial	2,154,407	2,821,982	4,052,744	43.6%	
Infrastructure and Construction	3,356,985	2,221,607	2,297,009	3.4%	
EBITDA margin					
Retail	13.6%	12.2%	12.9%	0.7	pp
Industrial	8.1%	10.9%	15.0%	4.1	pp
Infrastructure and Construction	17.8%	15.0%	13.9%	-1.1	pp
Total Assets	90,180,792	91,710,398	94,184,910	2.7%	
Total Liabilities	33,539,814	30,525,037	30,390,542	-0.4%	
Stockholders' Equity	56,640,978	61,185,361	63,794,368	4.3%	
Compounded Average Outstanding Shares ('000)	2,289,802	2,289,802	2,281,190	-0.4%	

* EPS: Calculated as Controlling Participation in Net Income divided by the compounded average shares outstanding.

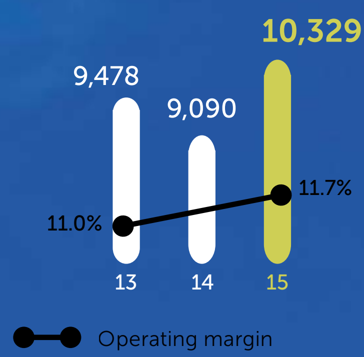
** EBITDA: Income before income taxes plus depreciation and amortization, interest expense, impairment of machinery and equipment and exploration expenses, and effect on valuation of derivative financial instruments, less interest income, net foreign exchange gain, surplus from appraisals of shopping centers and equity in earnings of associated companies and joint ventures. Conciliation in Note 30 of the Financial Statements.

pp: Variation in percentage points.

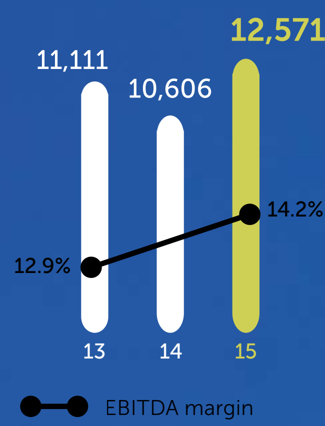
Sales
(million pesos)



Operating Income*
(million pesos)



EBITDA*
(million pesos)



Sales Breakdown by Subsidiary
(thousand pesos)

- 50.3% $44,413
  Commercial and Retail
- 30.5% $26,951
  Industrial and Manufacture
- 18.7% $16,493
  Infrastructure and Construction
- 0.9% $769
  Energy
- -0.4% $-402
  Other

Operating Income by Subsidiary
(thousand pesos)

- 47.5% $4,908
  Grupo Sanborns
- 36.4% $3,765
  Grupo Condumex
- 18.8% $1,941
  Infrastructure and Construction
- -4.1% $-424
  Energy
- 1.4% $139
  Other

*Note: A total of $7,589 million pesos were subtracted to the consolidated operating income and EBITDA of 2013 due to the sale of Philip Morris Mexico (PMM) as well as $210 on the valuation of investment properties. In 2014 a total of $210 million pesos were added to the consolidated operating income and EBITDA due to the adjustment on the sale of PMM and $226 were subtracted per the valuation of investment properties. In 2015 the EBITDA does not include the impairment of machinery and equipment and exploration expenses, nor the surplus from appraisals of shopping centers.

Message to shareholders

During 2015, the energy division won three bids for the construction and operation of gas pipelines.

Economic Outlook

During 2015, the world economy continued showing moderate growth. Global markets were impacted by falling prices of oil and commodities, the strengthening of the U.S. dollar and nervousness about the slowdown in China's growth.

The sharp fall in the prices of oil and other commodities affected major oil exporting countries, while benefiting net importing economies, industries via lower energy costs, and consumers.

In Mexico, the growth of the Gross Domestic Product stood at 2.5%, driven by trade and the manufacturing industries, which expanded by 4.5% and 2.9%, respectively. The fall in the volume and price of oil affected negatively the evolution of the Mexican economy, which would have grown 3%. On the other hand, the increase in remittances of 5% in U.S. dollars and 25% in Mexican pesos, higher wages and low inflation translated in a rise in consumption.

Inflation in Mexico stood at 2.13% during the year. The balance of trade was affected by the decline in the oil price and presented a U.S.D 14 billion deficit. Due to the continuous volatility of the Mexican peso against the U.S. dollar, Mexico's central bank decided to intervene in the market with auctions of dollars. Year-round Foreign-exchange reserves diminished U.S.D 24 billion.

The cut on public expenditures announced for 2016, adjustments in the financial structure of PEMEX, the acquisition of financial coverages on the price of oil set at U.S.D. 49.00 per barrel, the intervention of Mexico's Central Bank in the monetary policy and its operation surplus generated by the revaluation of reserves in pesos, which will be transferred partially in April 2016 to the Ministry of Treasury and Public Credit (SHCP), strengthen the country at international scenarios of uncertainty and volatility.

Grupo Carso

Although there were challenges presented in the economy during the year, Grupo Carso registered an increase in revenues at its main business divisions.

Since consumption in Mexico remained dynamic, Grupo Sanborns recorded a growth of 7.8% in revenues. This was mainly the result of the good performance of all commercial brands, a greater loan portfolio and the opening of 12 new stores under our expansion plan. At the end of the year, we managed to achieve 431 units and one million 115 thousand square meters of commercial areas. Moreover, we carried out refurbishment works at 13 Sears stores, including strategic locations such as Satélite, Lindavista, Angelópolis and Insurgentes. Another initiative to boost future organic growth was the launch of ClaroShop.com in November 2015, with which we are now able to optimize the technology platform and the commercial strategy of Grupo Sanborns thus offering our clients a comprehensive shopping experience at our various channels.

In the industrial sector, revenues at Grupo Condumex increased 3.8%, with a remarkable recovery rate of 52.2% in profitability taking place in the year. Moreover, we decided to focus on our main product lines, such as those where we are leaders and add value to the market. At the same time, we divested from small, non-strategic businesses, worked in the consolidation of

commercial alliances established with cable distributors, and expanded our base of customers in the telecommunications sector. On the other hand, the strength observed in the automotive sector reflected the higher level of activity of the sector in the year. In this regard, we were awarded the “GM Supplier Quality Excellence Award” by General Motors, a recognition to suppliers that demonstrate the highest level of quality and performance. Similarly, our partner awarded us the “Delphi Pinnacle Award for Supplier Excellence”, in recognition of our commitment to quality, value and cost performance.

Considering the challenges presented in the economy during 2015, Grupo Carso achieved an increase in sales of its main business divisions.

Revenues in Carso Infraestructura y Construcción increased by 11.4%, which was mainly the result of operations carried out in the infrastructure, gas pipeline and housing businesses. Despite the lack of injection of resources observed in Pemex, we diversified the services offered for the chemical and oil industries, getting positive figures in the division that gives service to that sector. Some of the projects on which we participated and finished during the year included the Tlalnepantla Shopping Mall, Mazatlán and Tepic beltways, and the final phase of the Atotonilco’s Wastewater Treatment Plant. Similarly, we are participating in the installation of gas pipelines both in Mexico and abroad. On the other hand, preliminary works for the construction of the Samalayuca-Sasabe gas pipeline began in the year. In addition, projects whose construction works were carried out in the year and are expected to continue in 2016 included the Eastern Discharge Tunnel, Mitla-Tehuantepec and South of Guadalajara beltways, Acapulco tunnel, El Caminero second-floor viaduct tunnel, jointly with various commercial and Housing developments in Nuevo Veracruz.

We took advantage of the opportunities generated by the energy reform during 2015. In that regard, our subsidiary Carso Energy won three tenders of the Federal Electricity Commission for the construction and operation of pipelines for gas transportation, two of them located in the State of Texas, and the other one between the Mexican states of Chihuahua and Sonora. It is worth mentioning that the initial phase for the construction works have already taken place. It includes all procedures related with rights of way, permits, and social and environmental impact, jointly with the technical studies and procurement of materials for the pipelines construction beginning along 2016.

Our participation and contract assignment demonstrates the active participation we have in the biddings processes the Federal Electricity Commission conducted, as well as the interest we have in participating in the energy industry in the country.

The combination of the results in the four sectors brought an increase of 7.1% in net revenues to reach Ps. 88,224 million. Operating income and EBITDA increased 13.6% and 18.5%, respectively, while margins expanded 70 and 130 basis points from 11.7% and 14.2% obtained in the previous year, respectively. At the same time, net income grew by 9.0% and the net income per share grew to Ps. 2.72 if compared with Ps. 2.48 recorded in 2014.

The financial position of Grupo Carso remains solid. In that regard, total assets amounted to Ps. 94,185 million and the consolidated stockholders’ equity stood at Ps. 63,794 million. On the other hand, total liabilities decreased by 0.4% to reach Ps. 30,391 million.

The current corporate structure and financial feasibility of Grupo Carso allow us to cope with growth derived from the energy reform in the country, jointly with the generation of value in benefit of our shareholders. In the year, net cash flow from our operations was Ps. 6,553 million, net debt was negative in the order of Ps. 3,351 million, while the Net Debt to LTM EBITDA ratio stood at a negative 0.3 times. During May and October 2015, Grupo Carso paid in cash an ordinary dividend of Ps. 0.84 from the balance of the net tax profit account. Regarding capital expenditures, our company allocated Ps. 3,926 million for investments in fixed assets.

The net cash flow generated by operating activities totaled $6,553 million pesos.

In terms of sustainability, a greater number of employees of all divisions of the group benefited from our Welfare program in the year. Similarly, important savings on energy, water, fuel, emissions of carbon dioxide and solid waste were reached and stated in the "Carso Environment" report.

On the other hand, the Carlos Slim Foundation, with a high sense of social responsibility, efficiency and timeliness, developed programs in the fields of education, employment, health, nutrition, social justice, culture, and human development. It also took a significant role in the areas of natural disasters and economic development, as well as in the environment protection and conservation. Its contribution helped improving the quality of life of people of all ages, promoting the formation of human capital and creating opportunities that foster the integral development of individuals and their communities.

Finally, on behalf of the Board of Directors, I thank our shareholders, customers and suppliers for the confidence they have placed on us. To the entire team, I want to thank and invite to continue showing with that sense of motivation, which enables Grupo Carso to achieve our goals and to continue improving the performance of our businesses every year, thus contributing to the development of our country.

Sincerely,

Mr. Carlos Slim Domit
Chairman of the Board of Directors

Management's discussion and analysis

Report of the Management to the Board of Directors on the results of fiscal year 2015

During 2015, Grupo Carso's consolidated sales increased by 7.1% to reach Ps. 88,224 million; Ps. 5,836 million more than the previous year. This increase was mainly explained by the performance of the three traditional divisions of the group. Revenues at our commercial business increased by 7.8% and the industrial division saw a 3.8% growth in the year, while our industrial and construction activity grew 11.4% against the previous year, respectively. Carso Energy revenue contribution began in 2014.

Increased profitability was mainly brought by Grupo Condumex and to a lesser extent due to Grupo Sanborns and Carso Infraestructura y Construcción, which jointly contributed to record a 13.6% increase in operating income which amounted to Ps. 10,329 million. It is worth mentioning that the projects and specific initiatives undertaken in the group's divisions generated this result.

During 2015, the consolidated sales of Grupo Carso increased 7.1% reaching $88,224 million pesos, $5,836 million pesos more than the previous year.

For the year, the EBITDA margin was 14.2%, improving 130 basis points if compared against the margin recorded in the previous year.

In terms of financing results, a 12.2% reduction in the Comprehensive Cost of Financing took place to reach Ps. 927 million in the year against the Ps. 1,056 million figure recorded in 2014.

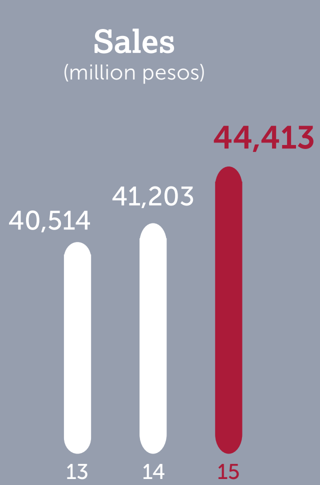
As a result of the improved operating performance, Grupo Carso's controlling net income increased by 9.0% in 2015, reaching Ps. 6,196 million. This compared favorably against the Ps. 5,685 million figured recorded in 2014. The net margin remained at 7.0%, the same level if compared with the previous year.

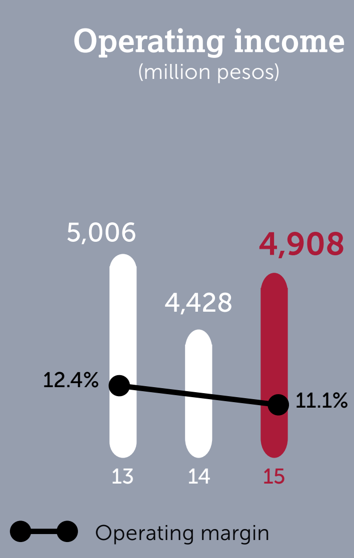
As of December 31, 2015, indebtedness fell by 4.0% to reach Ps. 7,412 million. Short-term maturities represented 33.0% of the total debt. Net debt was negative Ps. 3,351 million, including a reduction of 23.6% in cash and short term investments, an effect that is explained by: i) the beginning of the construction of the gas pipelines by Carso Energy; ii) the opening and remodeling of Grupo Sanborns stores; and iii) the payment of dividends. Net debt to LTM EBITDA ratio was a negative 0.27 times, while the interest coverage ratio stood at 32.2 times if measured in terms of EBITDA to interest expense.

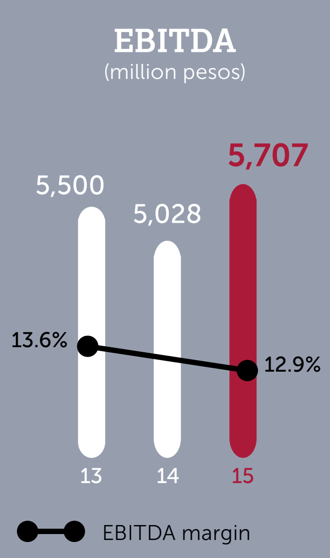
The company has a dual, short- and long-term securitized notes program, duly authorized in February 2012 for Ps. 5,000 million or its equivalent in U.S. dollars, which is used in its entirety.

commercial & retail

During 2015, sales of the commercial and retail division totaled $44,413 million pesos, which represented $3,211 million pesos more, or an increase of 7.8% compared to the previous year.







commercial & retail

Grupo Sanborns

During 2015, commercial and consumer sales totaled Ps. 44,413 million, which represented Ps. 3,211 million more or a 7.8% increase against the previous year. This reflected the good performance of Sears, Sanborns and Promotora Musical where the participation of each format was 51.3%, 28.5% and 14.4%, respectively. Without considering the change in the products and services of the phone business, the comparable figure of Grupo Sanborns sales increased by 9.0% amounting to Ps. 44,904 million.

Credit revenue grew by 3.5%, totaling Ps. 2,931 million, against the Ps. 2,831 million figure reported in the previous year. The percentage of Non-performing loans over 90 days at the year-end was 3.2%.

Grupo Sanborns' operating income increased by 10.8% reaching Ps. 4,908 million. This improvement in profitability was due to strict control on costs and expenses, as well as the recognition of other revenues for Ps. 237 million, which included Ps. 178 million from the valuation of investment properties and Ps. 27 million from the deterioration of real estate.

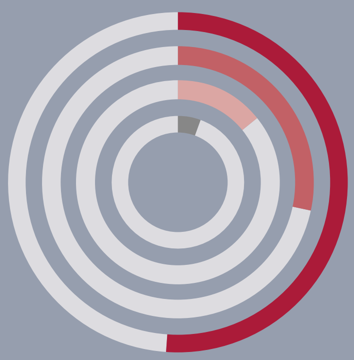
EBITDA increased by 13.5%, from Ps. 5,028 to Ps. 5,707 million in 2015. The EBITDA margin was 12.9%, 70 basis points more than the margin observed in the previous year.

Net controlling income in Grupo Sanborns increased by 5.8%, reaching Ps. 3,090 million against the Ps. 2,922 million income recorded in 2014.

Grupo Sanborns expansion plan continued. It included the opening of four Sears, two Sanborns, four iShop stores as well as two boutiques in the year. Similarly, 13 Sears stores were renovated, where works conducted in 10 of the stores were completed. Grupo Sanborns capital expenditures amounted to Ps. 2,256 million, which was 11.4% lower than the previous year since a part of the investment of the new stores that opened in 2015 was made in the previous year.

Considering all the retail formats, 431 units were operating at the end of December. During the year, the commercial area expanded by 5.9%, totaling one million 115 thousand square meters.

Revenue breakdown by format



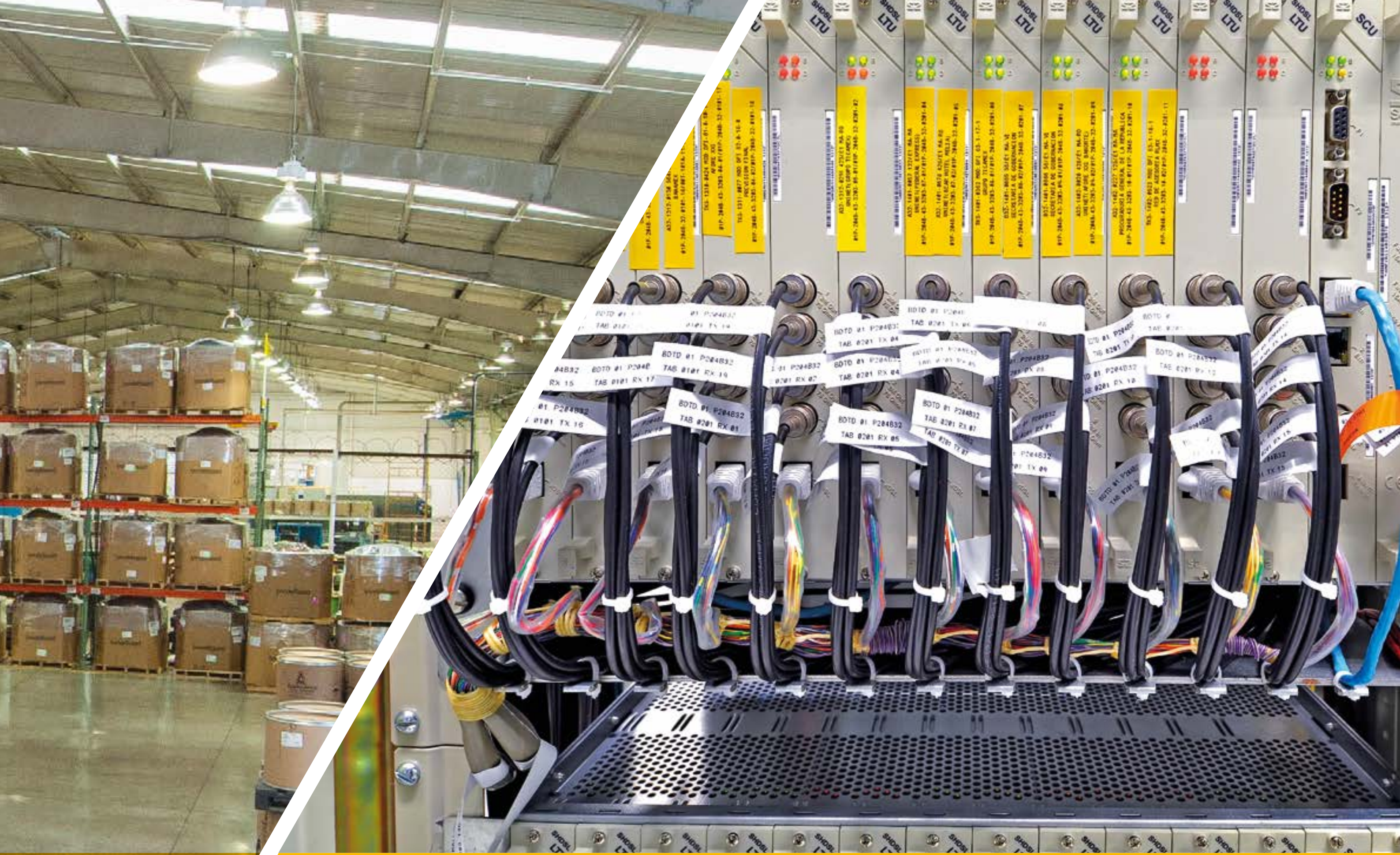
Sears	$22,803.9	51.3%
Sanborns	$12,639.2	28.5%
Promusa	$6,398.3	14.4%
Other	$2,571.7	5.8%

During the year, the commercial area expanded by 5.9%, totaling one million 115 thousand square meters.

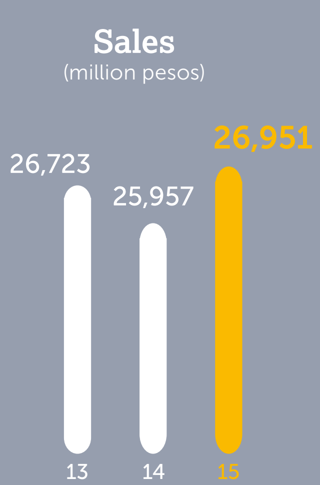
$2,256

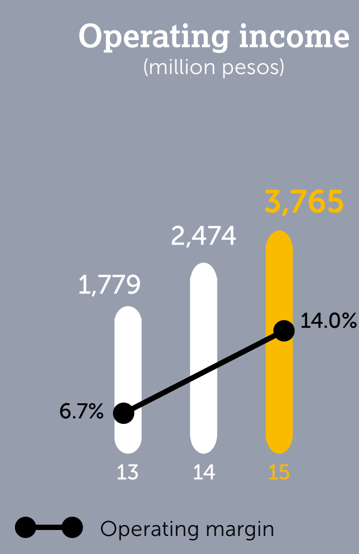
million pesos in capital expenditures for Grupo Sanborns.

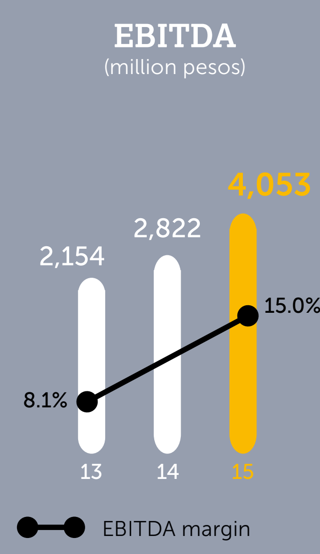
industrial & manufacture



Operating Income and EBITDA of Grupo Condumex totaled $3,765 and $4,053 million pesos, respectively, which represented increases of 52.2% and 43.6% compared to last year's figures.







industrial & manufacture

Grupo Condumex

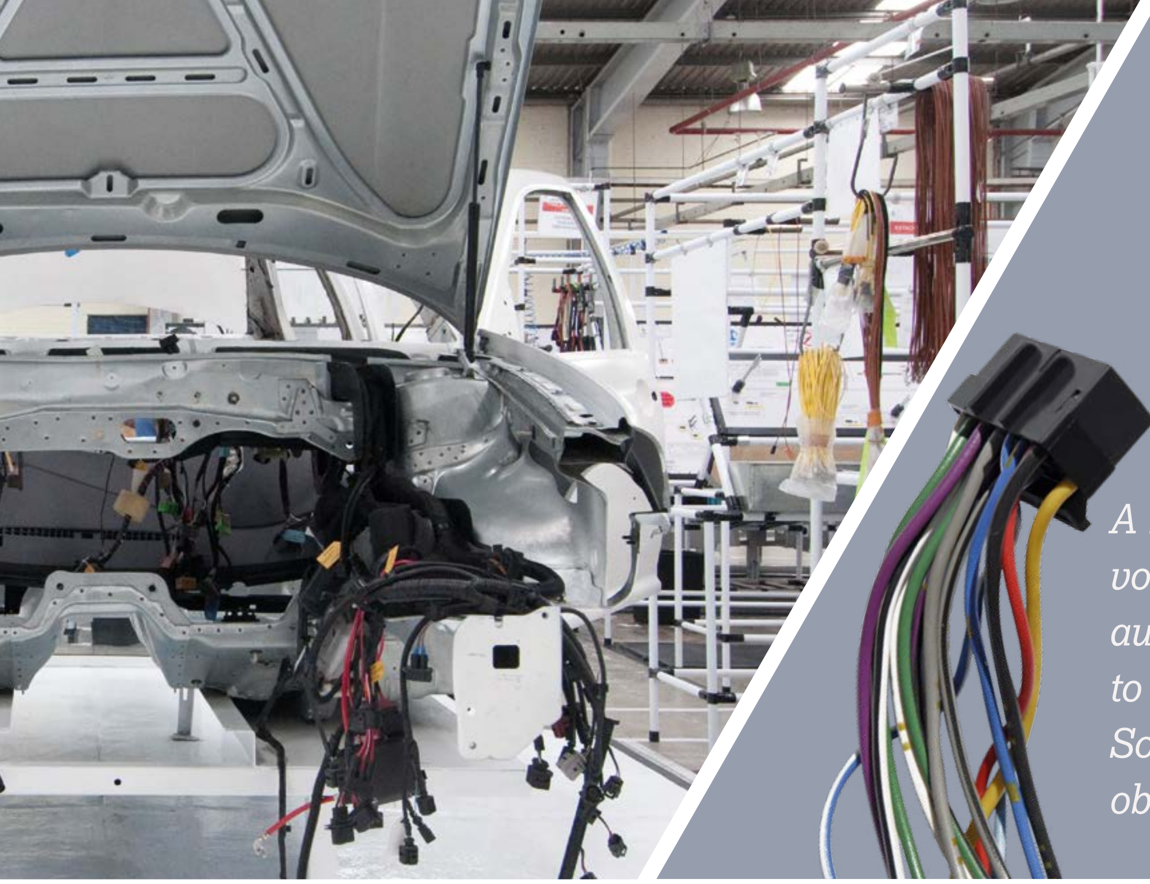
The sales of Grupo Condumex increased by 3.8% in 2015, reaching Ps. 26,951 million against the Ps. 25,957 million figure reported in the previous year.

The automotive sector contributed to the recognition of higher sales since an increase in the export volume of cables and harnesses to the United States and South America took place in the year. Moreover, the telecommunication division recorded an increase in the sale of copper and fiber optic cable, even when the price of copper fell by around 20% during the year. Energy-related businesses reported low levels of operation due to a decline in the amount invested from the government.

Operating income and EBITDA totaled Ps. 3,765 and Ps. 4,053 million, respectively, thus representing increases of 52.2% and 43.4% in comparison with the figures registered in the previous year. This improvement in profitability was due to initiatives and projects for improvements made in all areas of the division.

Net controlling interest of Grupo Condumex increased 35.1% reaching Ps. 2,226 million, compared with the Ps. 1,648 million figured in 2014.

Capital expenditures made by Grupo Condumex during the year reached Ps. 336 million.



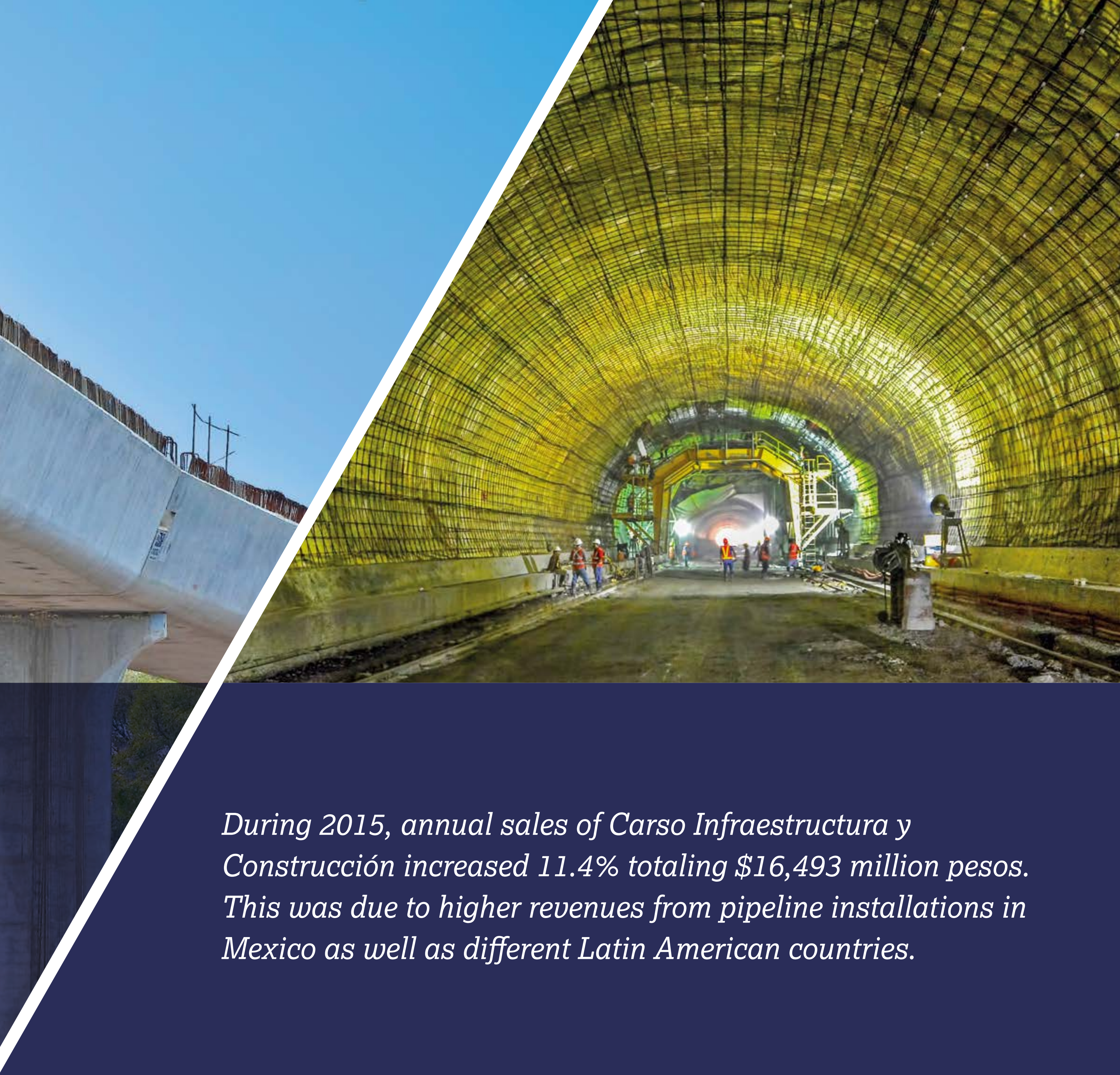
A higher export volume of cables and automotive harnesses to the U.S.A and South America was observed.

Controlling net income of Grupo Condumex increased 35.1% reaching $2,226 million pesos, compared to $1,648 million pesos in 2014.

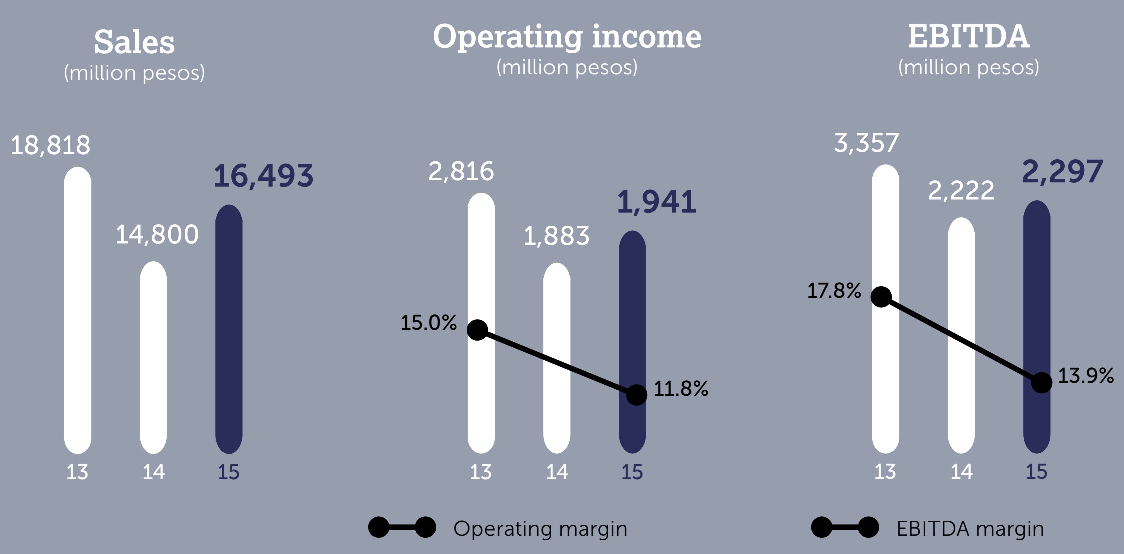
$336

million pesos in capital expenditures for Grupo Condumex during 2015.

infrastructure & construction



During 2015, annual sales of Carso Infraestructura y Construcción increased 11.4% totaling $16,493 million pesos. This was due to higher revenues from pipeline installations in Mexico as well as different Latin American countries.



infrastructure & construction

Carso Infraestructura y Construcción

The sales of Carso Infraestructura y Construcción increased by 11.4%, totaling Ps. 16,493 million during 2015. This effect was mainly due to higher sales in the installation of pipelines in Mexico and some countries in Latin America. In addition, progress was made in projects such as Eastern Discharge Tunnel, Acapulco tunnel, the beltways Mitla-Tehuantepec and South of Guadalajara, El Caminero second-floor viaduct and the Atotonilco's Wastewater Treatment Plant.

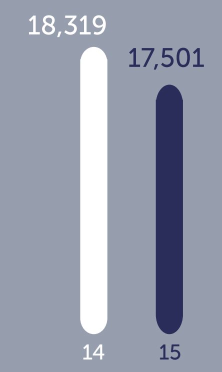
Performance in previous projects managed to offset lower sales in the sector of manufacturing and services for oil and chemical industry, where the volumes of land drilling and contracts for the construction of platforms with Pemex dropped. Similarly, revenues from civil construction decreased in comparison with the previous year, which was the result of the completion of several projects, such as the Prison of the State of Morelos and the Tlalnepantla shopping mall.

In terms of operating income and EBITDA, these concepts recorded increases of 3.0% and 3.4% during the year, while margins were 11.8% and 13.9%, respectively. This was derived from the mix of projects that were executed, with lower revenues from Pemex in the sector of manufacturing and services for oil and chemical industry mentioned above.

Net controlling interest went from Ps. 1,136 million during 2014 to Ps. 1,193 million in 2015, representing an increase of 5.0%.

The backlog of Carso Infraestructura y Construcción was Ps. 17,501 million as of December 31, 2015, compared with the Ps. 18,319 million indicator in 2014. The figure does not include Ps. 1,044 million for joint projects carried out with other entities, in which the backlog would be Ps. 18,546 million.

Investments in fixed assets held by Carso Infraestructura y Construcción during 2015 were Ps. 344 million.

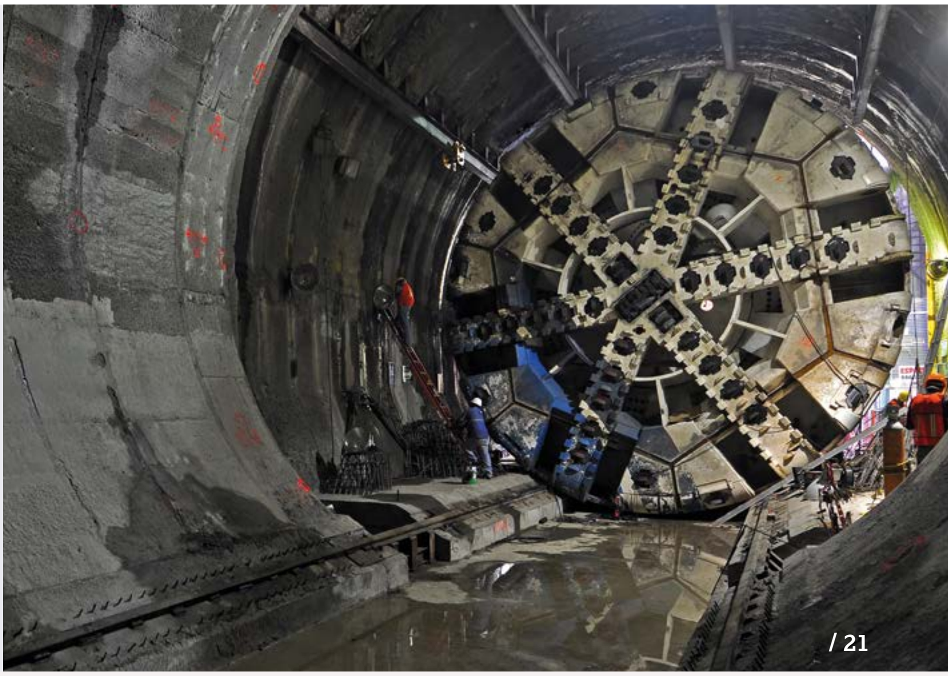


* Amount of outstanding works for construction excluding projects in association with other companies.

Capital Expenditures carried out by Carso Infraestructura y Construcción during 2015 totaled $344 million pesos.

$17,501

million pesos in Backlog for Carso Infraestuctura y Construcción at December 2015.



Carso Energy

The Energy reform opened the opportunity to construct new gas pipelines projects in the country and storage of natural gas, to be built by the Federal Electricity Commission and the private initiative.

Having participated and won the contracts for these three gas pipelines demonstrates our interest to continue participating in the businesses developed by the energy sector in the country. The construction of all of them will start in 2016.

Waha-Presidio
(Texas, U.S.A.)

› 230 kilometers long and 42 inches in diameter

Waha-San Elizario
(Texas, U.S.A.)

› 290 kilometers long and 42 inches in diameter

Samalayuca-Sásabe
(Chihuahua-Sonora, Mexico)

› 650 kilometers long and 36 inches in diameter

Carso Energy

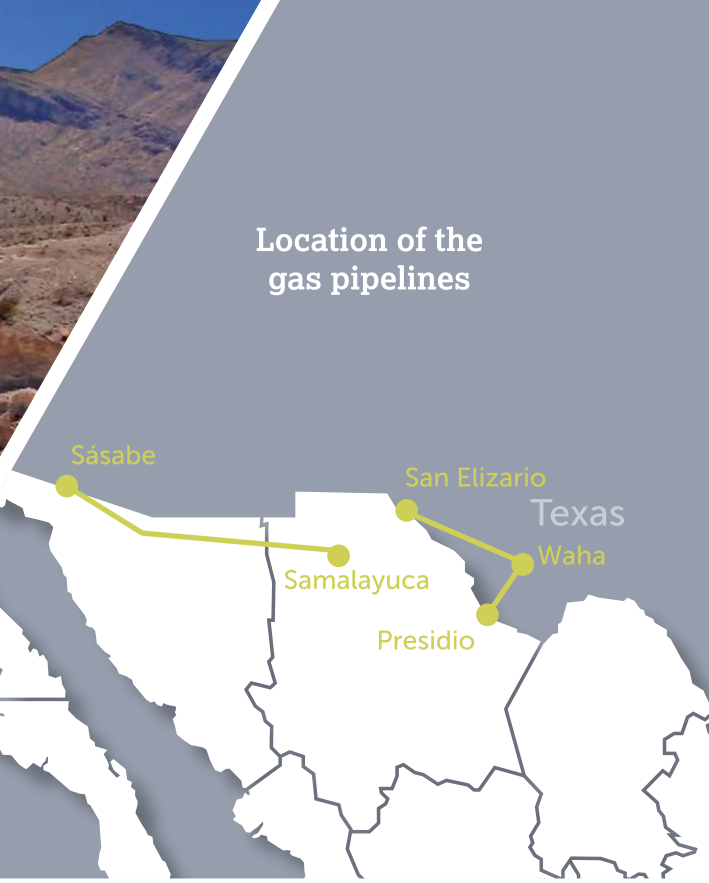
Carso Energy

In January 2015, through the alliance with Energy Transfer Partners, L.P. and Mastec, Inc., Carso Energy was awarded the contract for the provision of services of gas transportation to the Federal Electricity Commission through the Waha-Presidio and Waha-San Elizario pipelines, both located in Texas. Net present value offered was Ps. 767 and Ps. 596 million, respectively. By the end of December 2015, both gas pipelines were in their initial progress on areas such as procurement of materials, processing of rights of way, topographical and environmental assessment, and construction and operating permits. The construction works are estimated to start in 2016.

On September 11, 2015, Carso Electric, S.A. de C.V. won the bid of the Federal Electricity Commission for the provision of transport services for gas through the Samalayuca-Sasabe pipeline, which is located between the Mexican states of Chihuahua and Sonora, having offered Ps. 471 million as a net present value. By the end of December 2015, the pipeline was in its initial progress on areas such as environmental and social impact permits, technical studies, rights of way, including the preparation of engineering and procurement of materials. The transport service contract was signed with the Federal Electricity Commission on September 23, 2015. The construction is estimated to begin at the first half of 2016.

Respectfully,

Antonio Gómez García
Chief Executive Officer



On September 11, 2015, Carso Electric, S.A. de C.V. won the bidding for the Federal Electricity Commission for the provision of gas transport services through the Samalayuca-Sásabe pipeline.

Carso Energy started participating in the company's revenues since 2014.

Social responsibility

Social responsibility strategy and operation

We have channels of both internal and external communication that generate the involvement and promote trust and long-term relationships with our stakeholders. Considering this, top management of the businesses of Grupo Carso define the annual strategic plans for social responsibility. The results of plans and programs for continuous improvement are designed, implemented and reviewed by the Central Management Committee of Work, jointly with the Corporate Human Resources area and the department of Social Responsibility. There is also the Corporate Integrity Program that has a model of management based on the Code of Ethics, approved by the Board of Directors and contains the principles of action. This management model is led by the Internal Audit area and monitored by the Ethics Committee.

21,751

employees and their families benefited from the Social Welfare Program.

During 2015, Social Responsibility actions in Condumex and Carso Infraestructura y Construcción were focused on aspects such as:

- Human Capital Management
- Technical training
- Balance between work and family
- Care of the environment
- Relations with the community

Social performance

We work through the Carlos Slim Foundation. With a high sense of social responsibility, efficiency and timeliness, it develops programs in the fields of education, employment, health, nutrition, social justice, culture, and human development. It also encompasses natural disasters, economic development, protection and conservation of the environment, thus improving the quality of life of people of all ages, promoting the formation of human capital and creating opportunities that foster the integral development of individuals and their communities.

For more information, please visit http://www.fundacioncarlosslim.org/

In addition to the activities of the Carlos Slim Foundation, there were investments in education, health, and infrastructure and community development through the following initiatives:

- Corporate volunteerism in Condumex workplaces,

- Carso Center for Historical Studies of Mexico (CEHM),
- Carso training centers for the general public,
- Carso Center for Research and Development (CIDEC),
- Academic bonding for projects of technological innovation by Condumex and Carso Infraestructura y Construcción,
- Participation in annual campaigns of prevention and control of medical conditions in collaboration with the Carlos Slim Institute of Health,
- Rescue program of Sanborns buildings,
- Program of hiring people with disabilities in Sanborns and Sears through the Mexican Confederation of Organizations in favor of the Person with Disabilities (CONFE), the Center of Multiple Attention (CAM), Young Men's Christian Association (YMCA) and the National System for Integral Family Development (DIF),
- Implementation of the Certificate of Quality and Social Responsibility (CRESE) at Sears, a set of processes that keep track of all the programs that are intended to improve the quality of life of staff and their families with a humanistic vision,
- Free courses on the platform "Training for Job" of the Carlos Slim Foundation, with access to the job including recruitment processes at Sears,
- Sports and family events, workshops and courses of self-improvement through the Social Welfare program.

1,850 graduates of the Carso Training Centers in courses of residential low voltage installations.

The primary commitment of the Social Welfare program is to continuously provide activities of human development that impact on the lives of employees and their families, covering three key aspects:

- Health
- Training
- Culture and recreation.

During 2015, 21,751 employees of Sears, Condumex and Carso Infraestructura y Construcción as well as their families, benefited from some of the activities carried out. Another initiative implemented during the year was "Your Reading Corner", a space adapted with a collection of books for reference and loan at home, with the purpose of promoting reading among employees of Sears and Sanborns located at Plaza Carso.

Carso training centers carry out a work of free training to the public in general, in basic and advanced courses in residential low voltage electrical installations. During 2015, 72 courses were conducted in three locations, with 1,850 graduates.

Environmental performance

The Carso Environment report is published annually and includes Carso Environmental policy, general indicators by industry and/or company projects and measurable results in volume and in economic terms on issues such as:

- Energy savings
- Water saving
- Management of urban, hazardous waste and special handling
- Reduction of carbon dioxide emissions
- Care of trees and flora
- Optimization of routes for fuel-saving

Last March, Sears participated for the second time in Ecofest, an event to promote sustainable culture in Mexico, attended by more than 150 thousand participants. Sears and Grupo Sanborns promoted the distinctive "Green Point" under six categories of Green technologies: Lighting, air conditioning, water saving, water heating, energy efficiency, and water purification. These products and sustainable services are offered in partnership with other companies and available to suppliers, customers and the public to encourage saving, reduce power consumption and help improve the environment.

For more information, please visit: http://www.carso.com.mx/ES/responsabilidad-social/Paginas/carso-medio-ambiente.aspx

Work performance, health and safety

Grupo Carso is the source of employment for more than 73 thousand people in Mexico, Latin American and some European countries. In comparison with the previous year, 1,140 new jobs were created in 2015. Members of the group have wages paid in accordance with the laws, market, performance, and the level of responsibility within the work area to which they belong. In addition, fringe benefits are provided to the compensation in accordance with the business sector and location. Some of the fringe benefits carried out in the three divisions of Grupo Carso include:

- Digital Scholarship
- Scholarships for children of employees and immediate family members
- Annual programs of preventive health
- Flexi time for mothers and fathers, financial support for funeral expenses and work absence with pay
- Self-management program on safety and health at work in Grupo Condumex
- Professionals under Training Program in Carso Infraestructura y Construcción, and Condumex (PRODES)
- Prevention campaigns on health with the collaboration of the Mexican Social Security Institute (IMSS) and the Ministry of Health (SSA)
- Personal development program through the Association for the Growth of Mexico (ASUME)
- 2 centers and 89 classrooms for training (Sears employees)
- Training programs

During 2015, Grupo Condumex and Carso Infraestructura y Construcción carried out 8,034 technical training courses and education, skills and safety for 128 thousand participants. Through operations in the Cable sector, we began to work on the certification as a "Safe Enterprise" and focus on keeping the standards processes certified by OHSAS 18001:2007 in the Gas pipelines and Infrastructure Sector, as well as some accreditations such as the HSE RigPass program for the drilling industry, API Spec Q1 and ASME Boiler & Pressure Vessel Code in the Sector of Equipment and Structures.

In Grupo Sanborns, 1,374 training courses were offered to employees of Sanborns, Saks Fifth Avenue and Dax stores, while in Sears, an average of 19.29 courses per employee took place, highlighting sales techniques and customer service knowledge of products and the ASUME program. Eight seminars for middle management and 69 regional showrooms were carried out. The diploma in leadership opened in three locations with four new groups by 2015, which was attended by 86 supervisors, store managers and sales support areas. Business Strategy Game Simulator, which was attended by 50 participants, included the participation of top-level and deputy managers. They started and concluded six new groups of the Managerial training school at six different locations, which included 142 employees of sales with growth potential. Coaching was provided to nine store managers.

During 2015, 19 courses of the "Training for job" platform were integrated in order to strengthen the skills and knowledge of employees. Some courses are mandatory under the talent attraction and hiring at Sears stores.

For more information and detail, please refer to the sustainability section of the website of Grupo Carso, S.A.B. de C.V. at the following URL: http://www.carso.com.mx/ES/responsabilidad-social/Paginas/gestion_rse_carso.aspx

In Grupo Sanborns 1,374 training courses were carried out for employees of Sanborns, Saks Fifth Avenue and Dax, while in Sears the average was 19.29 courses per employee.

8,034

technical courses and training in skills and safety in Grupo Condumex and Carso Infraestructura y Construcción.

Board of directors

Board Members	Position*	Years as Board Member**	Type of Member***
Carlos Slim Domit	COB – Grupo Carso COB – Grupo Sanborns COB – América Móvil COB – Teléfonos de México	Twenty-five	Patrimonial Related
Antonio Cosío Ariño	CEO – Cía. Industrial de Tepeji del Río	Twenty-five	Independent
Arturo Elías Ayub	Director of Strategic Alliances, Communication and Institutional Relations – Teléfonos de México CEO – Fundación Telmex	Eighteen	Related
José Humberto Gutiérrez Olvera Zubizarreta	COB - Cámara Minera de México	Twenty-five	Related
Daniel Hajj Aboumrad	CEO – América Móvil	Twenty-one	Related
David Ibarra Muñoz	CEO – Despacho David Ibarra Muñoz	Fourteen	Independent
Rafael Moisés Kalach Mizrahi	COB and CEO – Grupo Kaltex	Twenty-two	Independent
José Kuri Harfush	COB – Janel	Twenty-six	Independent
Juan Antonio Pérez Simón	COB – Sanborn Hermanos Vice Chairman – Teléfonos de México	Twenty-six	Independent
Patrick Slim Domit	Vice Chairman – Grupo Carso Vice Chairman – América Móvil CEO – Grupo Sanborns Commercial Director of Mass Market – Teléfonos de México COB – Grupo Telvista COB – Sears Operadora México	Twenty	Patrimonial Related
Marco Antonio Slim Domit	COB – Grupo Financiero Inbursa COB – Inversora Bursátil COB – Seguros Inbursa COB – Impulsora del Desarrollo y el Empleo en América Latina	Twenty-five	Patrimonial Related
Fernando Solana Morales †	CEO – Solana y Asociados, S.C.	Eleven	Independent

Alternate Board Members	Position*	Years as Board Member**	Type of Member***
Julio Gutiérrez Trujillo	Business Consultant	Eleven	Independent
Antonio Cosío Pando	General Manager – Cía. Industrial de Tepeji del Río	Fourteen	Independent
Alfonso Salem Slim	Vice Chairman – Impulsora del Desarrollo y el Empleo en América Latina COB – Inmuebles Carso	Fifteen	Patrimonial Related
Antonio Gómez García	CEO – Grupo Carso CEO – Carso Infraestructura y Construcción COB and CEO – Grupo Condumex	Twelve	Related
Fernando G. Chico Pardo	CEO – Promecap, S.C.	Twenty-six	Independent
Alejandro Aboumrad Gabriel	COB – Grupo Proa	Twenty-five	Independent

Treasurer			
Arturo Spínola García	CFO and Administration Director – Carso Infraestructura y Construccion and Grupo Condumex	Two	

Secretary			
Alejandro Archundia Becerra	General Manager Corporate Legal – Grupo Condumex	Three	

* Based on information from the Board members.
** Seniority as board member was considered since 1990, year when the shares of Grupo Carso, S.A.B. de C.V. were listed in the Mexican Stock Exchange.
*** Based on information from the board members.
† Deceased on March 23, 2016.
COB: Chairman of the Board
CEO: Chief Executive Officer

Independent directors in accordance with the definition of the Mexican Securities Market Law.

Corporate practices and audit committee Grupo Carso, S.A.B. de C.V.

Mr. Jose Kuri Harfush
Chairman
Mr. Antonio Cosío Ariño
Mr. Rafael Moisés Kalach Mizrahi

To the Board of Directors:
I, the undersigned, in my capacity as Chairman of the Corporate Practices and Audit Committee of Grupo Carso, S.A.B. de C.V. (the "Committee"), hereby submit the following annual activity report for the fiscal year 2015.

Functions of Corporate Practices, Evaluation and Compensation
The Chief Executive Officer of Grupo Carso, S.A.B. de C.V. (the "Company") and the relevant executives of the entities the Company controls, complied satisfactorily with their objectives and responsibilities.

The following succeeding transactions with related parties were authorized by and submitted for consideration of the Committee, including the following significant transactions, each of which represents more than 1% of the Company's consolidated assets:

Teléfonos de Mexico, S.A. de C.V., for the sale of telephone copper wire and optic fiber, "Call Center" services, telephone installation and sale of items for telephony; installation services of outside plant fiber optic and network design, including sale of telephone copper wire and optic fiber; catering services; and commissions for the sale of scrap, rescues and fleet replacement vehicles; Concesionaria Autopista Guadalajara-Tepic, S.A. de C.V., construction of road bypasses, revamp of roads and optic fiber linkage; Delphi Packard Electric Systems, for the sale of harnesses and cables, and automotive engineering services; Claro, S.A., for the areas of sale of cable and optical fiber, manufacturing and installation of radio bases, installation of fiber optic and network design, including sale of copper and fiber optic telephone cable; CRS Morelos, S.A. de C.V., for the areas of civil construction and installation of wiring for data and communication networks; and Radiomovil Dipsa, S.A. de C.V., for purchase of cellular equipment, rate plans, and memory cards for phones and other concepts.

All transactions with related parties were conducted at market values and reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., which elaborated a summary thereof recorded in a note included in the audited financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries as of December 31, 2015.

The Chief Executive Officer of Grupo Carso, S.A.B. de C.V. receives no remuneration for the performance of his activities as such. The Company has no employees and therefore, concerning the total compensation received by the directors of the companies controlled by it, we ensure that the policies that were approved in this respect by the Board of Directors have been complied with.

The Board of Directors of the Company did not grant any waiver to any relevant director, officer or person in command to take advantage of business opportunities for themselves or for third parties, corresponding to the Company or entities it controls or in which it has significant influence. Nor did the Committee grant any waiver for the transactions indicated under subsection c) of section III of Article 28 of the Securities Market Act.

Audit functions
The system of internal control and internal audit of Grupo Carso, S.A.B. de C.V. and the entities it controls is satisfactory and meets the guidelines approved by the Board of Directors, according to the information provided to the Committee by the Management of the Company and the independent auditor's report.

We had no knowledge of any noncompliance with any guidelines or policies concerning the operation or accounting rules of the Company or in connection with the entities it controls, and consequently, no preventive or corrective action was implemented.

The performance of the accounting firms Galaz, Yamazaki, Ruiz Urquiza, S.C. and Camacho, Camacho y Asociados, S.C., entities that conducted the audit of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries as of December 31, 2015 and of its subsidiaries, and the

performance of the independent auditor in charge of the audit were satisfactory and the objectives set at the time of contracting the said entities were achieved. Also, according to the information provided by the said firms to the Management of the Company, their fees for the independent audit represented a percentage of less than 10% of their total revenue.

As a result of the review of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries as of December 31, 2015, there were no adjustments to the audited figures and no exceptions that needed to be revealed.

In accordance with information we received from the Company's Board of Directors and during the meetings in which we participated, which were attended by independent and internal auditors and carried out without the presence of officers of the Company, as far as we know there were no relevant comments from shareholders, directors, relevant officers and employees and, in general, from any third party, regarding accounting, internal controls or other issues related to internal or external audits, or complaints made by those persons on irregularities in the administration of the Company.

During the reporting period, we verified that resolutions adopted by the Shareholders' Meeting and the Board of Directors of the Company were complied with. In addition, according to the information provided by Company's Board of Directors, we verified the existence of controls designed to determine compliance with the provisions applicable in terms of financial markets and that the legal department reviewed such compliance at least once a year. There were no comments concerning any adverse change in the Company's legal status.

During the reporting period, we verified that resolutions adopted by the Shareholders' Meeting and the Board of Directors of the Company were complied with.

Finance and Planning functions

During the fiscal year 2015, the Company and some of the entities it controls made significant investments. In this regard, we make sure that any financing is undertaken in a manner consistent with the strategic medium- and long-term plan of the Company. There were no comments in connection with any adverse change in the Company's strategic position. In addition, we ensured that the strategic position of the Company is in alignment with the plan. We also reviewed and evaluated the budget for the fiscal year 2015 together with the financial projections that were considered for its construction, including major investments and financing transactions of the Company, which we consider feasible and consistent with the Company's investment and financing policies and strategic vision.

In preparing this report, the Corporate Practices and Audit Committee relied on information that was provided by the Chief Executive Officer of the Company, the relevant officers of the entities it controls and the independent auditor.

Mr. José Kuri Harfush
Chairman

Consolidated financial statements

Independent Auditors' Report

Deloitte.

Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 489
Piso 6
Colonia Cuauhtémoc
06500 México, D.F.
México

Tel: +52 (55) 5080 6000
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www.deloitte.com/mx

To the Board of Directors and Stockholders of Grupo Carso, S.A.B. de C.V.

We have audited the accompanying consolidated financial statements of Grupo Carso, S.A.B. de C.V. and Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2015, 2014 and 2013, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, 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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements 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 Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Grupo Carso, S.A.B. de C.V. and Subsidiaries as of December 31, 2015, 2014 and 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Other Matters

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Manuel Nieblas Rodríguez
March 14, 2016

Consolidated Statements of Financial Position

As of December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos)

	Note	2015	2014	2013
Assets				
Current assets:				
Cash and cash equivalents	6	$ 8,070,330	$ 7,777,439	$ 6,898,520
Investments in securities held for trading	7	2,692,010	6,313,231	3,654,983
Accounts and notes receivable, net	8	20,584,503	18,434,088	21,419,487
Due from related parties	23	3,436,079	2,672,542	3,813,538
Inventories, net	9	13,818,933	13,684,065	14,326,479
Prepaid expenses		698,115	942,431	966,063
Derivative financial instruments	13	–	–	6,213
Total current assets		49,299,970	49,823,796	51,085,283
Non-current assets:				
Long-term accounts receivable		27,479	48,062	59,562
Real estate inventories		790,920	877,318	831,035
Property, machinery and equipment, net	14	23,470,085	21,849,281	20,311,612
Investment property	15	2,758,662	2,475,631	2,249,466
Investment in associates and joint ventures	16	13,941,135	12,464,262	12,004,831
Employee retirement benefits	21	616,473	1,059,890	948,625
Derivative financial instruments	13	227,233	214,006	249,372
Intangible assets, net	17	237,551	270,928	302,223
Deferred income tax asset	27	2,143,195	1,754,350	1,432,369
Other assets – net	18	672,207	872,874	706,414
Total non-current assets		44,884,940	41,886,602	39,095,509
Total assets		$ 94,184,910	$ 91,710,398	$ 90,180,792
Liabilities				
Current liabilities:				
Notes payable to financial institutions and other	19	$ 2,411,615	$ 2,717,358	$ 3,145,499
Current portion of long-term debt	19	21	2,942	4,010
Trade accounts payable		8,399,593	8,535,817	9,086,008
Due to related parties	23	1,885,390	1,211,685	2,014,008
Other accounts payable and accrued liabilities		5,603,083	4,001,657	3,647,201
Provisions	20	2,346,175	4,240,288	2,977,613
Direct employee benefits		881,083	799,683	775,376
Derivative financial instruments	13	87,544	28,729	17,848
Advances from customers		274,120	973,268	1,540,472
Total current liabilities		21,888,624	22,511,427	23,208,035
Non-current liabilities:				
Long-term debt	19	5,000,000	5,000,026	5,733,362
Deferred income taxes	27	1,390,901	1,345,523	1,747,014
Provisions	16c	–	–	1,297,021
Other long-term liabilities		1,328,063	838,657	468,409
Employee retirement benefits	21	431,368	186,963	262,723
Derivative financial instruments	13	351,586	642,441	823,250
Total non-current liabilities		8,501,918	8,013,610	10,331,779
Total liabilities		30,390,542	30,525,037	33,539,814
Stockholders' equity				
Capital stock	22	2,533,048	2,536,774	2,536,774
Net stock issuance premium		879,092	879,092	879,092
Retained earnings		51,756,235	48,808,374	45,264,844
Other comprehensive (loss) income items		(56,014)	660,384	227,774
Controlling interest		55,112,361	52,884,624	48,908,484
Non-controlling interest		8,682,007	8,300,737	7,732,494
Total consolidated stockholders' equity	22	63,794,368	61,185,361	56,640,978
Total liabilities and stockholders' equity		$ 94,184,910	$ 91,710,398	$ 90,180,792

See accompanying notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

As of December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos, except for basic earnings per common share data)

	Note	2015	2014	2013
Net sales	24	$ 88,223,816	$ 82,387,858	$ 85,870,545
Cost of sales	25	62,661,502	59,181,725	62,964,909
Gross profit		25,562,314	23,206,133	22,905,636
Sales and development expenses	25	11,088,808	10,534,161	10,050,242
Administrative expenses	25	3,659,401	3,663,867	3,305,976
Statutory employee profit sharing		350,417	289,519	225,344
Other expenses (income), net	26	263,805	(580,322)	(364,538)
Interest expense		389,795	440,199	581,374
Interest income		(473,088)	(465,787)	(459,899)
Exchange gain		(1,886,461)	(1,491,621)	(2,870,750)
Exchange loss		1,849,986	1,901,218	2,651,572
Effects of valuation of derivative financial instruments		1,046,921	671,804	(706)
(Gain) loss on disposal of shares of associates	16c	(129,376)	209,386	(7,588,664)
Equity in income of associates and joint ventures	16	(1,275,577)	(1,414,603)	(1,308,793)
Income before income taxes		10,677,683	9,448,312	18,684,478
Income taxes	27	3,173,352	2,673,669	3,721,708
Consolidated net income for the year		**$ 7,504,331**	**$ 6,774,643**	**$ 14,962,770**
Other comprehensive income, net of income tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		(252,695)	453,498	172,203
Valuation of derivative financial instruments		(1,753)	(22,862)	(27,456)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (loss) gain		(519,043)	32,451	71,440
Equity on other comprehensive income of associates		(2,268)	70	456
Total other comprehensive (loss) income		(775,759)	463,157	216,643
Consolidated comprehensive income of the year		**$ 6,728,572**	**$ 7,237,800**	**$ 15,179,413**
Consolidated net income attributable to:				
Controlling interest		$ 6,196,155	$ 5,684,990	$ 13,929,481
Non-controlling interest		1,308,176	1,089,653	1,033,289
		$ 7,504,331	**$ 6,774,643**	**$ 14,962,770**
Basic earnings per common share attributable to controlling interest:				
Continuing operations		**$ 2.716**	**$ 2.483**	**$ 6.083**
Weighted average number of shares ('000)		**2,281,190**	**2,289,802**	**2,289,802**
Consolidated comprehensive income attributable to:				
Controlling interest		$ 5,479,757	$ 6,117,600	$ 14,147,326
Non-controlling interest		1,248,815	1,120,200	1,032,087
		$ 6,728,572	**$ 7,237,800**	**$ 15,179,413**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos)

	Capital stock	Net stock issuance premium	Retained earnings	Translation effects of foreign operations
Consolidated balances at beginning of 2013	$ 2,536,774	$ 879,092	$ 35,291,538	$ 238,468
Cash dividends declared	–	–	(10,762,042)	–
Dividends paid to non-controlling interest	–	–	–	–
Increase in non-controlling interest due to stock issuance (Note 2j)	–	–	6,834,440	–
Decrease in non-controlling interest due to stock purchase	–	–	(28,573)	–
Balances before comprehensive income	2,536,774	879,092	31,335,363	238,468
Consolidated comprehensive income of the year	–	–	13,929,481	172,959
Consolidated balances as of December 31, 2013	2,536,774	879,092	45,264,844	411,427
Cash dividends declared	–	–	(1,831,841)	–
Dividends paid to non-controlling interest	–	–	–	–
Decrease in non-controlling interest due to stock issuance of subsidiary	–	–	(164,573)	–
Loss on sale-purchase of shares in associated (Note 22b)	–	–	(145,046)	–
Balances before comprehensive income	2,536,774	879,092	43,123,384	411,427
Consolidated comprehensive income of the year	–	–	5,684,990	434,592
Consolidated balances as of December 31, 2014	2,536,774	879,092	48,808,374	846,019
Repurchase of capital stock	(3,726)	–	(1,061,992)	–
Cash dividends declared	–	–	(1,915,702)	–
Dividends paid to non-controlling interest	–	–	–	–
Decrease in non-controlling interest due to stock issuance of subsidiary	–	–	(284,049)	–
Increase in non-controlling interest due to stock issuance of subsidiary	–	–	13,449	–
Balances before comprehensive income	2,533,048	879,092	45,560,080	846,019
Consolidated comprehensive income of the year	–	–	6,196,155	(247,316)
Consolidated balances as of December 31, 2015	$ 2,533,048	$ 879,092	$ 51,756,235	$ 598,703

See accompanying notes to consolidated financial statements.

Valuation of derivative financial instruments	Actuarial gain (losses)	Share of other comprehensive income of associates	Total controlling interest	Non-controlling interest	Total stockholders' equity
$ (27,865)	$ (234,213)	$ 33,539	$ 38,717,333	$ 3,163,256	$ 41,880,589
–	–	–	(10,762,042)	–	(10,762,042)
–	–	–	–	(757,796)	(757,796)
–	–	–	6,834,440	4,327,430	11,161,870
–	–	–	(28,573)	(32,483)	(61,056)
(27,865)	(234,213)	33,539	34,761,158	6,700,407	41,461,565
(27,467)	71,897	456	14,147,326	1,032,087	15,179,413
(55,332)	(162,316)	33,995	48,908,484	7,732,494	56,640,978
–	–	–	(1,831,841)	–	(1,831,841)
–	–	–	–	(419,981)	(419,981)
–	–	–	(164,573)	(131,976)	(296,549)
–	–	–	(145,046)	–	(145,046)
(55,332)	(162,316)	33,995	46,767,024	7,180,537	53,947,561
(22,766)	20,714	70	6,117,600	1,120,200	7,237,800
(78,098)	(141,602)	34,065	52,884,624	8,300,737	61,185,361
–	–	–	(1,065,718)	–	(1,065,718)
–	–	–	(1,915,702)	–	(1,915,702)
–	–	–	–	(747,360)	(747,360)
–	–	–	(284,049)	(366,503)	(650,552)
–	–	–	13,449	246,318	259,767
(78,098)	(141,602)	34,065	49,632,604	7,433,192	57,065,796
(1,746)	(465,068)	(2,268)	5,479,757	1,248,815	6,728,572
$ (79,844)	$ (606,670)	$ 31,797	$ 55,112,361	$ 8,682,007	$ 63,794,368

Consolidated Statements of Cash Flows

For the years ended December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos)

	2015	2014	2013
Cash flows from operating activities:			
Consolidated net income for the year	$ 7,504,331	$ 6,774,643	$ 14,962,770
Adjustments not requiring (providing) cash:			
Income tax recognized in earnings	3,173,352	2,673,669	3,721,708
Depreciation and amortization	1,843,475	1,742,190	1,632,182
Gain on sale of property, machinery and equipment and others assets	(73,420)	(31,304)	(1,597)
Derecognition of property, machinery and equipment and intangible assets	19,180	44,307	27,783
Impairment of property, plant and equipment	108,252	–	–
Impairment of exploration expenses	534,076	–	–
Impairment of goodwill and real state inventories	–	–	174,644
Gain on investment property revaluation	(244,550)	(225,695)	(210,076)
Equity in income of associates and join ventures	(1,275,577)	(1,414,603)	(1,308,793)
Derivative financial instruments	(59,374)	42,742	(27,034)
Interest income	(3,404,144)	(3,297,044)	(3,154,975)
Interest expense	389,795	440,199	581,374
Loss (gain) on disposal of shares of associates	(129,376)	209,386	(7,588,664)
Unrealized exchange gain from financing	–	(3,179)	(32,595)
Other items	117,190	131,640	82,403
	8,503,210	7,086,951	8,859,130
Items related to operating activities:			
(Increase) decrease in:			
Accounts receivable	(2,036,223)	1,790,423	(2,238,591)
Interest income	2,920,455	2,829,244	2,692,086
Other accounts receivable	(200,828)	811,498	(107,798)
Due from related parties	(763,537)	1,140,996	(889,187)
Inventories	(134,868)	642,414	498,514
Prepaid expenses	244,316	23,632	315,048
Long-term accounts receivable	20,583	11,500	23,610
Real estate inventories	86,398	(46,283)	(399,756)
Other assets	(310,777)	37,568	101,561
Increase (decrease) in:			
Trade accounts payable	(136,224)	(550,191)	(229,560)
Due to related parties	673,705	(802,323)	388,888
Other liabilities	1,280,026	360,963	(767,559)
Provisions	(167,588)	(243,732)	2,088,567
Direct employee benefits	81,400	24,307	27,905
Advances from customers	(699,148)	(567,204)	(238,930)
Other long-term liabilities	489,406	370,248	464,695
Employee retirement benefits	168,779	(135,764)	18,365
Deferred revenue	–	–	(872)
Income taxes paid	(3,218,086)	(3,016,004)	(5,097,420)
Derivative financial instruments	(248,306)	(191,655)	(104,545)
Net cash flows provided by operating activities	6,552,693	9,576,588	5,404,151
Cash flows from investing activities:			
Purchase of investments in securities held for trading	(2,820,740)	(3,446,267)	(4,564,157)
Sale of investments in securities held for trading	6,441,961	788,019	1,013,038
Purchase of property, machinery and equipment	(3,926,325)	(3,114,661)	(2,361,218)
Proceeds from sale of property, machinery and equipment	180,037	175,964	68,171
Other assets	(53,162)	(251,156)	(232,805)
Interest received	471,501	465,270	459,899
Dividends received	–	678,486	761,335
Purchase of investment property	–	(470)	–
Derivative financial instruments	23,100	162	12,537
(Refund) proceeds for the sale of shares of PMM	(1,726,525)	–	7,858,665
Acquisition of shares in subsidiaries and associates	249,984	–	(293,922)
Other	(285,073)	43,622	277,422
Net cash flows (used in) provided by investing activities	(1,445,242)	(4,661,031)	2,998,965
Cash flows from financing activities:			
Borrowings	2,495,665	5,652,066	8,556,225
Payment of borrowings and long-term debt	(2,804,355)	(6,811,432)	(14,053,805)
Interest paid	(388,912)	(441,835)	(581,374)
Dividends paid	(2,663,062)	(2,251,822)	(11,513,922)
Capital stock repurchase	(1,065,718)	–	–
Capital stock repurchase from subsidiary	(650,552)	(296,549)	–
Derivative financial instruments	37,560	(2,364)	2,573
Proceeds from issuance of shares by subsidiary	–	–	11,348,631
Expenses related to the issuance of shares by subsidiary	–	–	(186,761)
Decrease (acquisition) of non-controlling interest	291,451	–	(64,804)
Net cash flows used in financing activities	(4,747,923)	(4,151,936)	(6,493,237)
Effects of exchange rate changes on cash and cash equivalents	(66,637)	115,298	7,178
Net increase in cash and cash equivalents	292,891	878,919	1,917,057
Cash and cash equivalents at beginning of the year	7,777,439	6,898,520	4,981,463
Cash and cash equivalents at end of the year	**$ 8,070,330**	**$ 7,777,439**	**$ 6,898,520**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015, 2014 and 2013
(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

1. Activities

Grupo Carso, S.A.B. de C.V. (Grupo Carso) and Subsidiaries (the Entity) is a holding entity with a duration of 99 years that maintains investments in the shares of a group of entities that operate in the industrial, retail, infrastructure and construction and energy sectors. Grupo Carso is domiciled in Lago Zúrich 245, sixth floor, Colonia Ampliación Granada, Mexico City, Postal Code 11529.

2. Significant events

a. The Entity's stockholders decided to suspend the operations of the subsidiary Tabasco Oil Company, LLC (TOC), a direct subsidiary of Carso Energy, S.A. de C.V. (Carso Energy), beginning in February 2015 due to the fall in international oil prices. Consequently, at 2015 year end an impairment was recorded on the capitalized exploration expenses and fixed assets of the subsidiary for $534,076. As of December 31, 2015 and 2014 Carso Energy showed accumulated losses of $795,833 and $99,571, respectively. Carso Energy management believes that these situations will not affect its continuity as a going concern. The Entity believes that international oil prices could recover during 2016, for which reason during that year it expects to reactivate TOC's operations.

   Furthermore, during 2015 the Entity, through Carso Energy, made common stock contributions in TOC for US$5,500, equivalent to $82,675, thus increasing its interest to 94.20% of TOC's voting stock at 2015 year end.

   Also in 2015, at a Stockholders' General Meeting of the subsidiary Carso Energy, it was approved to receive contributions for future capital increases from the non-controlling interest, for the amount of $291,451 represented by 273,273,259 shares.

   In 2014, the Entity indirectly made contributions to TOC's capital for the amount of US$43,000 equivalent to $569,786, thereby increasing its equity investment to 93.72% of TOC's voting stock at 2014 year end.

   On December 26, 2013, the Entity acquired 12.13% of the shares of Geoprocesados, S.A. de C.V., a minority TOC stockholder, for of US$5,000, equivalent to $64,804, thereby increasing its equity investment to 82.13% of TOC's voting stock at 2013 year end.

b. In September 2015, Inmuebles Arela, S.A. de C.V. (Inmuebles Arela) completed the sale of the shock absorbers business to Gabriel de México, S.A. de C.V., whose majority stockholder is Grupo Chaidneme (a Colombian group), subsequently obtaining 30% of the equity through its indirect subsidiary Promotora de Partes Eléctricas Automotrices, S.A. de C.V. by subscribing 20,085,905 shares at $20,086. Inmuebles Arela retained the real state property where the operation is performed, for which reason as of that date it became a lessor.

c. On September 17, 2015 Carso Gasoductos, S.A. de C.V. was incorporated through the subsidiary Carso Electric, S.A. de C.V. (Carso Electric). This is a special purpose entity engaged in the construction and operation of the Samalayuca-Sásabe gas pipeline in the states of Chihuahua and Sonora, Mexico.

d. In August 2015, through the subsidiary Grupo Condumex, S.A. de C.V. the shares of Amatech, S.A. de C.V.; were sold; the transaction amount was $249,984, with a profit on the sale of shares of $129,376.

e. On July 10, 2015, the associated entity Elementia, S.A.B. de C.V. completed a public offering in which Grupo Condumex, S.A. de C.V., through its subsidiary Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. acquired 16,650,000 shares for $266,050. This offering resulted in a dilution of the equity in the associated entity, which changed from 46% to 35.62%.

f. On May 12, 2015, through the subsidiary Carso Electric, Carso Energy Corp. was incorporated. Its main activity is to act as the holding entity of two special purpose entities established in the United States of America (USA), engaged in the construction and operation of the pipelines de Waha-Presidio and Waha-San Elizario, in the state of Texas, USA.

g. On December 16, 2013 the subsidiary Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. acquired shares representing 10% of the variable common stock Grupo Cuprum, S.A.P.I. de C.V. for $291,938.

h. On September 30, 2013, Grupo Carso sold to Philip Morris International, INC. (PMI) the remaining 20% of its equity investment in Philip Morris México, S.A. de C.V. (PMM), a PMI subsidiary engaged in the tobacco business in Mexico. The sale's price was US$703,148 and was subject to a potential adjustment process reflecting the performance of PMM during a period of three years, which culminated in 2015. The effect of such adjustment was US$113,419 which was recorded in the 2014 and 2013 consolidated statements of profit or loss and other comprehensive income. Consequently, the final sale's price was US$589,729.

i. On April 23, 2013, the subsidiary Operadora CICSA, S.A. de C.V. executed a lease contract, without a purchase option, with Pemex Exploración y Producción (PEP) for a jack-up marine drilling platform known as "Independencia 1", which was the first built in Mexico by the subsidiary. The contract includes comprehensive platform maintenance services and will be utilized by PEP to drill oil wells in the Mexican waters of the Gulf of Mexico. The contract was executed for an amount of up to US$415 million over a seven-year period.

j. On February 8, 2013, the subsidiary Grupo Sanborns, S.A.B. de C.V. (Grupo Sanborns) made a public offering of its common stock in the amount of $11,348,631 in Mexico and abroad. Of this amount, 40.5% was placed on foreign markets, and the remaining 59.5% was placed in Mexico. Considering over-allotment, this placement involved 17.2% of Grupo Sanborns' common stock. The proceeds received from this offering were primarily used to fund the expansion plan and remodel the main formats of Grupo Sanborns (Sears, Sanborns and iShop), and for other corporate purposes such as the repayment of financing and working capital. This transaction increased the net premium derived from the placement of the shares of Grupo Sanborns which the Entity recorded $6,834,440 as part of its retained earnings, together with a non-controlling interest increase of $4,327,430, both of which were recorded in the accompanying 2013 consolidated statement of changes in stockholders' equity.

3. Basis of presentation

a. Application of new and revised International Financing Reporting Standards (IFRS) and interpretations that are mandatorily effective for the current year

In the current year, the Entity has applied a number of amendments to IFRS and new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2015.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

The application of these amendments has had no material impact on the disclosures or the amounts recognized in the Entity's consolidated financial statements.

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle

The Entity has applied the amendments to IFRS included in the *Annual Improvements to IFRSs 2010-2012 Cycle and 2011 - 2013 Cycle* for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 *Operating Segments*. The application of the other amendments has had no impact on the disclosures or amounts recognized in the Entity's consolidated financial statements.

4. Significant accounting polices

a. Statement of compliance - The consolidated financial statements have been prepared in accordance with IFRS released by IASB.

b. Basis of measurement - The accompanying consolidated financial statements have been prepared on a historical cost basis, except for certain long-term non-monetary assets and financial instruments which were recognized at fair value upon transition to IFRS. Historical cost is generally measured as the fair value of the consideration received for the assets. The consolidated financial statements are prepared in Mexican pesos, the legal currency of the United Mexican States and are presented in thousands, except as noted otherwise.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation - The consolidated financial statements incorporate the financial statements of Grupo Carso and the subsidiaries controlled by it. Control is achieved when Grupo Carso:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

Grupo Carso reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When Grupo Carso has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. Grupo Carso considers all relevant facts and circumstances in assessing whether or not the Grupo Carso voting rights in an investee are sufficient to give it power, including:

- The size of Grupo Carso's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by Grupo Carso, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that Grupo Carso has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when Grupo Carso, obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Net income and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Grupo Carso's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

The ownership percentages over the capital stock of its subsidiaries as of December 31, 2015, 2014 and 2013 are shown below:

			Ownership % December 31		
Subsidiary	Country of incorporation and operations	Activity	2015	2014	2013
Carso Infraestructura y Construcción, S.A. de C.V. and subsidiaries (CICSA)	Mexico, Central America and South America	Performance of several branches of engineering including those related to infrastructure works, such as: highway construction and maintenance, water system works, water treatment plants and dams; duct installations for the telecommunications and gas sectors, including fiber-optic networks and gas pipelines, among others; oil well drilling and services related to this industry; the design and construction of oil platforms and oil industry equipment; the construction of industrial, commercial and residential real property.	99.93	99.93	99.93
Grupo Condumex, S.A. de C.V. and subsidiaries (Condumex)	Mexico, USA, Central America, South America and Spain	Manufacture and sale of cable products used in the construction, automotive, energy and telecommunications industries; manufacture and sale of copper and aluminum products and sale of automotive parts; manufacture and sale of transformers and lighting solutions.	99.58	99.58	99.58
Grupo Sanborns, S.A.B. de C.V. and subsidiaries (Sanborns)	Mexico, El Salvador and Panama	Operation of department stores, gift shops, record stores, restaurants, cafeterias and management of shopping malls through the following commercial brands, principally: Sanborns, Sears, Saks Fifth Avenue, Mix-up and iShop.	84.35	83.39	82.77
Carso Energy, S.A. de C.V. and subsidiaries	Mexico, USA and Colombia	Holding of shares of entities in the sector of exploration and production of oil, gas and other hydrocarbons, and electricity.	93.54	100.00	100.00

i. Changes in the Entity ownership interests in existing subsidiaries

Changes in the Entity ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of Grupo Carso.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. Cash and cash equivalents- Consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash or with a maturity of three months upon its acquisition and are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in results of the period. Cash equivalents are represented by money market funds and short-term bank investments in Mexican pesos and U.S. dollars.

e. Business combinations - Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquire and the equity interests issued by the Entity in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

   At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

   - Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;

   - Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date; and

   - Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

   Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

   Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

   When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

   The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

   When a business combination is achieved in stages, the Entity's previously held equity interest in the acquire is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

   If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

f. Goodwill - The goodwill arising from a business combination are recognized at historical cost as an asset at the date that control is acquired (the acquisition date), less impairment losses recognized, if any. Goodwill is the excess of the consideration transferred the amount of any non-controlling interest in the acquired over the fair value of the acquirer's interest in the equity of the acquired and / or on the net at the date of acquisition identifiable assets acquired and liabilities assumed.

   When the fair value of the identifiable net assets acquired exceeds the sum of the consideration transferred, the amount of such excess is recognized in earnings as a gain on purchase.

   Goodwill is not amortized and is subject to annual impairment testing. For purposes of impairment testing, goodwill is allocated to each cash-generating unit for which the Entity expects to obtain benefits. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of unit, proportionately, based on the carrying amount of each asset in the unit. The impairment loss recognized for goodwill purposes cannot be reversed in a subsequent period.

   When a relevant cash-generating unit is disposed-off, the amount attributable to goodwill is included in determining the gain or loss on the disposal.

g. Investments in associates and joint ventures - An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

h. Revenue recognition - Revenue is measured at the fair value of the consideration received or receivable considering the amount of sales returns, discounts and other similar discounts or rebates. Revenues are recognized based on the criteria below:

- Sale of goods - Is recognized when the inherent risks and rewards are transferred to the customer, provided the respective income can be reliably measured, it is likely that the Entity will receive the economic benefits associated with the transaction, the costs that have been or will be incurred to perform the transaction can be reliably measured, the Entity is not continuously involved in the ownership of the goods and does not retain effective control over them. Generally, revenues recognition coincides with the date on which the goods are delivered and ownership is legally transferred to the customer.
- Finance income on credit sales - Is recognized when it is accrued and is generated by credit card transactions (Sanborns, Sears, Saks Fifth Avenue, Dorian's and Mixup).
- Services - Provided are recognized when the service is rendered.
- Rentals –

  Shopping malls - Is recognized on a straight-line basis as lease services are provided and maintenance fees are collected; these amounts are recognized throughout the period of the lease contract from which they are derived.

  Oil platform - Oil rig lease are recognized on straight-line basis in the month that are accrued and the leasing services are rendered.

- Construction contracts - When can be reliably estimated, the results of a construction contract revenue is recognized using the percentage-of-completion method based on costs incurred, taking into account the expected costs and revenues at the end of the project, as the activity takes place. Changes in the performance of work, and estimated profit, including those that may arise for prizes conclusion derived from projects in advance, contractual penalties and final agreements in contracts, are recognized as income in the periods in which revisions are made or approved by customers.

  Under different contracts, recognized revenues do not necessarily reflect the amounts billable to customers. Management periodically evaluates the fairness of its accounts receivable. In those cases in which the recovery of these amounts entails certain difficulties, additional allowances for doubtful accounts are created and applied to the results of the year in which they are determined. The estimate prepared for this reserve is based on management's judgment and also considers prevailing circumstances when it is determined.

  Contract costs include labor, raw materials, subcontractor, project startup and indirect costs. The Entity periodically evaluates the fairness of the estimates used to determine the work completion percentage. If, as a result of this evaluation, the Entity considers that the estimated costs to be incurred until project conclusion exceed expected revenues, a provision is recognized for the estimated losses of the period in question. In the case of works projects financed by the Entity in which the contract value includes work execution and financing revenues, the net financial expense (income) needed for project development forms part of the respective contract costs, which are recognized in results based on project work completion. In this type of contract, the total project amount can be collected from the customer until the termination date by submitting periodic project work completion reports for the customer's approval, which enable the Entity to obtain project financing when required.

- Changes to construction contracts - Are recognized when the amount can be reliably quantified and there is reasonable evidence of approval by the customer. Revenues are recognized when claims can be reliably measured and when, derived from progress in the negotiations, there is reasonable evidence that the client will accept the payment.

- Revenues from real property developments - Are recognized on the date when the public deed is granted for the respective housing, which is when the rights, rewards and obligations derived from the real property are transferred to the buyer. If any uncertainty exists regarding future collections, revenues are recorded as they are collected. In those cases where there are indicators of recovery difficulties, additional allowances for doubtful accounts are recorded, thereby affecting the results of the year in which they are determined.

- Dividends and interests - Dividend income from other investments is recognized once the right of shareholders to receive the payment has been established (when it is probable that the economic benefits will flow to the Entity and revenue can be reliably valued).

  Interest income derived from financial assets is recognized when accrued, when it is likely that the Entity will receive the respective economic benefits and the amounts can be reliably valued. Interest income is primarily generated by the operation of credit cards in department stores.

i. Loyalty programs for customers - Awards are accounted for as a separate component of the initial sale transaction, measured at their fair value and recognized as deferred income in the consolidated statement of financial position, within other accounts payable and accrued liabilities. Deferred revenue is recognized in income once the award is redeemed or expires.

j. Leasing - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

   Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

   Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

k. Foreign currencies - In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

   Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

   - Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

   - Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 11c. below for hedging accounting policies)

   - Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of these consolidated financial statements presentation, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

The functional and recording currency of Grupo Carso and all of its subsidiaries is the Mexican peso, except for foreign subsidiaries whose functional and recording currency are as shown below:

Company	Currency in which transactions are recorded	Functional currency
Cablena, S.A.	Euro	Euro
Cablena do Brasil, Limitada	Brazilian Real	Brazilian Real
Carso Construcción de Costa Rica, S.A.	Colon	US Dollar
Cicsa Colombia, S.A.	Colombian Peso	Colombian Peso
Carso Construcción de Dominicana, S. de R.L. (antes Cicsa Dominicana, S.A.)	Dominican Peso	Dominican Peso
Cicsa Ingeniería y Construcción Chile Ldta, S. de R.L.	Chilean Peso	Chilean Peso
Tabasco Oil Company, LLC, Sucursal en Colombia	Colombian Peso	US Dollar
Cicsa Jamaica Limited	Jamaican Dollar	Jamaican Dollar
Cicsa Perú, S.A.C.	New Sol	New Sol
Condutel Austral Comercial e Industrial, Limitada	Chilean Peso	Chilean Peso
Cometel de Centroamérica, S.A.	Quetzal	Quetzal
Cometel de Honduras, S.A.	Lempira	Lempira
Cometel de Nicaragua, S.A.	Cordoba	Cordoba
Cometel de Colombia, S.A.S.	Colombian Peso	Colombian Peso
Cupro do Brasil, Limitada	Brazilian Real	Brazilian Real
Grupo Sanborns Internacional, S.A. (Panamá)	US Dollar	US Dollar
Nacel de Centroamérica, S.A.	Quetzal	Quetzal
Nacel de Honduras, S.A.	Lempira	Lempira
Nacel de Nicaragua, S.A.	Cordoba	Cordoba
Nacel de El Salvador, S.A.	US Dollar	US Dollar
Procisa Ecuador, S.A.	US Dollar	US Dollar
Procisa do Brasil Projetos, Constructores e Instalaciones, Ltd.	Brazilian Real	Brazilian Real
Procosertel, S.A.	Argentinean Peso	Argentinean Peso
Procosertel Uruguay, S.A.	Uruguayan Peso	Uruguayan Peso
Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador)	US Dollar	US Dollar
Carso Construcción de Puerto Rico, L.L.C.	US Dollar	US Dollar
Procisa, S.A.S.	Colombian Peso	Colombian Peso

The entities listed above are considered foreign operations under IFRS.

l. Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Direct employee benefits, retirement benefits and statutory employee profit sharing (PTU) – The cost for direct benefits and defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The seniority premium liability for all personnel, non-union personnel pensions and retirement payments treated as pensions are considered in defined benefit plans. The cost of these benefits is determined by using the projected unit credit method and the actuarial valuations prepared at the end of each reporting period. Actuarial gains and losses are immediately recognized in other comprehensive income, net of deferred tax, based on the net asset or liability recognized in the consolidated statement of financial position, so as to reflect the over- or underfunded status of employee benefit plan obligations. Similarly, past service costs are recognized in results when the plan is modified or when restructuring costs are incurred.

Retirement benefit obligations recognized in the consolidated statement of financial position represent the current value of the defined benefit obligation adjusted according to actuarial gains and losses and the past service costs, less the fair value of plan assets. When plan assets exceed the liabilities of the defined benefit plan, they are valued according to the lower of: i) the defined benefit plan surplus, and ii) the present value of any economic benefits derived from the plan and available as future plan contribution reimbursements or reductions.

PTU

PTU is recorded in the results of the year in which it is incurred.

As result of the 2014 Income Tax Law (LISR), as of December 31, 2015 and 2014, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law. As of December 31, 2013 PTU is determined in accordance with Article 16 of the LISR.

n. Income taxes - Income tax expense represents the sum of the tax currently payable and deferred tax.

i. Current tax

Current income tax (ISR) is recognized in the results of the year in which is incurred. Until December 31, 2013, current income tax was calculated as the higher of the ISR and the Business Flat Tax (IETU).

Until 2013 Grupo Carso had the authorization of the Secretary of Finance and Public Credit in Mexico to prepare its income tax on a consolidated basis, which included the proportional taxable income or loss of its Mexican subsidiaries. Tax provisions of the foreign subsidiaries are determined based on the taxable income of each individual entity.

Since 2014 Grupo Carso has the authorization of the Secretary of Finance and Public Credit in Mexico to prepare its income tax on a fiscal integration basis (see Note 27).

ii. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

As a consequence of the 2014 Tax Reform, as of December 31, 2013 deferred IETU is no longer recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Entity expects to recover the total fair value through sale.

iii. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

iv. Tax on assets

The tax on assets (IMPAC) expected to be recovered is recorded as a tax receivable.

o. **Inventories and cost of sale** - Are stated at the lower of cost of acquisition and / or construction or net realizable value (estimated selling price less all costs to sell), as follows:

- Industrial inventories, construction and retail- Are valued using the first-in first-out and / or average cost methods depending on the activity of each entity; including the cost of materials, direct costs and an appropriate portion of fixed and variable overhead costs that are incurred in the production of inventory by the Entity. Impairments are reflected as reductions in the carrying amount of inventories.
- Real estate inventories - Inventory of properties substantially completed are valued at the lower of cost or net realizable value. Land to be developed is tested for impairment if there are indicators that its value will not be recoverable. The real estate inventory includes all direct costs of land, construction and other development and incurred during the development stage, as well as financing costs. The cost of real estate developments, including the ground, materials, subcontracts, and those indirect costs related to the property developments, such as indirect labor, purchases, repairs and depreciation. General and administrative costs are expensed as incurred.

  In the event that the estimated total property development costs exceed the estimated total revenue, the expected loss is recognized through the income statement. Cost of sales of real estate inventories is determined and prorated based on total costs of the related projects.

  The Entity classifies land as long-term inventories when sale is estimated to be completed after one year.

p. **Offsetting of financial assets and financial liabilities** - The Entity offsets a financial asset and a recognized financial liability and presents the offseted amount in the consolidated statements of financial position only when it meets the following conditions: a) there is a legal right and obligation to collect or pay an offset amount, and b) the amount resulting from offsetting the financial assets of the financial liability reflects the expected cash flows of the Entity when it liquidates two or more financial instruments. In all other cases, the Entity presents the financial assets and financial liabilities recognized separately in the consolidated statement of financial position and its assets and liabilities according to their characteristics.

q. **Property, machinery and equipment** - As of January 1, 2011, property, machinery and equipment were valued at deemed cost (depreciated cost adjusted for an inflation index), or fair value determined through appraisals for certain items of property, machinery and equipment. Subsequent acquisitions are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets which are reviewed yearly; the effect of any change in the accounting estimate is recognized on a prospective basis. Depreciation of machinery and equipment in certain subsidiaries is calculated based on units produced during the period in relation to the total estimated production of the assets over their service lives.

	Depreciation weighted average rate	% residual values
Buildings and leasehold improvements	1.4 to 10	5 and 10
Machinery and equipment	4.1 to 5	
Vehicles	25	5, 10 and 25
Furniture and equipment	5 to 12.8	
Computers	16.7 to 41.2	

Borrowing costs incurred during the period of construction and installation of qualifying property, machinery and equipment are capitalized.

The gain or loss on the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources received from sale and the carrying value of the asset, and is recognized in results.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if their life is lower, during the term of the lease.

r. **Investment properties** - Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The properties held as investments mainly include two shopping malls owned by certain subsidiaries of the Entity.

Investment properties acquired and improvements are recorded at cost, including transaction costs related to the acquisition of assets.

Initial direct costs incurred in negotiating lease leases are added to the carrying amount of investment properties.

An investment properties is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

s. Intangible assets - Intangible assets are recognized in the accompanying consolidated statement of financial position only if they can be identified, provide future economic benefits and control exists over such assets. Intangible assets with an indefinite useful life are not amortized and the carrying value of these assets is subject to annual impairment testing, and intangible assets with a defined useful life are amortized systematically based on the best estimate of their useful life, determined in accordance with the expected future economic benefits. The useful life, residual value and amortization method are subject to annual impairment assessment; any change is recorded on a prospective basis.

The disbursements caused by research activities are recognized as an expense in the period in which they are incurred.

Intangible assets recognized by the Entity mainly relate to costs incurred during the evaluation phase, which are capitalized as other assets during the exploration and evaluation of the project, and are amortized on the straight-line basis over the useful life of the concession or the project, whichever is lower.

Plans and projects for environmental control are presented within other assets. The expenses made for this concept are applied to the provision for environmental remediation and the subsequent increase to such provision is debited to the net income of the year, only if it corresponds to present obligations or to other future obligations, in the year that they are determined.

t. Intangible assets acquired in business combination - Intangible assets acquired in a business combination are recognized at their fair value at the acquisition date (which is regarded as their cost). Intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

In assessing value in use, estimated cash flows are discounted at present value using a discount rate before tax that reflects current market valuations, the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

u. Impairment of tangible and intangible assets other than goodwill - At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

v. Provisions - Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

- Provision to remedy environmental damage - The Entity has adopted environmental protection policies within the framework of applicable laws and regulations. However, due to their activities, the industrial subsidiaries, sometimes perform activities that adversely affect the environment. Consequently, the Entity implements remediation plans (which are generally approved by the competent authorities) that involve estimating the expenses to be incurred for this purpose.

  The estimated costs to be incurred could be modified due to changes in the physical condition of the affected area, the activity performed, laws and regulations, variations affecting the prices of materials and services (especially for work to be performed in the near future), as well as the modification of criteria used to determine work to be performed in the affected area, etc.

  The fair value of a liability for asset retirement obligations is recognized in the period incurred. The liability is measured at fair value and is adjusted to its present value in subsequent periods, as expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life.

- Restructurings - A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Entity.
- Reserve for purchase of own shares - Purchases and sales of shares are recognized directly in the reserve for acquisition of treasury shares, at cost of acquisition and placement respectively. Any gain or loss is recognized as net stock issuance premium. Sales are recorded directly as an increase in common stock at theoretical par value; the gain or loss on the sale is recorded as a share repurchase premium, and the difference compared to the selling price is recorded against the reserve for acquisition of treasury, which is included in retained earnings.

w. Financial instruments - Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i. Financial assets -

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

– Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is either held for trading or it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the Entity is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses) - Net' line item. Fair value is determined in the manner described in Note 12.

– Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

– Financial assets classified as held for sale

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Entity that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Entity also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the Entity's management consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 12. The gains and losses generated by fair value changes are recognized in other comprehensive income and accrued in the investment revaluation reserve, while excluding impairment losses, interest calculated through the effective interest method and exchange losses and gains, which are recognized in results. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognized in profit or loss when the Entity's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

– Loans and receivables

Loans, accounts receivable from customers and other accounts receivable with fixed or determinable payments which are not traded on an active market are classified as loans and accounts receivable. Loans and accounts receivable are valued at their amortized cost by using the effective interest method less any impairment. An allowance for bad debts is recognized in results when the Entity has objective evidence that accounts receivable are impaired. Interest income is recognized by applying the effective interest rate, while excluding short-term accounts receivable when interest recognition is insignificant.

– Effective interest rate method

Is a method for calculating the amortized cost of a financial instrument and assigning income or financial cost throughout the period in question. The effective interest rate is the rate used to discount estimated future cash flows (including all fees and basis points paid or received and which form an integral part of the effective interest rate, transaction costs and other premiums or discounts during the expected life of the financial instrument (or, when appropriate, during a shorter period) based on the initially recognized net book value of the financial asset or liability.

Interest is recognized based on the effective interest rate for debt instruments other than financial assets classified as FVTPL.

– Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio that exceed 90 days , as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve.

– Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

ii. Financial liabilities and equity instruments

– Classification as debt or equity –

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

– Equity instruments –

An equity instrument is any contract that evidences a residual interest in the assets of an entity. Equity instruments issued by a the Entity are recognized considering the proceeds received, net of direct issuance costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

– Financial liabilities –

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

iii. Other financial liabilities

Other financial liabilities, including loans, are initially valued at their fair value, net of transaction costs. They are subsequently valued at their amortized cost by using the effective interest rate method, while interest expenses are recognized on an effective return basis.

iv. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

x. Derivative financial instruments - The Entity enters into a variety of derivative financial instruments trading and hedging in order to manage its exposure to risk of: a) interest rate, b) exchange rate on debt and c) metal prices. Further details of derivative financial instruments are disclosed in Note 13.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Entity designates certain derivatives either as fair value hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecasted transactions or foreign currency risk hedges of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a long-term asset or liability if the maturity date of the instrument is 12 months or more, and it is not expected to be realized or canceled within those 12 months. Other derivatives are presented as short-term assets and liabilities.

– Hedge accounting

The Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 13 sets out details of the fair values of the derivative instruments used for hedging purposes.

– Cash flow hedges

At the start of each hedge, the Entity documents the hedging relationship and objective, together with its risk management strategy. This documentation includes the manner in which the Entity will measure the effectiveness of the hedge with regards to offsetting changes to the fair value of the hedged item or the cash flow attributable to the hedged risk.

The Entity recognizes all assets and liabilities resulting from transactions involving derivative financial instruments at fair value in the consolidated statement of financial position, regardless of its reason for holding these instruments. Fair value is determined based on the prices reported on recognized markets; however, when they are not quoted on a market, the Entity utilizes valuation techniques accepted by the financial sector. The decision to enter into an economic or accounting hedge is based on an analysis of market conditions and expectations concerning domestic and international economic scenarios.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "operating expenses". Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in equity will remain in equity until the forecast transaction is recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

– Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

– Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading Effects of valuation of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the caption "Valuation of derivative financial instruments".

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the Exchange differences on translating foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

– Embedded derivatives

The Entity reviews its executed contracts to identify any embedded derivatives which must be separated from the host contract for valuation and accounting purposes. When an embedded derivative is identified in other financial instruments or other contracts (host contracts) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL with changes through income.

An embedded derivative is presented as a long-term asset or liability when the respective hybrid instrument will mature in 12 months or more and when is not expected to be realized or canceled during that 12-month period. Other embedded derivatives are presented as short-term assets or liabilities.

During the reporting periods, the Entity did not enter into any fair value hedges for a net investment in foreign transactions, or embedded derivatives.

y. Statement of cash flows - The indirect method is used for presenting cash flows from operating activities, such that the net consolidated income is adjusted for changes in operating items not resulting in cash receipts or disbursements, and for items corresponding to cash flows from investing and financing activities. Interest collected is presented as an investing activity and interest paid is presented as a financing activity.

z. **Earnings per share** - (i) The basic earnings per common share is calculated by dividing the net consolidated income attributable to the controlling interest by the weighted average of common outstanding shares during the year, and (ii) The basic profit per common share for discontinued operations is calculated by dividing the result for discontinued operations by the weighted average of common outstanding shares during the year.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 4, the Entity's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgments and key sources of uncertainty

a. **Inventory and accounts receivable allowances** - The Entity use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, the Entity considers production and sales volumes, as well as the demand for certain products. When determining the allowance for doubtful accounts, the Entity primarily considers the financial risk represented by each customer, unguaranteed accounts and significant collection delays based on established credit conditions.(See Notes 8 and 9 for further detail).

b. **Property, machinery and equipment** - the Entity reviews the estimated useful lives and the residual values of the components of property, plant and equipment at the end of each reporting period, to determine the depreciation of these assets. Asset useful lives are defined according to the technical studies prepared by specialized internal personnel and with the participation of external specialists. During the years 2015, 2014 and 2013, based on a detailed analysis, Entity's management made some modifications to the useful life of certain components of property, plant and equipment. The level of uncertainty related to useful life estimates is also linked to market changes and asset utilization based on production volumes and technological development.

c. **Investment property** - The Entity prepares an annual valuation of investment property with the assistance of independent appraisers. The valuation techniques are based on different methods including; cost, market and income approaches; being the latter two the ones used by the Entity. The valuation methodology includes observable assumptions for properties which, while dissimilar, nonetheless involve the same geographic zones and commercial use. The Entity considers the highest and best use of its assets.

   The valuation techniques used by the Entity were not modified in 2015, 2014 and 2013. The Entity's management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment property.

d. **Impairment of long-lived assets** - The carrying value of noncurrent assets is reviewed to detect indications of impairment; i.e., if certain situations or changing circumstances indicate that carrying values may not be recoverable. If indications of impairment are detected, the Entity performs a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, the Entity must estimate the value in use assigned to property, plant and equipment and cash generating units, in the case of certain assets. Value in use calculations require that the Entity determines the future cash flows produced by cash generating units, together with an appropriate discount rate for calculating present value. The Entity utilizes cash flow projections by estimating market conditions, prices, production and sales volumes.

e. **Valuation of financial instruments** - The Entity uses valuation techniques for its financial instruments which include information that is not always based on an observable market to estimate the fair value of certain financial instruments. Notes 12 and 13 contain detailed information on the key assumptions used to determine the fair value of The Entity's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Entity management considers that the valuation techniques and assumptions it has utilized are suitable for determining the fair value of its financial instruments.

f. **Contingencies** - As the Entity is involved in certain legal proceedings, it evaluates the probability of a payment obligation arising, accordingly, it considers the legal situation in effect at the estimate date and the opinion of its legal advisers; these evaluations are periodically reconsidered.

g. **Employee benefits at retirement** - The Entity uses assumptions to annually determine the best estimate of these benefits. Such estimates, as well as the assumptions, are jointly and annually determined in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates, expected remuneration increases and future employee tenure, among other items. While the Entity considers that these assumptions are appropriate, any modification in this regard could affect the value of employee benefit assets (liabilities) and the statement of income and other comprehensive income of the period in which any such modification takes place.

h. **Revenue recognition for construction contracts** - When the results of a construction contract can be reliably estimated, revenue is recognized using the percentage-of-completion method based on costs incurred, taking into account the expected costs and revenues at the end of the project, as the activity takes place. Changes in the performance of work, and estimated yields, including those that may arise for incentives for early conclusion of the projects, contractual penalties and final agreements in contracts, are recognized as income in the periods in which revisions are made or approved by customers.

   In accordance with the terms of various contracts, revenue is recognized and not necessarily related to the actual amounts billable to customers. Management periodically evaluates the reasonableness of its receivables. In cases where there is evidence collection difficulty, additional allowances for doubtful accounts affecting income in the year they are determined are recognized. The estimate of the reserve is based on the best judgment of the Entity under the circumstances prevailing at the time of its determination.

6. Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, and investments in cash equivalents. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2015	2014	2013
Cash	$ 1,245,390	$ 1,417,288	$ 1,172,728
Cash equivalents			
Demand deposits	2,979,246	2,068,022	52,320
Banking paper	2,806,476	2,427,871	2,477,541
Government paper	198,246	1,730,041	2,837,547
Trading paper	7,271	19,934	–
Certificates of deposit	–	–	6,360
Demand deposits in US$	824,249	111,494	349,393
Other	9,452	2,789	2,631
	$ 8,070,330	**$ 7,777,439**	**$ 6,898,520**

7. Investments in securities held for trading

	2015	2014	2013
Banking paper	$ 1,070,973	$ 2,629,908	$ 3,300,300
Trading paper	–	3,028,900	74
Demand deposits in US$	801,958	524,050	236,982
Investment in Euro	–	–	117,627
Government paper	819,079	28,035	–
Bank deposit certificates	–	102,338	–
	$ 2,692,010	**$ 6,313,231**	**$ 3,654,983**

8. Accounts and notes receivable

	2015	2014	2013
Clients	$ 15,449,107	$ 13,790,173	$ 13,496,853
Allowance for doubtful accounts	(511,664)	(496,407)	(486,945)
	14,937,443	13,293,766	13,009,908
Work completed pending certification	2,844,871	2,441,724	4,513,993
Sundry debtors	338,340	385,326	165,193
Recoverable value added tax	1,395,562	1,007,436	1,551,700
Recoverable ISR	523,831	620,187	853,186
Recoverable IMPAC	76,721	87,583	253,598
Recoverable IETU	299	1,180	153,672
Other recoverable taxes	193,749	189,579	180,664
Other	273,687	407,307	737,573
	$ 20,584,503	**$ 18,434,088**	**$ 21,419,487**

a. Clients

The Entity's retail sector offers sales' promotions granting credit to its customers for different periods which, on average, are 200 days at December 31, 2015, 2014 and 2013. In the case of sales' promotions with collection periods exceeding one year, the respective accounts receivable are classified as short-term because they are part of the Entity's regular transaction cycle, which is a common industry practice. Maturities exceeding one year are $1,281,389, $1,273,053 and $1,117,653 at December 31, 2015, 2014 and 2013, respectively.

The average credit period of revenues derived from the cable, electronics, auto and corporate sectors is between 30 and 60 days; interest is not charged.

Given the nature and diversity of project development periods, there is no average credit period for the operation of the infrastructure and construction sector; interest is not charged. The Entity does not maintain any collateral or other credit enhancements on these balances; similarly, it does not have the legal right to offset them against amounts owed to the counterparty.

b. Past due but not impaired

Accounts receivable from customers include amounts that are overdue at the end of the reporting period and for which the Entity has not recognized an allowance for bad debts as there has been no significant change in the customers' credit rating and the amounts in question are still deemed to be recoverable. A summary of customer accounts receivable which are overdue, but are not considered impaired is detailed below:

	2015	2014	2013
1 to 30 days	$ 2,507,172	$ 1,922,980	$ 1,841,226
31 to 60 days	986,344	484,166	902,693
61 to 90 days	761,986	285,032	407,007
Past due more than 90 days	910,715	516,168	1,218,439
Total	**$ 5,166,217**	**$ 3,208,346**	**$ 4,369,365**

The Entity carries out certain procedures to follow up on customers' compliance with payments for which collateral was not provided and which only have guarantors. According to the Entity's policies, if customer payments are delayed, the respective credit line is suspended for future purchases. Similarly, in the event of more significant delays, the Entity implements out-of-court and legal measures to recover the outstanding balance. However, if such measures are unsuccessful, the respective credit line and account are canceled. The Entity has recognized an allowance for doubtful accounts equal to 100% of all highly probable uncollectible accounts.

c. The allowance for doubtful accounts is a follows:

	2015	2014	2013
Receivables from retail sales of products and services	$ (359,507)	$ (340,881)	$ (328,687)
Receivables from sales of construction services	(83,197)	(85,283)	(85,624)
Customers from industrial sales of products and services	(68,960)	(70,243)	(72,634)
	$ (511,664)	**$ (496,407)**	**$ (486,945)**

d. Reconciliation of the allowance for doubtful accounts is presented below:

	2015	2014	2013
Beginning balance	$ (496,407)	$ (486,945)	$ (483,960)
Period accrual	(468,844)	(400,457)	(313,747)
Write offs and cancelations	453,587	390,995	310,762
Ending balance	**$ (511,664)**	**$ (496,407)**	**$ (486,945)**

e. Work completed pending certification

	2015	2014	2013
Costs incurred on uncompleted contracts	$ 14,402,889	$ 13,268,897	$ 15,650,595
Estimated earnings	2,090,000	2,283,736	3,167,627
Recognized revenue	16,492,889	15,552,633	18,818,222
Less: Certifications to date	(12,451,546)	(12,473,642)	(13,539,435)
Less: Advances received	(1,196,472)	(635,205)	(762,732)
Less: Long-term work completed pending certification	–	(2,062)	(2,062)
Short-term work completed pending certification	**$ 2,844,871**	**$ 2,441,724**	**$ 4,513,993**

9. Inventories

	2015	2014	2013
Raw materials and auxiliary materials	$ 2,676,504	$ 2,749,299	$ 2,873,307
Production-in-process	309,080	275,571	545,935
Finished goods	1,010,766	1,030,292	989,082
Merchandise in stores	9,229,930	8,952,341	8,970,969
Land and housing construction in progress	343,049	229,149	204,291
Allowance for obsolete and slow moving inventories	(729,572)	(583,878)	(518,589)
	12,839,757	12,652,774	13,064,995
Merchandise in-transit	486,870	629,433	836,172
Replacement parts and other inventories	492,306	401,858	425,312
	$ 13,818,933	**$ 13,684,065**	**$ 14,326,479**

At December 31, 2015, 2014 and 2013, inventories written off directly to results recorded in administrative expenses and/or other expenses amount to $28,295 $1,725 and $32,643, respectively.

In the case of the retail sector, the Entity uses two estimates to determine potential inventory impairment losses; one of these is utilized for obsolete and slow-moving inventories, while the other is used for obsolete goods.

The estimate for obsolescence and slow-moving inventories is determined based on prior-years' experience by store and department, the displacement of goods on the market, their utilization at different locations, fashions and new product models. The Entity analyzes the possibility of increasing this reserve when goods have insufficient displacement and until such time as the entire cost is classified as an impairment loss.

The obsolete goods estimate is determined based on the Entity's experience and the results of cyclical physical inventory counts. The Entity adjusts these inventories according to the variable obsolesence percentages of different stores.

A reconciliation of the allowance for obsolete, slow moving and missing inventories is presented below:

	2015	2014	2013
Beginning balance	$ (583,878)	$ (518,589)	$ (515,419)
Period accrual	(301,845)	(187,574)	(179,121)
Write offs and cancelations	156,151	122,285	175,951
Ending balance	**$ (729,572)**	**$ (583,878)**	**$ (518,589)**

10.Backlog

In the infrastructure and construction sector, a reconciliation of backlog at December 31, 2015, 2014 and 2013 as follows:

	Total
Balance at the beginning of 2013	$ 22,228,082
New contracts and changes	9,209,939
Less: income	(18,821,102)
Balance at December 31, 2013	12,616,919
New contracts and changes	21,198,275
Less: income	(15,496,080)
Balance at December 31, 2014	18,319,114
New contracts and changes	15,505,900
Less: income	(16,323,505)
Balance at December 31, 2015	**$ 17,501,509**

11.Financial risk management

The Entity is exposed to market, operating and financial risks as a result of the use of financial instruments, such as interest rate, credit, liquidity and exchange rate risks, which are managed in a centralized manner by the corporate treasury. The Entity seeks to minimize its exposure to these risks by contracting hedges based on derivative financial instruments. The use of financial derivative instruments is governed by the Entity policies approved by the Board of Directors, which provide written principles for contracting them. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The different financial instrument categories and amounts at December 31, 2015, 2014 and 2013, are detailed below:

	2015	2014	2013
Financial assets			
Cash and cash equivalents	$ 8,070,330	$ 7,777,439	$ 6,898,520
At amortized cost:			
• Held-to-maturity financial assets	2,692,010	6,313,231	3,654,983
• Short and long-terms accounts receivable	20,611,982	18,482,150	21,479,049
• Due from related parties	3,436,079	2,672,542	3,813,538
Measured at fair value:			
• Derivative financial instruments	227,233	214,006	255,585
Financial liabilities			
At amortized cost:			
• Loans with financial institutions and long-term debt	$ 7,411,636	$ 7,720,326	$ 8,882,871
• Payables to suppliers	8,399,593	8,535,817	9,086,008
• Due to related parties	483,721	434,740	1,211,660
• Other payables and accrued liabilities	2,205,254	1,100,863	158,672
• Provision for the fair value on the gain on the sale of PMM	–	1,669,305	1,297,021
Measured at fair value:			
• Derivative financial instruments	439,130	671,170	841,098

The Board of Directors establishes and monitors the policies and procedures used to measure risks, which are described below:

a. Capital risk management - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its stockholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt (mainly bank loans, and debt securities detailed in Note 19) and stockholders' equity (issued capital, capital reserves, retained earnings and non-controlling equity detailed in Note 22). The Entity is not subject to any kind of capital requirement.

   On a monthly basis the Entity's management reviews its capital structure and borrowing costs and their relation to EBITDA (defined in this case as earnings before taxes, interest, exchange rate fluctuations, valuation of derivative financial instruments, depreciation and amortization, see Note 30), when preparing and presenting the financial projections as part of the business plan submitted to the Board of Directors and Entity's stockholders. The Entity's policy is to maintain a net debt ratio of no more than three times EBITDA, determined as the average of net debt to EBITDA of the last 12 months.

   The net debt ratio of the Entity is presented below:

	2015	2014	2013
Loans with financial institutions and other	$ 7,411,636	$ 7,720,326	$ 8,882,871
Cash and cash equivalents	(8,070,330)	(7,777,439)	(6,898,520)
Investments in securities held to maturity	(2,692,010)	(6,313,231)	(3,654,983)
Net debt with financial institutions and / or related parties	$ (3,350,704)	$ (6,370,344)	$ (1,670,632)
EBITDA	12,570,512	10,606,017	18,699,382
Net negative debt ratio	**(0.27) times**	**(0.60) times**	**(0.09) times**
EBITDA	$ 12,570,512	$ 10,606,017	$ 18,699,382
Interest on debt	389,795	440,199	581,374
Interest coverage ratio	**32.25 times**	**24.09 times**	**32.16 times**

b. Interest rate risk management - The Entity is exposed to interest rate risks from customer loans and financial debt contracted at variable rates. The Entity has short-term loans primarily for working capital and in some cases has long-term loans that are intended for certain projects whose completion will allow to meet their obligations, and in some cases, depending on the proportion of short and long-term debt, interest rate hedges (swap contracts) are contracted. Hedging activities are regularly evaluated to ensure that they are properly aligned with interest rates and the respective risks and to facilitate the application of more profitable hedge strategies. Hedge contracts are detailed in Note 13.

   The Entity's exposure to interest rate risks is primarily based on the Mexican Interbank Equilibrium Offered rate (TIIE) applicable to financial liabilities and its customer portfolio. Accordingly, the Entity periodically prepares a sensitivity analysis by considering the cost of the net exposure from its customer portfolio and financial derivative liabilities that earn and bear interest at variable interest rates; an analysis based on the amount of outstanding credit at the end of the period is also prepared.

   If benchmark interest rates had increased and/or decreased by 100 basis points in each reporting period and all other variables had remained constant, the pretax income of 2015, 2014 and 2013 would have increased or decreased by approximately $77,483, $107,101 and $135,367, respectively. At December 31, 2015, 2014 and 2013, there would have been no effect on other comprehensive income because the derivative financial instruments in effect at those dates were designated as held-for-trading, thereby directly affecting the result of the year.

c. Exchange risk management -

   i. The functional currency of the Entity is primarily the Mexican peso. Accordingly, it is exposed to currency risk of the Mexican peso against the U.S. dollar that arises in connection with retail operations and financing. In some cases, these same operations provide a natural hedge, while in other cases, currency forwards are entered into in order to hedge such operations. Because the Entity has investments in foreign subsidiaries, it is exposed to the risk of foreign currency translation. The foreign operations maintain monetary assets and liabilities denominated in various currencies, mainly the U.S. dollar, Euro and Brazilian real, resulting in exposure to foreign exchange risk, which is naturally hedged by the same business operations. The carrying values of monetary assets and liabilities denominated in foreign currency and which primarily generate exposure for the Entity at the end of the reporting period, are as follows (figures in thousands):

	Liabilities			Assets		
	2015	2014	2013	2015	2014	2013
U.S. dollar (US)	345,758	416,226	409,437	546,956	414,307	551,387
Euro (EU)	8,181	4,466	9,945	19,894	9,163	9,499
Brazilian Real (RA)	63,054	84,289	47,242	120,267	167,705	107,935
Colombian Peso	16,900,304	22,120,084	27,461,721	26,376,130	30,529,342	35,665,325
Peruvian New Sol	51,964	43,120	40,971	72,678	63,007	69,188

The following table indicates the Entity's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar and other foreign currencies. This percentage is the sensitivity rate used to internally report the exchange rate risk to key management personnel and also represents management's evaluation of the possible reasonable change to exchange rates. The sensitivity analysis only includes monetary items denominated in foreign currency and adjusts their conversion at the end of the period by applying a 10% fluctuation; it also includes external loans. A negative or positive figure, respectively (as detailed in the following table), indicates a (decrease) or increase in net income derived from a decrease in the value of the Mexican peso of 10% with regard to the U.S. dollar (figures in thousands):

	Stockholders' equity [1]			Liabilities			Assets		
	2015	2014	2013	**2015**	2014	2013	**2015**	2014	2013
US	–	–	–	(34,576)	(41,623)	(40,944)	54,696	41,431	55,139
EU	(1,466)	(1,898)	342	(818)	(447)	(995)	1,989	916	950
RA	–	–	–	(6,305)	(8,429)	(4,724)	12,027	16,771	10,794
Colombian Peso	–	–	–	(1,690,030)	(2,212,008)	(2,746,172)	2,637,613	3,052,934	3,566,533
Peruvian New Sol	–	–	–	(5,196)	(4,312)	(4,097)	7,268	6,301	6,919

(1) Represents the results of changes to the fair value of derivative instruments designated as cash flow hedges.

ii. Forwards contracts denominated in foreign currency

The Entity designated certain forwards contracts denominated in foreign currency as cash flow hedges intended for the acquisition of raw materials.

The following table indicates the forwards contracts denominated in foreign currency in effect at the end of the reporting period:

	Average exchange			Notional			Fair value		
Cash flow hedges	**2015**	2014	2013	**2015**	2014	2013	**2015**	2014	2013
Euro purchase									
Less than one month	–	17.6588	16.9644	$ –	$ 869	$ 232	$ –	$ (1,506)	$ (32)
More than 12 months	17.5896	17.6588	16.9644	$ 16,835	$ 14,768	$ 5,340	$ (20,938)	$ (25,606)	$ 4,921

d. Credit risk management - The credit risk refers to the risk in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The credit risk affecting cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by credit rating agencies. The Entity's maximum credit risk exposure is represented by the balance in the statement of financial position. The other exposure to credit risk is represented by the balance of each financial asset principally in trade receivables. The Entity sells its products and /or services to customers who have demonstrated financial solvency, and periodically assesses the financial condition of its customers and maintains billing insurance contracts for domestic and export sales. Therefore, the Entity does not believe there is a significant risk of loss due to a concentration of credit in its customer base in the retail sector, as they are diluted by more than 1,828,000 customers, which do not represent a concentration of risk. In regards to industrial and infrastructure and construction, although the credit concentration risk is higher accounts receivable are covered by collections insurance in some cases. The Entity also believes that potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of incurred losses related to impairment of accounts receivable (see Note 8).

e. Liquidity risk management - Corporate Treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves and available credit lines, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities of the Entity's non-derivative financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Entity must make payments.The table includes both projected cash flows related to interest and capital on financial debt in the statements of financial position. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate at the end of the period. The contractual maturities are based on the dates on which the Entity shall make each payment.

The amounts contained in the debt to credit institutions include interest rate instruments and fixed as detailed in Note 19. If changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period, is presented at fair value. The Entity expects to meet its obligations with cash flows from operations and resources received from the maturity of financial assets. Additionally the Entity has access to undisposed lines of credit with different financial institutions.

As of December 31, 2015	Weighted average effective interest rate	3 months	6 months	1 year	Between 1 and 3 years	Total
Loans with financial institutions and others	Pesos (MX) 4.30%					
	US 0.71%					
	RA 5.50%	$ 2,411,636	$ –	$ –	$ 5,000,000	$ 7,411,636
Payables to suppliers		8,305,386	74,973	19,234	–	8,399,593
Due to related parties		483,698	23	–	–	483,721
Other accounts payable and accrued liabilities		167,999	37,471	1,999,784	–	2,205,254
Derivative financial instruments		76,514	9,607	1,423	351,586	439,130
Total		$ 11,445,233	$ 122,074	$ 2,020,441	$ 5,351,586	$ 18,939,334

As of December 31, 2014	Weighted average effective interest rate	3 months	6 months	1 year	Between 1 and 3 years	Total
Loans with financial institutions and others	MN 4.36%					
	US 0.69%					
	EU 0.76%					
	RA 5.50%	$ 2,718,354	$ 1,776	$ 170	$ 5,000,026	$ 7,720,326
Payables to suppliers		8,346,821	140,162	48,834	–	8,535,817
Due to related parties		434,740	–	–	–	434,740
Other accounts payable and accrued liabilities		–	–	1,100,863	–	1,100,863
Fair value adjustment on the sale of PMM		–	–	1,669,305	–	1,669,305
Derivative financial instruments		11,644	3,485	13,600	642,441	671,170
Total		**$ 11,551,559**	**$ 145,423**	**$ 2,832,772**	**$ 5,642,467**	**$ 20,132,221**

As of December 31, 2013	Weighted average effective interest rate	3 months	6 months	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and others	MN 4.56%						
	US 1.15%						
	EU 0.71%						
	RA 5.50%	$ 3,108,300	$ –	$ 41,209	$ 733,362	$ 5,000,000	$ 8,882,871
Payables to suppliers		8,904,682	145,117	36,209	–	–	9,086,008
Due to related parties		1,211,660	–	–	–	–	1,211,660
Other accounts payable and accrued liabilities		–	–	158,672	–	–	158,672
Derivative financial instruments		15,680	705	1,463	823,250	–	841,098
Fair value adjustment as part of the sale of PMM		–	–	–	1,297,021	–	1,297,021
Total		**$ 13,240,322**	**$ 145,822**	**$ 237,553**	**$ 2,853,633**	**$ 5,000,000**	**$ 21,477,330**

f. Market risk - The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates and commodities. The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

– *Forward* foreign exchange contracts to hedge the exchange rate risk arising on the export of products and loans in other currencies.

– *Swaps* interest rate swaps to mitigate the risk of rising financing cost.

– *Forward* foreign exchange contracts to hedge the exchange rate risk arising on translation of investment in a foreign operation with functional currency different from the Mexican peso.

- *Commodities* contracts to hedge risks of fluctuations in the prices of certain metals.

Exposure to market risk is measured using sensitivity analysis. There have been no changes in exposure to market risks or the manner in which those risks are being managed and measured.

If commodity prices had an increase and / or decrease of 10% in each reporting period and all other variables held constant, pretax income for the years 2015, 2014 and 2013 would have (decreased) increased by approximately $150,435, $182,243 and $187,327, respectively.

12. Fair value of financial instruments

This note provides information about how the Entity determines fair values of various financial assets and financial liabilities.

a. **Fair value of the Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets /financial liabilities	Fair value as of 31/12/15	31/12/14	31/12/13	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts (see Note 13) (i)	Liabilities - $75,085	Liabilities - $32,220	Assets - $9,046	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Interest rate swaps, copper and aluminum shopping cart (see Note 13) (i)	Liabilities - $136,812	Liabilities - $424,944	Assets - $576,467	Level 2	Discounted cash flow.	N/A	N/A
3) Contingent liability from the sale of PMM (see Notes 16c and 20)	–	Liabilities - $1,669,305	Liabilities - $1,297,021	Level 3	The value of the transaction will be computed by considering the PMM's average EBITDA of three fiscal years of PMM including the year of sale.	2012-2014 average EBITDA $378,475	2012-2014 average EBITDA $385,842

(i) Represents financial instruments that are measured at fair value after initial recognition, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed, and these Level 2 indicators derived from other than quoted prices, but including indicators that are observable for the asset or liability either directly or indirectly quoted prices that is arising from these market rates for the years ended December 31, 2015, 2014 and 2013, there were no transfers between levels, those years corresponded to Level 2.

b. **Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

The fair value of financial instruments presented below has been determined by the Entity using available market information or other valuation techniques that require judgment in developing and interpreting the estimates of fair values also makes assumptions that are based on market conditions existing at each of the dates of the consolidated statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts the Entity could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts.

The amounts of cash and cash equivalents of the Entity, as well as accounts receivable and payable to third parties and related parties, and the current portion of loans from financial institutions approximate their fair value because they short-term maturities. The long-term debt of the Entity is recorded at amortized cost and bears interest at fixed and variable rates that are related to market indicators.

To obtain and disclose the fair value of long-term debt quoted market prices or quotations for similar instruments operators are used. To determine the fair value of financial instruments using other techniques such as estimated cash flows, considering the flow dates of market intertemporal curves and discounting these flows with rates that reflect the risk of the counterparty and the risk of the Entity for the reference period.

The fair value of interest rate swaps is calculated as the present value of estimated net cash flows in the future. The fair value of currency futures is determined using quoted forward exchange rates at the date of consolidated statement of financial position.

The carrying amounts of financial instruments by category and their estimated fair values are as follows:

	December 31, 2015		December 31, 2014		December 31, 2013	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:						
Cash and cash equivalents	$ 8,070,330	$ 8,070,330	$ 7,777,439	$ 7,777,439	$ 6,898,520	$ 6,898,520
Instruments available-for-sale:						
Fixed-term securities	2,692,010	2,692,010	6,313,231	6,313,231	3,654,983	3,654,983
Loans and receivables:						
Accounts receivable in the short and long-terms	20,611,982	20,784,093	18,482,150	19,011,098	21,479,049	22,157,275
Due to related parties	3,436,079	3,436,079	2,672,542	2,672,542	3,813,538	3,813,538
Accounts and notes payable:						
Notes payable to financial institutions including current portion of long-term debt and others	(2,411,636)	(2,411,636)	(2,720,326)	(2,720,326)	(3,882,871)	(3,879,508)
Debt securities	(5,000,000)	(4,994,700)	(5,000,000)	(4,993,588)	(5,000,000)	(4,999,951)
Trade accounts payable	(8,399,593)	(8,399,593)	(8,535,817)	(8,535,817)	(9,086,008)	(9,086,008)
Due to related parties	(483,721)	(483,721)	(434,740)	(434,740)	(1,211,660)	(1,211,660)
Other accounts payable and accrued liabilities	(2,205,254)	(2,205,254)	(1,100,863)	(1,100,863)	(158,672)	(158,672)
Long-term provisions and the fair value adjustment on the sale of PMM	–	–	(1,669,305)	(1,669,305)	(1,297,021)	(1,297,021)
Total	**$ 16,310,197**	**$ 16,487,608**	**$ 15,784,311**	**$ 16,319,671**	**$ 15,209,858**	**$ 15,891,496**

The fair values shown at December 31, 2015, 2014 and 2013, except for the receivables from retail customers and debt securities approximate their carrying value because the values observed in the market are very similar to those recorded in these periods.

13. Financial derivative instruments

The purpose of contracting financial derivative instruments is: (i) to partially cover the financial risks of exposure to exchange rates, interest rates, and prices of certain metals; or (ii) to realize financial returns due to the behavior of the underlying. The decision to contract an economic financial hedge is based on market conditions, the expectation of such instrument at a given date, and the domestic and international economic context of the economic indicators that influence the Entity's operations.

The transactions performed with foreign exchange and/or interest rate forwards and swaps; as well as embedded derivatives, are summarized below:

		Notional			Valuation as of December 31, 2015			
Instrument	Designated as	Amount ('000)	Unit	Maturity	Asset (liability)	Net income of year	Income of prior year	Gain (loss) on settlement
Dollar forwards	Purchase	1,984,000	US	During 2015	$ –	$ –	$ –	$ (334,540)
Dollar forwards	Sale	535,000	US	March 2016	(54,147)	54,147	–	–
Dollar forwards	Sale	1,984,000	US	During 2015	–	–	–	1,262,158
LIBOR swaps to fixed rate	Purchase	50,000	US	February 2030 and February 2035	41,818	(41,818)	–	6,311
TIIE swaps to fixed rate	Purchase	8,600,000	MX	May 2017 to April 2027	(317,898)	(314,749)	632,647	352,061
TIIE swaps to fixed rate	Purchase	1,000,000	MX	During 2015	–	–	–	101,850
Fixed rate swaps to TIIE	Sale	1,700,000	MX	June 2017 and May 2018	152,290	61,147	(213,437)	(99,646)
Total at December 31, 2015					**$ (177,937)**	**$ (241,273)**	**$ 419,210**	**$ 1,288,194**
Total at December 31, 2014					**$ (424,490)**	**$ (154,954)**	**$ 579,444**	**$ 828,819**
Total at December 31, 2013					**$ (593,380)**	**$ (95,489)**	**$ 688,869**	**$ 76,392**

Open and closed transactions with hedge forwards to purchase foreign currency are summarized below:

	Notional			Valuation as of December 31, 2015		
Instrument	Amount ('000)	Unit	Maturity	Asset (liability)	Comprehensive income	Gain (loss) on settlement
Euro forwards purchase	16,835	Euro	January 2016 to December 2017	$ (20,938)	$ 14,657	$ –
Euro forwards purchase	10,235	Euro	During 2015	–	–	37,560
Total at December 31, 2015				**$ (20,938)**	**$ 14,657**	**$ 37,560**
Total at December 31, 2014				**$ (27,112)**	**$ 18,978**	**$ (2,364)**
Total at December 31, 2013				**$ 4,889**	**$ (3,442)**	**$ 2,573**

The transactions opened and settled with hedge swaps to purchase metals:

Instrument	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2015 Asset (liability)	Valuation as of December 31, 2015 Comprehensive income	Gain (loss) on settlement Cost of sale
Copper swaps purchase	1,441	Tons	January to December 2016	$ (12,888)	$ 10,602	$ –
Copper swaps purchase	3,139	Tons	During 2015	–	–	10,834
Aluminum swaps purchase	345	Tons	January to March 2016	(134)	94	–
Aluminum swaps purchase	3,270	Tons	During 2015	–	–	12,266
Total at December 31, 2015				**$ (13,022)**	**$ 10,696**	**$ 23,100**
Total at December 31, 2014				**$ (5,562)**	**$ 3,812**	**$ 162**
Total at **December** 31, 2013				$ 2,978	$ (2,085)	$ 12,537

14. Property, machinery and equipment

The reconciliation between the carrying amount at the beginning and end of the years 2015, 2014 and 2013 is as follows:

	Balances as of December 31, 2014	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31, 2015
Investment:						
Land	$ 3,156,117	$ 8,342	$ (13,417)	$ 46,348	$ (33,864)	$ 3,163,526
Buildings and leasehold improvements	12,544,029	1,323,106	(70,353)	237,774	(34,723)	13,999,833
Machinery and equipment	18,693,222	352,866	(476,077)	770,983	(571,944)	18,769,050
Furniture and equipment	3,995,818	1,001,505	(66,449)	21,811	1,218	4,953,903
Computers	1,703,469	63,831	(106,989)	1,971	14,283	1,676,565
Vehicles	1,038,609	66,704	(55,811)	97,792	(20,014)	1,127,280
Construction in progress	1,316,052	1,109,971	(23,634)	(708,136)	(17,137)	1,677,116
Total investment	42,447,316	3,926,325	(812,730)	468,543	(662,181)	45,367,273
Accumulated depreciation:						
Buildings and leasehold improvements	(6,002,793)	(459,494)	43,899	15,925	(8,773)	(6,411,236)
Machinery and equipment	(10,075,531)	(722,819)	426,287	(533,035)	406,476	(10,498,622)
Furniture and equipment	(2,428,956)	(350,835)	53,643	2,631	2,787	(2,720,730)
Computers	(1,374,946)	(112,306)	106,971	2,718	(7,655)	(1,385,218)
Vehicles	(580,023)	(113,470)	36,374	4,775	10,510	(641,834)
Total accumulated depreciation	(20,462,249)	(1,758,924)	667,174	(506,986)	403,345	(21,657,640)
Impairment:						
Land	–	(26,814)	–	–	–	(26,814)
Buildings and leasehold improvements	–	–	–	(90,180)	4,874	(85,306)
Machinery and equipment	(135,786)	(81,438)	–	99,079	(803)	(118,948)
Furniture and equipment	–	–	–	(992)	27	(965)
Computers	–	–	–	(609)	33	(576)
Vehicles	–	–	–	(7,336)	397	(6,939)
Accumulated impairment losses	(135,786)	(108,252)	–	(38)	4,528	(239,548)
Net investment	**$ 21,849,281**	**$ 2,059,149**	**$ (145,556)**	**$ (38,481)**	**$ (254,308)**	**$ 23,470,085**

	Balances as of December 31, 2013	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31, 2014
Investment:						
Land	$ 2,582,394	$ 559,677	$ –	$ 10,703	$ 3,343	$ 3,156,117
Buildings and leasehold improvements	11,622,819	953,554	(136,908)	48,788	55,776	12,544,029
Machinery and equipment	17,840,266	184,287	(269,211)	810,639	127,241	18,693,222
Furniture and equipment	3,574,111	501,265	(76,688)	3,017	(5,887)	3,995,818
Computers	1,653,316	80,516	(40,824)	9,158	1,303	1,703,469
Vehicles	1,055,475	57,654	(145,273)	99,950	(29,197)	1,038,609
Construction in progress	1,247,958	777,708	(64,352)	(951,308)	306,046	1,316,052
Total investment	39,576,339	3,114,661	(733,256)	30,947	458,625	42,447,316
Accumulated depreciation:						
Buildings and leasehold improvements	(5,627,605)	(440,546)	91,834	1,711	(28,187)	(6,002,793)
Machinery and equipment	(9,249,583)	(746,028)	219,450	(156,166)	(143,204)	(10,075,531)
Furniture and equipment	(2,258,178)	(227,686)	60,852	4,545	(8,489)	(2,428,956)
Computers	(1,375,228)	(115,147)	42,471	83,506	(10,548)	(1,374,946)
Vehicles	(630,207)	(111,074)	109,672	53,696	(2,110)	(580,023)
Total accumulated depreciation	(19,140,801)	(1,640,481)	524,279	(12,708)	(192,538)	(20,462,249)
Impairment:						
Buildings and leasehold improvements	(3,099)	–	–	3,099	–	–
Machinery and equipment	(120,827)	–	–	181	(15,140)	(135,786)
Accumulated impairment losses	(123,926)	–	–	3,280	(15,140)	(135,786)
Net investment	**$ 20,311,612**	**$ 1,474,180**	**$ (208,977)**	**$ 21,519**	**$ 250,947**	**$ 21,849,281**

	Balances at the beginning of 2013	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31, 2013
Investment:						
Land	$ 2,616,985	$ 144,247	$ –	$ (178,556)	$ (282)	$ 2,582,394
Buildings and leasehold improvements	11,772,916	273,453	(91,149)	(323,812)	(8,589)	11,622,819
Machinery and equipment	17,357,045	446,613	(98,246)	315,199	(180,345)	17,840,266
Furniture and equipment	3,294,926	312,176	(39,393)	12,608	(6,206)	3,574,111
Computers	1,599,601	80,666	(61,710)	34,591	168	1,653,316
Vehicles	1,045,191	98,007	(96,536)	20,294	(11,481)	1,055,475
Construction in progress	712,462	1,006,056	(8,690)	(459,524)	(2,346)	1,247,958
Total investment	38,399,126	2,361,218	(395,724)	(579,200)	(209,081)	39,576,339
Accumulated depreciation:						
Buildings and leasehold improvements	(5,497,679)	(422,543)	60,866	244,855	(13,104)	(5,627,605)
Machinery and equipment	(8,685,019)	(717,136)	74,416	17,795	60,361	(9,249,583)
Furniture and equipment	(2,141,752)	(176,162)	38,620	9,333	11,783	(2,258,178)
Computers	(1,338,705)	(112,706)	56,038	(716)	20,861	(1,375,228)
Vehicles	(614,417)	(101,657)	71,192	(974)	15,649	(630,207)
Total accumulated depreciation	(18,277,572)	(1,530,204)	301,132	270,293	95,550	(19,140,801)
Impairment:						
Buildings and leasehold improvements	–	–	–	–	(3,099)	(3,099)
Machinery and equipment	(120,323)	–	477	113	(1,094)	(120,827)
Computers	–	–	84	(84)	–	–
Accumulated impairment losses	(120,323)	–	561	29	(4,193)	(123,926)
Net investment	**$ 20,001,231**	**$ 831,014**	**$ (94,031)**	**$ (308,878)**	**$ (117,724)**	**$ 20,311,612**

15. Investment properties

	2015	2014	2013
Investment properties	**$ 2,758,662**	**$ 2,475,631**	**$ 2,249,466**

The changes in investment properties are as follows:

	2015	2014	2013
Balance at beginning of period	$ 2,475,631	$ 2,249,466	$ 1,534,811
Additions	–	470	–
Transferred from property, machinery and equipment	38,481	–	504,579
Gain on property revaluation	244,550	225,695	210,076
Balance at end of period	**$ 2,758,662**	**$ 2,475,631**	**$ 2,249,466**

	2015	2014	2013
Propiedades de inversión	**$ 2,758,662**	**$ 2,475,631**	**$ 2,249,466**

Additions and transfers are primarily composed of land located in Baja California and a warehouse located in Mexico City.

All investment properties of Grupo Carso are held under freehold.

Grupo Carso is supported by valuations performed by independent experts with qualifications and relevant experience in the locations and categories of investment properties it holds.

The valuation considers different techniques under the following approaches:

In the cost approach the appraiser estimates the value of the asset compared to the cost of producing a new individual asset or a replacement property, which suggests the market as appropriate. The cost is compared to the value of existing assets and is adjusted for differences in age, condition and value for the comparable asset. In its simplest form, the cost approach is represented by the net replacement value less all depreciation effects. Depreciation for valuation purposes is defined as the difference in value between actual property and a new hypothetical property, taken as a basis of comparison.

In the market approach (comparable sales) the appraiser looks at recent sales with similar properties (comparable) to indicate the value of the asset. If there are no identical comparable to the subject asset, sales prices of comparable are adjusted to match them to the characteristics of the subject asset.

The value of the asset can be estimated by expected future profits to its owner. The income approach is not widely used in the valuation of machinery and equipment, given the difficulty in determining the income that can be directly related to a specific asset, while in the real estate valuation is applicable to assets of commercial nature.

Key metrics for all investment properties are shown below:

	Recommended ranges for capitalization rates	
No. Type of property	Minimum	Maximum
1 Land	4%	8%
2 Warehouses	10%	14%
3 Shops	6.61%	8.86%

The Entity, through its subsidiaries, has two shopping malls, Loreto and Plaza Inbursa located in Mexico City, which generate rental income that is recognized as leasing services, and amounted to $221,714, $222,978 to $220,448 for the years ended December 31, 2015, 2014 and 2013, respectively. At December 31, 2015, 2014 and 2013 the shopping centers occupancy rate is of 93%, 94% and 98%, respectively.

Direct operating expenses including maintenance costs incurred in relation to investment properties are recognized in income and constitute approximately 32%, 33% and 37% of rental income for years ended December 31, 2015, 2014 and 2013, respectively.

There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Entity investment properties and information about the fair value hierarchy as of December 31, 2015, 2014 and 2013 are as follows:

	2015		2014		2013	
	Level 3	Fair value	Level 3	Fair value	Level 3	Fair value
Shops located in Mexico City	$ 2,086,228	$ 2,086,228	$ 1,908,604	$ 1,908,604	$ 1,687,705	$ 1,687,705
Land located in Baja California	363,606	363,606	258,199	258,199	252,933	252,933
Warehouse located in Mexico City	308,828	308,828	308,828	308,828	308,828	308,828
Total	**$ 2,758,662**	**$ 2,758,662**	**$ 2,475,631**	**$ 2,475,631**	**$ 2,249,466**	**$ 2,249,466**

For investment properties categorized into Level 3 of the fair value hierarchy, the following information is relevant:

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Shops located in Mexico City	Income approach	Capitalization rate, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition of 6.61% - 8.86%, 6.15% - 8.86% and 6.57% - 8.86% in 2015, 2014 and 2013, respectively.	A slight increase in the capitalization rate used would result in a significant decrease in fair value, and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of $328, $312 and $282 Mexican pesos per square meter per (sqm) month in 2015, 2014 and 2013, respectively.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.

16. Investment in associates and joint ventures

a. The main associated entities and joint ventures and their activities are as follows:

Associates	Ownership percentage 2015	2014	2013	Location	Activity
Elementia, S.A.B. de C. V. (Elementia)	35.62	46.00	46.00	Mexico	Manufacture and sale of high technology products for the cement, concrete, polyethylene, styrene, copper and aluminum production industries.
FM Rail Holding, S.A. de C.V. (FM Rail)	16.75	-	-	Mexico	Railroad transportation.
Infraestructura y Transportes México, S.A. de C.V. (ITM)	16.75	16.75	16.75	Mexico	Holding of shares.
Grupo Telvista, S.A. de C.V.	10.00	10.00	10.00	Mexico	Specializes in providing customer care solutions and provides English and Spanish contact center outsourcing.
Infraestructura y Saneamiento Atotonilco, S.A. de C.V. (joint venture)	42.50	42.50	42.50	Mexico	Construction of wastewater treatment plant.
Constructora MT de Oaxaca, S.A. de C.V. (joint venture)	40.00	40.00	40.00	Mexico	Highway construction.
Cuprum, S.A.P.I. de C.V. (Cuprum)	10.00	10.00	10.00	Mexico	Manufacture of aluminum products.
Trans-Pecos Pipeline, LLC (joint venture)	51.00	-	-	United States	Design, development, construction and operation of a new natural gas transportation pipeline.
Comanche Trail Pipeline, LLC (joint venture)	51.00	-	-	United States	Design, development, construction and operation of a new natural gas transportation pipeline.

b. The recognition of the equity method on the main associates and joint ventures and income derived from other investments was as follows:

2015	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia [1]	$ 15,301,635	$ (3,955)	35.62	$ 5,999,843	$ 7,854
FM Rail Holding, S.A. de C.V. [2]	27,717,868	4,750,725	16.75	5,089,092	795,748
ITM [2]	6,939,501	2,625,877	16.75	1,162,366	439,835
Grupo Telvista, S.A. de C.V.	2,726,772	227,463	10.00	272,677	22,746
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	538,509	(59,126)	42.50	228,866	(25,128)
Constructora MT de Oaxaca, S.A. de C.V.	610,929	197,243	40.00	244,371	79,242
Cuprum [3]	2,297,631	(97,022)	10.00	274,842	(9,702)
Trans-Pecos Pipeline, LLC	(128,461)	(127,015)	51.00	(65,515)	(64,778)
Comanche Trail Pipeline, LLC	(100,100)	(98,979)	51.00	(51,054)	(50,479)
Others associates	–	–	–	783,081	81,358
Total				13,938,569	1,276,696
Others investments				2,566	(1,119)
Total investment in associated entities and joint ventures				**$ 13,941,135**	**$ 1,275,577**

2014	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia [1]	$ 11,190,753	$ 476,481	46.00	$ 5,780,290	$ 333,373
ITM [2]	27,294,309	5,005,541	16.75	5,018,145	838,427
Grupo Telvista, S.A. de C.V. (Grupo Telvista)	2,457,668	87,527	10.00	245,767	8,753
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	597,635	80,440	42.50	253,995	34,187
Constructora MT de Oaxaca, S.A. de C.V.	412,824	228,605	40.00	165,130	91,372
Cuprum	2,394,653	(71,603)	10.00	315,583	23,645
Others associated entities	–	–	–	682,755	83,180
Total investment in shares of associated entities				12,461,665	1,412,937
Others investments				2,597	1,666
Total investment in associated entities and joint ventures				**$ 12,464,262**	**$ 1,414,603**

2013	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia [1]	$ 11,264,571	$ 205,999	46.00	$ 5,735,999	$ 94,760
ITM [2]	26,338,352	3,327,045	16.75	4,858,023	557,281
PMM [4]	–	–	–	–	456,434
Grupo Telvista	2,248,456	160,846	10.00	224,846	6,085
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	517,245	117,473	42.50	219,829	46,989
Constructora MT de Oaxaca, S.A. de C.V.	184,343	177,860	40.00	73,737	71,144
Cuprum [3]	2,501,049	–	10.00	291,938	–
Others associated entities	–	–	–	597,896	63,935
Total investment in shares of associated entities				12,002,268	1,306,628
Others investments				2,563	2,165
Total investment in associated entities and joint ventures				**$ 12,004,831**	**$ 1,308,793**

(1) The investment in shares includes goodwill of $554,284.

(2) The investment in shares includes a fair value complement of $446,349. The Stockholders' Extraordinary Meeting of the associated company Infraestructura y Transportes México, S.A. de C.V. (original company) was held on December 11, 2014, which approved that the company should be broken up, without being eliminated, creating a new spinoff named "FM Rail Holding, S.A. de C.V.", to which the (net) operation assets were transferred, and the original company was left as the holder of the cash and realizable securities.

(3) As the investment in the shares of Cuprum took place on December 17, 2013, it did not generate equity in the result of the year. The investment in shares includes goodwill of $45,092.

(4) Correspond to the equity method of PMM from January 1st through September 30, 2013.

c. As mentioned in Note 2h, the September 30, 2013, Grupo Carso sold the shares of PMM to PMI. The sale price amounted US$703 million, and was subject to a potential adjustment process that reflected the performance of PMM for a period of three years, ending two years after the transaction closing. The fair value of the potential adjustment as of May 31, 2015, and December 31, 2014 and 2013, represents an adverse effect for Grupo Carso in the amount of $57,220, $372,284 and $1,297,021, respectively, which was recorded in provisions in 2014, and non-current provisions in 2013 in the consolidated statement of financial position. On September 30, 2013 PMM declared and paid a dividend to Grupo Carso in the amount of $495,800, from earnings generated through September 30, 2013. Both the fair value adjustment and the dividend were recorded as part of the gain on the sale of PMM.

d. Although the Entity holds less than 20% of the shares of ITM and FM Rail, the Entity has significant influence because a related party, Sinca Inbursa, has an additional 8.5% equity interest.

   Regarding Grupo Telvista, the Entity has significant influence because a related party, America Movil, has the remaining shareholding equivalent to 90%.

   Regarding Cuprum, the Entity has significant influence for having one member on the Board of Directors, even when its participation is 10%.

17. Intangible assets

	Amortization period	Balances as of January 1, 2015	Additions	Reclassification	Balances as of December 31, 2015
Cost:					
Concession contract	10	$ 397,869	$ –	$ –	$ 397,869
Trademark use	Indefinite	5,911	–	–	5,911
Total cost		403,780	–	–	403,780
Accumulated amortization:					
Concession contract		(128,392)	(33,100)	–	(161,492)
Trademark use		(4,460)	(277)	–	(4,737)
Total amortization		(132,852)	(33,377)	–	(166,229)
Net cost		**$ 270,928**	**$ (33,377)**	**$ –**	**$ 237,551**

	Amortization period	Balances as of January 1, 2014	Additions	Reclassification	Balances as of December 31, 2014
Cost:					
Concession contract	10	$ 397,869	$ –	$ –	$ 397,869
Trademark use	Indefinite	5,911	–	–	5,911
Total cost		403,780	–	–	403,780
Accumulated amortization:					
Concession contract		(98,830)	(29,562)	–	(128,392)
Trademark use		(2,727)	(224)	(1,509)	(4,460)
Total amortization		(101,557)	(29,786)	(1,509)	(132,852)
Net cost		**$ 302,223**	**$ (29,786)**	**$ (1,509)**	**$ 270,928**

	Amortization period	Balances as of January 1, 2013	Additions	Reclassification	Balances as of December 31, 2013
Cost:					
Concession contract	10	$ 397,869	$ –	$ –	$ 397,869
Trademark use	Indefinite	5,911	–	–	5,911
Total cost		403,780	–	–	403,780
Accumulated amortization:					
Concession contract		(72,517)	(26,313)	–	(98,830)
Trademark use		(2,227)	(224)	(276)	(2,727)
Total amortization		**(74,744)**	**(26,537)**	**(276)**	**(101,557)**
Net cost		**$ 329,036**	**$ (26,537)**	**$ (276)**	**$ 302,223**

18. Others assets

Other assets are as follows:

	Amortization period		2015		2014		2013
Exploration expenses		$	877,783	$	756,385	$	480,504
Insurance and surety	(a)		354,621		267,972		237,591
Collaborative commissioning agreement			159,604		–		–
Guarantee deposits			47,325		55,425		131,106
Installation costs			85,495		38,427		10,886
Prepaid expenses			12,113		12,113		12,113
Others			45,176		64,252		71,416
			1,582,117		1,194,574		943,616
Accumulated amortization			(375,834)		(321,700)		(237,202)
Impairment			(534,076)		–		–
		$	**672,207**	**$**	**872,874**	**$**	**706,414**

(a) CICSA's insurance and surety have a life according to the contracted projects, which on average have a maturity between 2 and 3 years.

	Exploration expenses	Insurance and surety	Collaborative commissioning agreement	Guarantee deposits	Installation costs	Prepaid expenses	Others	Total
Investment:								
Balance at the beginning of 2013	$ 247,699	$ 236,241	$ –	$ 130,926	$ 23,233	$ 192,905	$ 68,442	$ 899,446
Acquisitions	238,888	–	–	788	–	–	4,323	243,999
Translation effect	(6,083)	–	–	–	–	–	–	(6,083)
Applications / Recoveries	–	1,350	–	(608)	(12,347)	(180,792)	(1,349)	(193,746)
Balance as of December 31, 2013	480,504	237,591	–	131,106	10,886	12,113	71,416	943,616
Acquisitions	251,156	–	–	–	27,541	–	9,618	288,315
Translation effect	24,725	–	–	–	–	–	–	24,725
Applications / Recoveries	–	30,381	–	(75,681)	–	–	(16,782)	(62,082)
Balance as of December 31, 2014	756,385	267,972	–	55,425	38,427	12,113	64,252	1,194,574
Acquisitions	53,162	86,649	159,604	17,024	47,068	–	432	363,939
Translation effect	68,250	–	–	–	–	–	–	68,250
Applications / Recoveries	(14)	–	–	(25,124)	–	–	(19,508)	(44,646)
Balance as of December 31, 2015	**$ 877,783**	**$ 354,621**	**$ 159,604**	**$ 47,325**	**$ 85,495**	**$ 12,113**	**$ 45,176**	**$ 1,582,117**
Accumulated amortization								
Balance at the beginning of 2013	$ –	$ (129,154)	$ –	$ –	$ (13,111)	$ –	$ (30,845)	$ (173,110)
Derecognition	–	–	–	–	13,111	–	7,072	20,183
Amortization	–	(73,706)	–	–	(5,984)	(2,850)	(1,735)	(84,275)
Balance as of December 31, 2013	–	(202,860)	–	–	(5,984)	(2,850)	(25,508)	(237,202)
Amortization	(13,645)	(57,367)	–	–	(9,725)	(2,850)	(911)	(84,498)
Balance as of December 31, 2014	(13,645)	(260,227)	–	–	(15,709)	(5,700)	(26,419)	(321,700)
Derecognition	(5,513)	–	–	–	–	–	6,266	753
Amortization	(1,220)	(45,126)	–	–	(3,713)	(2,851)	(1,977)	(54,887)
Balance as of December 31, 2015	**$ (20,378)**	**$ (305,353)**	**$ –**	**$ –**	**$ (19,422)**	**$ (8,551)**	**$ (22,130)**	**$ (375,834)**
Impairment:								
Balance at the beginning of 2014	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Impairment	(534,076)	–	–	–	–	–	–	(534,076)
Balance as of December 31, 2015	**$ (534,076)**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ (534,076)**

The amortization recorded in income was $54,903, $84,498 and $84,275 in 2015, 2014 and 2013, respectively, of which $48,339, $71,924 and $75,441 is recognized as part of cost of sales, respectively.

19. Current and long-term debt

Debt is as follows:

	2015	2014	2013
Current debt:			
US$90,000 commercial loans, with maturities in January 2016 with interest rate of 0.69%	$ 1,548,585	$ –	$ –
US$25,000 commercial loans, with maturities in January 2016 with interest rate of 0.8%	430,163	–	–
Commercial loans in Mexican pesos with maturities in February 2016 with average interest rate of 3.67%	300,000	–	–
Commercial loans in Mexican pesos with maturities in February 2016 with average interest rate of 4.35%	12,000	–	–
US$17 commercial loans, with maturities in February 2016 with interest rate of 3.67%	143	–	–
US$141,000 commercial loans , with maturities in January 2015 with interest rate of 0.5%	–	2,075,238	–
US$39,000 commercial loans , with maturities in January 2015 with interest rate of 0.6%	–	574,002	–
Commercial loans in Mexican pesos with maturities in January 2014 with average interest rate of 4.28%	–	–	1,684,000
Commercial loans in US, with maturities in January 2014 with average interest rate of 1.14%	–	–	1,405,723
Commercial loans in Euro with maturities in November 2014 with interest rate of 0.72%	–	–	36,068
Other loans	120,724	68,118	19,708
	2,411,615	2,717,358	3,145,499
Add - current portion of long-term debt	21	2,942	4,010
Current debt	**$ 2,411,636**	**$ 2,720,300**	**$ 3,149,509**
Long-term debt:			
Debt securities issued in Mexican pesos, with interest payable monthly beginning March 2012, with interest rate of TIIE + 0.53, and principal maturity in 2017	$ 5,000,000	$ 5,000,000	$ 5,000,000
Direct loans in different currencies, mainly Brazilian real, with quarterly and semiannual maturities at variable rates, and final maturity in 2016	21	2,968	736,999
Other loans	–	–	373
	5,000,021	5,002,968	5,737,372
Less - current portion	(21)	(2,942)	(4,010)
Long-term debt	**$ 5,000,000**	**$ 5,000,026**	**$ 5,733,362**

Maturities of long-term debt as of December 31, 2015 are as follows:

Payable during-	
2017	**$ 5,000,000**

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2015 at a weighted average were 4.30%; the average financing rate in Euros for 2014 and 2013 was 0.76% and 0.72%, respectively.

The Entity, through its subsidiary Sears Operadora de México, S.A. de C.V., was authorized by CNBV on June 17, 2013 to issue securitized certificates in Mexican pesos under a two-year program. The authorized amount of the program was up to $2,500,000, on a revolving basis, and the combined amount of the issues cannot exceed the authorized amount on any date. The maturity of each issue of securitized certificates was between one day and 365 days; the amount, rate and maturity of each issue were freely determined by the Entity.

On December 3, 2013, the Securitized Certificate program was canceled, according to Official notice No. 153/7717/2013 "Cancellation of Registration in the National Securities Registry".

20.Provisions

The provisions presented below represent charges incurred during 2015, 2014 and 2013, or contracted services attributable to the period, which are expected to be settled within a period not exceeding one year. The final amounts to be paid and the timing of any outflow of economic resources involve uncertainty and therefore may vary.

	2015					
	Opening Balance	Additions	Provision applied	Reversals	Derecognition	Closing balance
Contractor costs	$ 1,960,361	$ 7,005,098	$ (5,732,620)	$ –	$ (1,386,466)	$ 1,846,373
Construction costs and other extraordinary items	220,667	418,844	(476,444)	–	(30,655)	132,412
Environmental costs and plant closure	129,440	61,046	(6,812)	–	–	183,674
Employment relationships	58,201	68,216	(69,917)	–	–	56,500
Fair value adjustment as part of the sale of PMM	1,669,305	57,220	(1,726,525)	–	–	–
Others	202,314	196,159	(271,257)	–	–	127,216
	$ 4,240,288	**$ 7,806,583**	**$ (8,283,575)**	**$ –**	**$ (1,417,121)**	**$ 2,346,175**

	2014					
	Opening Balance	Additions	Provision applied	Reversals	Derecognition	Closing balance
Contractor costs	$ 2,301,547	$ 9,470,961	$ (9,747,591)	$ –	$ (64,556)	$ 1,960,361
Construction costs and other extraordinary items	242,001	123,712	(128,283)	–	(16,763)	220,667
Environmental costs and plant closure	133,000	7,737	(11,297)	–	–	129,440
Employment relationships	45,552	298,426	(285,777)	–	–	58,201
Fair value adjustment as part of the sale of PMM	–	372,284	–	1,297,021	–	1,669,305
Others	255,513	214,106	(267,305)	–	–	202,314
	$ 2,977,613	**$ 10,487,226**	**$ (10,440,253)**	**$ 1,297,021**	**$ (81,319)**	**$ 4,240,288**

	2013					
	Opening Balance	Additions	Provision applied	Reversals	Derecognition	Closing balance
Contractor costs	$ 1,407,194	$ 8,171,012	$ (7,267,651)	$ –	$ (9,008)	$ 2,301,547
Construction costs and other extraordinary items	461,490	658,064	(735,580)	–	(141,973)	242,001
Environmental costs and plant closure	96,353	36,647	–	–	–	133,000
Employment relationships	71,542	209,388	(235,378)	–	–	45,552
Others	149,488	298,622	(192,597)	–	–	255,513
	$ 2,186,067	**$ 9,373,733**	**$ (8,431,206)**	**$ –**	**$ (150,981)**	**$ 2,977,613**

21. Retirement employee benefits

The Entity has plans for retirement, death or total disability payments for non-union employees in most of its subsidiaries. The defined benefit plans are administered by a legally separate fund of the Entity. The board of the pension fund is comprised of an equal number of representatives of both employer and (former) employees. The board of the pension fund is required according to the law and the articles of association to act in the interests of the Fund and all interested parties, active and inactive employees, retirees and employer. The board of the pension fund is responsible for investment policies in relation to the assets of the fund.

The Entity manages a plan that also covers seniority premiums for all staff working in Mexico, consisting of a single payment of 12 days per year worked based on final salary, not to exceed twice the minimum wage established by law.

Under these plans, employees are entitled to additional retirement benefits (if any) to the retirement age of 65. Other postretirement benefits are awarded.

The plans typically expose the Entity to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to government bonds yields; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the plan liabilities, the board of the pension fund considers appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's assets investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as of October 31, 2015 by independent appraisals members of the Asociación Mexicana de Actuarios Consultores, A.C. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2015	2014	2013
Discount rate	7.09%	6.98%	7.25%
Expected rate of salary increase	4.56%	5.05%	5.16%
Expected return on plan assets	7.11%	6.98%	7.33%
Average longevity at retirement age for current pensioners (years)			
Males and females	65	65	65

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows.

	2015	2014	2013
Defined benefit obligation	$ (3,482,979)	$ (2,929,408)	$ (2,745,981)
Plan assets at fair value	3,668,084	3,802,335	3,431,883
Present value of unfunded defined benefit obligation	**$ 185,105**	**$ 872,927**	**$ 685,902**

The amount included in the consolidated statement of financial position arising from the Entity's obligation in respect to its defined benefit plans is as follows:

	2015	2014	2013
Defined retirement employee benefits liabilities	$ (431,368)	$ (186,963)	$ (262,723)
Defined retirement employee benefits assets	616,473	1,059,890	948,625
	$ 185,105	**$ 872,927**	**$ 685,902**
Contributions to plan assets	**$ 162,292**	**$ 141,659**	**$ 125,398**

An amount of $130,507, $(3,505) and $(24,587) in 2015, 2014 and 2013, respectively, has been included in profit or loss as cost of sales and in administration expenses and sales and distribution expenses

The remeasurement of the net defined benefit liability is included in other comprehensive income.

Net period cost comprises the following:

	2015	2014	2013
Service costs	$ 143,975	$ 161,429	$ 173,414
Interest cost	200,887	193,766	57,844
Expected yield on plan assets	(264,835)	(245,438)	(218,975)
Past service cost	28,166	(71,310)	74,080
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)	22,314	(41,952)	(110,950)
Net period cost	**$ 130,507**	**$ (3,505)**	**$ (24,587)**

Components of defined benefit costs recognized in other comprehensive income

	2015	2014	2013
Actuarial (losses) gains – net	**$ (741,784)**	**$ 79,490**	**$ (39,280)**

Since there is no legal right to offset employee retirement benefits between different Entity subsidiaries, these amounts are not offset and are presented as long-term assets or liabilities in the accompanying consolidated statements of financial position.

Changes in the present value of the defined benefit obligation:

	2015	2014	2013
Beginning balance at January 1	$ (2,929,408)	$ (2,745,981)	$ (2,849,415)
Service costs	(143,975)	(161,429)	(173,414)
Past service (income) cost	(28,166)	71,310	(74,080)
Interest cost	(200,887)	(193,766)	(57,844)
Actuarial (losses) and gain – net	(281,186)	(46,359)	153,472
Benefits paid	75,306	104,865	140,629
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)	22,314	41,952	110,950
Other	3,023	–	3,721
Present value of the defined benefit obligation	**$ (3,482,979)**	**$ (2,929,408)**	**$ (2,745,981)**

Changes in the present value of plan assets in the current period:

	2015	2014	2013
Opening fair value of plan assets	$ 3,802,335	$ 3,431,883	$ 3,482,987
Expected yield on plan assets	264,835	245,438	218,975
Reclassifications	1,405	52,893	(452)
Actuarial gain (losses) – net	(460,598)	125,174	(192,752)
Contributions to plan	162,292	141,659	125,398
Benefits paid	(75,306)	(104,865)	(140,629)
Assets distributed on settlements	(23,562)	(37,906)	(73,644)
Others	(3,317)	(51,941)	12,000
Closing fair value of plan assets	**$ 3,668,084**	**$ 3,802,335**	**$ 3,431,883**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate was 50 basis points higher (lower), the defined benefit obligation would have decreased by $994,900 (increased by $1,509,536).

If the expected salary growth increased (decreased) by 0.5%, the defined benefit obligation would have increased by $1,386,847 (decreased by $1,069,719).

If the life expectancy increased (decreased) by one year for both men and women, the defined benefit obligation would have increased by $1,191,648 (decreased by $1,192,972).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

Main strategic assumptions that are formulated in the actuarial and technical policy document of the Fund are: Asset mix based on 50% equity instruments and 50% debt instruments.

The average duration of the benefit obligation as of December 31, 2015, 2014 and 2013 is 12.50, 12.88 and 14.79 years, respectively.

The Entity expects to make a contribution of $210,024 during 2016 to the defined benefit plans.

The main categories of plan assets are:

				Fair value of plan assets		
	2015	2014	2013	2015	2014	2013
	%	%	%			
Equity instruments	50	50	46	$ 1,835,053	$ 1,944,056	$ 1,565,318
Debt instruments	50	45	39	$ 1,833,031	$ 1,653,281	$ 1,351,600
Property	-	5	15	$ –	$ 204,998	$ 514,965
Weighted average expected return				$ 115,183	$ 94,455	$ 125,713

The overall expected rate of return is a weighted average of the expected returns on various categories of plan assets. The evaluation of management on expected returns is based on historical performance trends and analysts' predictions on the market for assets over the life of the related obligation.

Employee benefits granted to key management personnel and / or directors of the Entity were as follows:

	2015	2014	2013
Short-term benefits	$ 133,417	$ 142,248	$ 143,364
Defined benefit plans	4,745	4,403	5,866
Other long-term benefits	344,457	291,154	292,016

22. Stockholders' equity

a. The historical amount of issued and paid-in common stock of Grupo Carso as of December 31, 2015, 2014 and 2013 is as follows:

	Number of shares			Amount		
	2015	2014	2013	**2015**	2014	2013
Series A1	2,745,000,000	2,745,000,000	2,745,000,000	$ 644,313	$ 644,313	$ 644,313
Treasury shares repurchased	(471,070,442)	(455,198,300)	(455,198,300)	(110,571)	(106,845)	(106,845)
Historical capital stock	**2,273,929,558**	**2,289,801,700**	**2,289,801,700**	**$ 533,742**	**$ 537,468**	**$ 537,468**

Common stock consists of ordinary, nominative shares with no par value.

Pursuant to a general ordinary stockholders' meeting on April 27, 2015, the payment of a dividend was approved by the stockholders for the amount of $0.84 (eighty four cents) per share, payable in two exhibitions of $0.42 (forty two cents) per share each, on May 14 and October 15, 2015, against coupons 32 and 33, respectively, of the shares in effect at the day of the payments. The total payment was $1,915,702.

Pursuant to a general ordinary stockholders' meeting on April 28, 2014, the payment of a dividend was approved by the stockholders for $0.80 (eighty cents) per share, payable in two exhibitions of $0.40 (forty cents) per share each, on May 14 and October 15, 2014 against coupons 30 and 31, respectively, of the shares in effect at the day of the payments. The total payment was $1,831,841.

The Board of Directors meeting held on October 21, 2013, the directors in exercising the powers that were delegated to them by the general ordinary stockholders' meeting on April 25, 2013, approved the payment of a dividend to for the amount of four Mexican pesos per share, payable on November 4, 2013. The total payment was $9,159,207.

Pursuant to a general ordinary stockholders' meeting on April 25, 2013, the payment of a dividend was approved by the stockholders for the amount of $0.70 (seventy cents) per share, payable in two exhibitions of $0.35 (thirty five cents) per share each, on May 14 and October 15, 2013 against coupons 27 and 28, respectively, of the shares in effect at the day of the payments. The total payment was $1,602,835.

b. In 2014, the associated entity denominated Elementia acquired 47% of the shares representing the common stock of ELC Tenedora Cementos, S.A.P.I. de C.V. (ELC), held by Financière Lafarge, S.A.S., so as to directly and indirectly hold 100% of equity in ELC. As this transaction was performed between stockholders, Elementia recognized a premium of $99,170 in its retained earnings. Likewise, Elementia sold the equivalent of 10% of its shares in Cuprum (associated entity) to Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. (subsidiary) for the amount of US$22,500 (equivalent to $292,000), thereby generating a loss of $218,000 which Elementia directly recorded in stockholders' equity because this transaction was also performed between stockholders. These transactions decreased the Entity's retained earnings by $145,046 due to its recognition of the equity method.

c. The legal reserve is included in retained earnings. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock. The legal reserve may not be distributed during the existence of the Entity unless the Entity is dissolved. As of December 31, 2015, 2014 and 2013, the legal reserve, of the Entity was $381,635.

d. Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes of the year in which the tax on dividends is paid and the following two fiscal years.

e. An additional 10% Income Tax on dividends was established, when distributed to individuals and foreign residents. The income tax is paid via withholding and considered as a final payment by the stockholder. Foreigners may apply treaties to avoid double taxation. This tax is applicable for distribution of profits generated from 2014.

23. Transactions and balances with related parties

Balances receivable and payable with related parties are as follows:

	2015	2014	2013
Receivable -			
Delphi Packard Electric Systems, Inc.	$ 633,833	$ 403,983	$ 365,212
Teléfonos de México, S.A.B. de C.V.	433,757	415,666	173,764
Concesionaria autopista Guadalajara-Tepic, S.A. de C.V.	216,699	162,060	289,575
América Móvil Perú, S.A.C.	207,688	176,282	93,053
Comanche Trail Pipeline, LLC	203,570	–	–
Claro, S.A.	200,442	22,301	–
CRS Morelos, S.A. de C.V.	188,975	–	–
Radiomóvil Dipsa, S.A. de C.V.	128,531	71,151	149,059
Consorcio Ecuatoriano de Telecomunicaciones, S.A.	101,158	19,533	4,752
Operadora de Sites Mexicanos, S.A. de C.V.	98,092	–	–
Compañía de Teléfonos y Bienes Raíces, S.A. de C.V.	80,178	16,804	31,311
Uninet, S. A. de C.V.	73,735	–	–
Infraestructura y Saneamiento de Atotonilco, S.A. de C.V.	67,545	27,582	–
Concesionaria ETRAM Cuatro Caminos, S.A. de C.V.	59,787	4,693	–
Minera Real de Ángeles, S.A. de C.V.	59,663	84,596	1,175,641
Autopista Arco Norte, S.A. de C.V.	53,174	–	–
Puerto Rico Telephone Company, Inc.	51,733	33,941	6,258
Minera Tayahua, S.A. de C.V.	51,591	58,189	167,565
Telmex Colombia, S.A.	42,737	69,792	67,110
Compañía Dominicana de Teléfonos, S. A.	42,712	24,295	22,512
Consorcio Red Uno, S.A. de C.V.	39,800	4,132	29,949
Ecuador Telecom, L.L.C.	38,414	5,447	37,217
Empresa Nicaragüense de Telecomunicaciones, S.A.	35,227	10,045	3,329
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V.	28,322	9,257	73,069
Minera San Francisco del Oro, S.A. de C.V.	28,039	12,625	456,915
Teléfonos del Noroeste, S.A. de C.V.	27,274	4,401	1,061
Gabriel de México, S. A. de C.V.	20,591	–	–
Banco Inbursa, S.A.	19,264	2,728	490
Fundación Carlos Slim, A. C.	17,996	19,226	155
Selmec Equipos Industriales, S.A. de C.V.	15,652	5,358	23,993
Compañía de Telecomunicaciones del Salvador, S.A. de C.V.	13,836	6,318	5,928
Constructora de Inmuebles PLCO, S.A. de C.V.	11,233	70,111	2,357
Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V.	10,280	9,047	–
Telecomunicaciones de Guatemala, S.A.	10,149	6,309	15,318
Empresa Brasileira de Telecomunicacoes, S.A.	–	441,575	89,796
Inmobiliaria Aluminio, S.A. de C.V.	554	120,244	60,293
Net Servicios de Comunicacao, S.A.	–	56,758	82,935
Net Brasil servicios de Televisao por Assinatura, S.A.	107	48,146	–
Hubard y Bourlon, S.A. de C.V.	2,623	35,212	8,339
Claro CR Telecomunicaciones, S.A.	6,563	31,982	4,040
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.	3,209	18,247	76,032
Constructora MT Oaxaca, S.A. de C.V.	7,165	17,866	42
Fundación Teléfonos de México, A.C.	1,516	17,536	9,307
Alquiladora de Casas, S.A. de C.V.	1,443	16,043	19,952
Servicios de Comunicaciones de Honduras, S.A. de C.V.	6,622	14,202	8,059
Hipocampo, S.A. de C.V.	3,009	11,496	1,119
Renta de Equipo, S.A. de C.V.	1,975	11,362	15,250
Minera Espejeras, S.A. de C.V.	–	722	44,310
Servicios Corporativos Frisco, S.A. de C.V.	192	2,766	20,057
AMX Argentina, S.A.	–	–	14,464
Nacional de Cobre, S.A. de C.V.	6,152	6,716	12,997
Ocampo Mining, S.A. de C.V.	64	518	11,843
Other less than 10,000	83,208	65,279	139,110
	$ 3,436,079	$ 2,672,542	$ 3,813,538

	2015	2014	2013
Payable -			
Promotora del Desarrollo de América Latina, S.A. de C.V.	$ 591,421	$ –	$ –
Acolman, S.A. de C.V.	149,120	–	–
Concesionaria Distribuidor Vial San Jerónimo-Muyuguarda, S.A.	128,632	–	–
Teléfonos de México, S.A.B. de C.V.	124,134	258,805	9,310
Operadora de Sites Mexicanos, S.A. de C.V.	111,842	–	–
Delphi Packard Electric Systems, Inc.	110,594	73,905	29,618
Constructora MT Oaxaca, S.A. de C.V.	89,200	–	–
Sears Brands Management	76,449	79,220	73,440
Radiomóvil Dipsa, S.A. de C.V.	72,203	114,477	94,641
Centro Histórico de la Ciudad de México, S.A. de C.V.	65,321	121,507	132,378
Infraestructura y Saneamiento de Atotonilco, S.A. de C.V.	50,797	47,789	21,763
Amatech, S.A. de C.V.	48,683	–	–
Puerto Rico Telephone Company, Inc.	37,253	29,355	–
América Móvil Perú, S.A.C.	35,102	15,495	486
Claro, S. A.	27,729	–	–
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.	20,856	2,719	30,688
Inmose, S. A.	18,977	8,980	–
Trituradora de Materiales Santa Anita, S. A. de C.V.	14,682	–	–
Autopista Arco Norte, S.A. de C.V.	12,350	132,808	4,602
Empresa Brasileira de Telecomunicacoes, S.A.	–	111,367	–
Inmobiliaria Aluminio, S.A. de C.V.	2,019	35,225	48,363
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V.	30	26,118	120,414
Constructora MT Oaxaca, S.A. de C.V.	–	23,726	63,770
Comunicación Celular, S.A. de C.V.	6,504	23,546	46,475
Net Brasil Servicios de Televisao por Assinatura, S.A.	–	13,845	–
Uninet, S.A. de C.V.	1,363	2,695	398,319
Minera María, S.A. de C.V.	2	–	391,745
Concesionaria Autopista Guadalajara-Tepic, S.A. de C.V.	–	–	162,216
Constructora de Inmuebles PLCO, S.A. de C.V.	–	5,870	98,261
Minera Real de Ángeles, S.A. de C.V.	–	–	73,671
Dorian's Tijuana, S.A. de C.V.	6,209	5,020	45,487
Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V.	272	219	15,312
América Móvil, S.A. de C.V.	246	4,578	13,056
Selmec Equipos Industriales, S.A. de C.V.	–	–	12,342
Fundación del Centro Histórico de la Ciudad de México, S.A. de C.V.	–	–	12,000
Proyectos Educativos Inmobiliarios, S.A. de C.V.	–	–	10,299
Others	83,400	74,416	105,352
	$ 1,885,390	$ 1,211,685	$ 2,014,008

a. Borrowings from financial institutions include balances with Banco Inbursa, S.A. of $12,000 and $512,000 as of December 31, 2015 and 2013, respectively; which accrue interest at a variable rate based on general market conditions (3.67% and 4.85%, respectively; as of December 31, 2015 and 2013). As of December 31, 2014, there were no loans with this related party.

b. Due to related parties includes balances with Advances from customers of $1,401,669, $776,945 and $802,348 as of December 31, 2015, 2014 and 2013, respectively.

c. The amounts pending are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current period or prior periods regarding bad or doubtful debts relating to amounts owed by related parties.

d. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2015	2014	2013
Sales	$ 21,804,777	$ 18,922,668	$ 19,440,107
Interest income	58,518	59,779	251,856
Purchases	(2,808,354)	(2,655,915)	(3,923,688)
Prepaid insurance	(262,114)	(294,210)	(181,386)
Lease expenses	(427,108)	(615,688)	(675,408)
Services rendered	175,248	(1,245,557)	(246,022)
Other expenses, net	(637,381)	(609,483)	(648,066)
Purchases of fixed assets	(69,549)	(59,364)	(47,510)

e. Transactions with associated companies, carried out in the ordinary course of business, were as follows:

	2015	2014	2013
Sales	$ 864,601	$ 831,378	$ 1,480,132
Services acquired	59,974	63,968	94,584
Rentals collected	–	–	9,287
Purchases	(29,533)	(40,981)	(174,287)
Expense from the lease of real property	(2,927)	(81)	–
Insurance	(101)	–	–
Interest expense	–	–	(807)
Other income, net	(90,047)	(57,203)	(74,080)
Purchases of fixed assets	(6,584)	(5,775)	(8,697)

24. Income

	2015	2014	2013
Sales			
Services	$ 65,253,126	$ 61,167,497	$ 60,384,984
Sale of goods	16,273,844	15,954,539	20,290,793
Interests	2,931,056	2,813,026	2,697,681
Rentals	2,652,824	1,352,724	1,814,242
Construction	995,612	998,859	593,615
Others	117,354	101,213	89,230
Total	**$ 88,223,816**	**$ 82,387,858**	**$ 85,870,545**

25. Cost and expenses by nature

	2015			
Concept	Cost of sales	Sales and development	Administrative	Total
Wages and salaries	$ 3,622,302	$ 3,577,137	$ 1,579,785	$ 8,779,224
Employee benefits	324,571	1,612,197	313,339	2,250,107
Raw materials	18,760,809	–	–	18,760,809
Manufacturing expenses	3,980,132	–	–	3,980,132
Finished products	34,915,150	–	–	34,915,150
Depreciation and amortization	923,318	899,212	20,945	1,843,475
Advertising	–	400,383	–	400,383
Insurance	32,050	80,245	77,899	190,194
Freight	–	289,168	–	289,168
Allowance for doubtful accounts	–	–	468,844	468,844
Royalties	–	233,625	3,278	236,903
Fees	979	26,895	216,390	244,264
Maintenance	19,131	429,039	77,748	525,918
Plant costs	–	13,949	252,155	266,104
Security services	15,460	64,101	39,928	119,489
Lease	–	1,161,896	102,439	1,264,335
Telephone	–	65,825	61,705	127,530
Electricity	4,388	516,811	6,500	527,699
Credit card fees	–	250,286	5,897	256,183
Other	63,212	1,468,039	432,549	1,963,800
Total	**$ 62,661,502**	**$ 11,088,808**	**$ 3,659,401**	**$ 77,409,711**

Concept	2014 Cost of sales	Sales and development	Administrative	Total
Wages and salaries	$ 3,417,760	$ 3,408,517	$ 1,632,628	$ 8,458,905
Employee benefits	300,202	1,518,173	295,368	2,113,743
Raw materials	18,503,326	–	–	18,503,326
Manufacturing expenses	3,588,470	–	–	3,588,470
Finished products	32,247,945	–	–	32,247,945
Depreciation and amortization	946,819	769,996	25,375	1,742,190
Advertising	–	397,864	–	397,864
Insurance	64,050	81,438	66,523	212,011
Freight	–	290,190	–	290,190
Allowance for doubtful accounts	–	–	400,457	400,457
Royalties	–	225,915	3,240	229,155
Fees	1,411	28,139	174,232	203,782
Maintenance	13,479	411,520	65,781	490,780
Plant costs	–	17,657	312,009	329,666
Security services	14,891	75,450	44,445	134,786
Lease	–	1,138,612	88,560	1,227,172
Telephone	–	63,199	67,310	130,509
Electricity	4,835	636,020	7,140	647,995
Credit card fees	–	179,171	–	179,171
Other	78,537	1,292,300	480,799	1,851,636
Total	**$ 59,181,725**	**$ 10,534,161**	**$ 3,663,867**	**$ 73,379,753**

Concept	2013 Cost of sales	Sales and development	Administrative	Total
Wages and salaries	$ 3,482,803	$ 3,276,618	$ 1,418,189	$ 8,177,610
Employee benefits	352,865	1,435,505	290,149	2,078,519
Raw materials	20,368,606	–	–	20,368,606
Manufacturing expenses	4,650,195	–	–	4,650,195
Finished products	32,987,626	–	–	32,987,626
Depreciation and amortization	941,911	660,200	30,071	1,632,182
Advertising	–	374,394	–	374,394
Insurance	82,034	78,373	59,827	220,234
Freight	–	266,734	–	266,734
Allowance for doubtful accounts	–	–	313,747	313,747
Royalties	–	223,559	3,254	226,813
Fees	3,262	26,022	74,238	103,522
Maintenance	11,170	306,780	67,115	385,065
Plant costs	–	19,990	276,503	296,493
Security services	14,314	99,320	41,621	155,255
Lease	–	1,090,596	88,391	1,178,987
Telephone	–	49,927	57,084	107,011
Electricity	4,599	625,805	7,415	637,819
Credit card fees	–	205,037	–	205,037
Other	65,524	1,311,382	578,372	1,955,278
Total	**$ 62,964,909**	**$ 10,050,242**	**$ 3,305,976**	**$ 76,321,127**

26. Other expenses (income) - net

	2015	2014	2013
Sales of materials and waste	$ (6,096)	$ (25,234)	$ (52,951)
Gain on sale of fixed assets	(73,420)	(31,304)	(1,597)
Gain on investment property revaluation	(244,550)	(225,695)	(210,076)
Settlement of liabilities and provisions	(102,691)	(313,287)	(292,711)
Impairment of exploration expenses	534,076	–	–
Impairment of property, plant and equipment	108,252	–	–
Impairment of goodwill and real state inventories	–	–	174,644
Other expenses, net	48,234	15,198	18,153
	$ 263,805	**$ (580,322)**	**$ (364,538)**

27. Income taxes

The Entity is subject to ISR and through December 31, 2013, to ISR and IETU, therefore, the income tax payable was the higher between ISR and IETU through 2013.

ISR - The rate was 30% in 2015, 2014 and 2013 and as a result of the new 2014 ISR law (2014 Tax Law), the rate will continue at 30% thereafter. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a 10 year period beginning in 2014, as illustrated below.

While the 2014 Tax Law repealed the tax consolidation regime, an option was established, which allows groups of companies to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated companies that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when the group of companies include both profit and loss entities in the same period), which can be deferred over three years and reported, as updated, at the filing date of the tax declaration corresponding to the tax year following the completion of the aforementioned three-year period.

The Entity and its subsidiaries opted to join the new scheme, so determined income tax for the year 2015 and 2014 as previously described.

Pursuant to transitory article 9, section XV, subsection d) of the 2014 Law, given that as of December 31, 2013 the Entity was considered to be a tax holding entity and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2013 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

IETU - IETU was eliminated as of 2014; therefore, up to December 31, 2013, this tax was incurred both on revenues and deductions and certain tax credits based on cash flows from each year. The rate was 17.5%.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain conditions the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions. Furthermore, unlike ISR, until 2013, IETU was incurred separately, and not on a consolidated basis.

a. Income taxes (benefit) expenses are as follows:

	2015	2014	2013
ISR:			
Current	$ 3,241,327	$ 3,466,055	$ 4,045,888
Deferred	(67,975)	(792,386)	(324,180)
	$ 3,173,352	**$ 2,673,669**	**$ 3,721,708**

b. Following is an analysis of the deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2015	2014	2013
ISR deferred (asset) liability:			
Property, machinery and equipment	$ 2,376,674	$ 1,813,516	$ 1,816,811
Inventories	(218,291)	(265,077)	(57,502)
Accounts receivable from installment sales	–	–	546,039
Advances from customers	(779,579)	(305,217)	(440,750)
Natural gas and metals swaps and forwards	(63,684)	(142,177)	(171,616)
Revenues and costs by percentage-of-completion method	176,109	150,881	352,819
Allowances for assets and reserves for liabilities	(665,218)	(768,605)	(900,933)
Other, net	(327,754)	(218,035)	(231,988)
Deferred ISR on temporary differences	498,257	265,286	912,880
Effect of tax loss carry-forwards	(1,498,206)	(694,431)	(618,209)
Allowance for deferred tax	238,605	–	–
Deferred ISR payment (long-term CUFINRE)	9,050	20,318	19,974
	(752,294)	(408,827)	314,645
Total deferred tax asset	2,143,195	1,754,350	1,432,369
Total deferred tax liability taxes liability	**$ 1,390,901**	**$ 1,345,523**	**$ 1,747,014**

c. The activity of deferred tax (asset) liability during the year are as follows:

	2015	2014	2013
Opening balance	$ (408,827)	$ 314,645	$ 663,583
Income tax applied to results	(67,975)	(792,386)	(324,180)
Recognized in other comprehensive income	(275,492)	68,914	19,236
Effect of consolidation and other items	–	–	(43,994)
Closing balance	**$ (752,294)**	**$ (408,827)**	**$ 314,645**

d. Following is a reconciliation of the statutory and effective ISR rates expressed as a percentage of income before income taxes:

	2015	2014	2013
	%	%	%
Statutory rate	30	30	30
Add (deduct) the effect of permanent differences -			
Nondeductible expenses	4	2	-
Share in income of associated companies	(4)	(4)	(2)
Non-taxable gain on disposal of shares	–	–	(8)
Effective rate	30	28	20

e. Unused tax loss carryforwards for which a deferred income tax asset and an advanced income tax payment, respectively, have been recognized, may be recovered provided certain requirements are fulfilled. Their maturities and restated amounts at December 31, 2015 are as follows:

Year of expiration	Tax loss carryforwards
2017	$ 105,594
2018	1,224
2019	49,312
2020 and thereafter	4,044,883
	4,201,013
Tax loss carryforwards of foreign subsidiary without expiration term	629,614
Total	**$ 4,830,627**

f. Tax consolidation

The income tax liability at December 31, 2015 concerning the effects of benefits and tax deconsolidation shall be paid in the following years:

Year	
2016	$ 11,776
2017	34,804
2018	58,778
2019 and thereafter	354,869
	$ 460,227

g. Tax integration

The ISR liability derived from the integration will be paid within four years; at December 31, 2015 and 2014, this liability was $739,397 and $132,261, respectively.

h. The Entity has recorded a long-term ISR payable derived from a Decree dated December 26, 2013 which establishes that the ISR generated by installment sales can be settled over three years by paying 33.3% of the outstanding amount each year, since the tax benefit of deferring ISR on installment sales was eliminated. Their maturities and restated amounts at December 31, 2015 are as follows:

Year	
2016	$ 127,027
2017	127,027
	$ 254,054

28. Commitments

I. Retail sector:

a. As of December 31, 2015, contracts have been executed with suppliers for the remodeling and construction of some stores. The amount of the commitments contracted is approximately $1,464,795.

b. Furthermore, as of December 31, 2015, the retail sector has entered into lease agreements in 323 of its stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, I Shop, Comercializadora Dax, Corpti and Sanborns Panama). The leases are for non-cancelable periods and range between one and twenty years. The rental expense during 2015, 2014 and 2013 was $1,300,320, $1,231,219 and $1,165,982, respectively; also, the Entity and its subsidiaries, acting as lessees, have contracts whose terms range from one to fifteen years and the amount of rental income in 2015, 2014 and 2013 was $288,035, $254,402 and $254,842, respectively.

- The amount of rentals payable according to their due date amount to:

Maturity	December 31, 2015
1 year	$ 523,557
1 to 5 years	2,582,720
More than 5 years	3,258,594
	$ 6,364,871

- The amount of rentals receivable according to their due date amount to:

Maturity	December 31, 2015
1 year	$ 13,717
1 to 5 years	136,245
More than 5 years	182,963
	$ 332,925

c. In December 2010, Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V.) and Sears Roebuck and Co., signed an agreement whereby they decided to extend under the same terms the Brand Use License Contract and the Merchandise Sale and Advisory Contracts governing the commercial relationship between them, establishing the payment of 1% of the revenues from merchandise sales, and allows the use of the Sears name both in its corporate name and in its stores, and the exploitation of the brands owned by Sears Roebuck and Co. The agreement is in effect up to September 30, 2019, but allows for a seven-year extension under the same conditions, unless one of the parties decides not to do so, in which case it must notify the other party two years in advance.

d. Based on an agreement signed on September 12, 2006, the Entity executed a contract for the payment of consulting and brand use license for an initial term of 15 years with a 10 year renewal option, establishing the minimum annual payment of US$500, and allowing the use of the name Saks Fifth Avenue both in its corporate name and in its stores.

II. Construction and infrastructure and industrial sectors:

Through its subsidiaries, Operadora Cicsa, S.A. de C.V. (Operadora) and Servicios Integrales GSM, S. de R.L. de C.V. (GSM), the Entity is competing in tenders of Pemex Exploración y Producción (PEP) and Pemex Petroquímica (PPQ), for public works contracts. Consequently, the reported figures include the effect of the following contracts and formalized agreements, which consider different completion phases:

a. In December 2014 and January and February 2015, purchase orders were received for the manufacture of a batch of air coolers and manufacture of columns, for a total of US$22,400. As of December 31, 2015, approximately 50% of the work has been completed and is expected to conclude during 2016.

b. In November 2014, PEP awarded a contract to GSM for comprehensive fluid control work, the separation of solids and residue management for use at oil wells in the southern region. The contract amount is US$62,100; operations began during the second half of February 2015, and at December 31, 2015, a 37% work completion level was reported.

c. In October 2014, GSM executed a contract with the Federal Electricity Commission (CFE) to drill five geothermal wells and repair two wells at the "Los Azufres" field in Michoacan State. The contract value is $278,500; operations began during the first week of December 2014. At December 31, 2015, repairs were completed at the two geothermal wells and drilling of the first well began. At December 31, 2015, a work completion level of approximately 88% was reported.

d. In May 2014, PEP awarded an oil well directional drilling contract to GSM for the amount of US$88,700, for work to be performed over 882 days. Work began in June 2014; and at December 31, 2015, a 32% work completion level was reported.

e. In June 2012, Operadora signed contracts with PEP, resulting from the allocation of public works for the manufacture of three offshore production fields in Campeche: EK-A2, KU Ayatsil-A and-B. The amount of these contracts is US$205,000. The scope of the contract covers the engineering, procurement, construction, loading and mooring platforms, one of an octopod type. At December 31, 2015, there is 100% physical work advance on three platforms and at the date of issuance of the consolidated financial statements, closing documentation on the contracts is being performed.

f. In December 2013, PEP awarded a contract to GSM for the amount of $231,764, plus US$39,209 for the drilling of 15 wells. At December 31, 2015, the Entity has concluded the project.

g. In December 2015, Operadora signed a contract to carry out expansion work on ceratinhighways, consisting of the construction of civil engineering and outfitting of section "C" of the Toluca -Atlacomulco highway, including Libramiento Mavoro and Atlacomulco. The contract amount is $2,396,143 and the work will begin in 2016.

h. In December 2015, Operadora signed a contract to carry out construction work for an elevated viaduct, identified as Via Periférica Elevada Parte Superior Anillo Periférico. Tramo Av. San Jerónimo - Distribuidor Vial Muyuguarda, in Mexico City. The contract amount is $564,803 and 2% of the work has been completed as of December 31, 2015.

i. In October 2014, Operadora executed a contract to build an Elevated Viaduct, a section at the start of the Mexico City México – Cuernavaca highway, which will reach the Tlalpan tollbooth (interconnection with the "El Caminero" elevated ring road section) in Mexico City. The contract amount is $659,772 at December 31, 2015, a 36% work completion level was reported.

j. In July 2014, Operadora executed a contract for construction work on the Tepic Loop, with an extension of 30 Km., Type A2-, starting at the San Cayetano junction of the Guadalajara-Tepic highway and ending at the Trapichillo junction of the Tepic-San Blas highway. The contract amount is $1,629,491, a work completion level of approximately 76% was reported at December 31, 2015.

k. In May 2014, Operadora executed a contract to increase several Type A2 Highway Sections (Atlacomulco Piedras Negras and Piedras Negras-Entronque Autopista México Querétaro) to four lanes. The contract amount is $1,360,000 and 59% work completion level was reported at December 31, 2015.

l. In the third quarter of 2013 a contract was signed to carry out the alternate scenic road work, which consists of building a tunnel from the Brisamar bypass to the junction with Cayaco – Puerto Márquez, and the road construction connecting the tunnel entrance with the Zona Diamante. The amount of this contract is $1,938,043; in order to perform the contract the specific purpose entity Acatunel, S.A. de C.V. (Acatunel) was created, in which Operadora holds 50%. The contract is expected to be concluded within two years and as of December 31, 2015 there have been advances of 52%.

m. In February 2012, through Operadora, the Entity signed a concession contract for the construction, operation, exploitation, conservation and maintenance of the 111 kilometer, type A-4 Southern Guadalajara highway that extends from the Zapotlanejo junction of the Zapotlanejo – Guadalajara highway to the Arenal junction of the Guadalajara – Tepic highway. Under this concession contract, the Entity will provide construction services. The value of the contract is $5,977,000 and fixed price contract is $35,000. At December 31, 2015, there have been advances of approximately 75%.

n. In May 2010, the SCT, a Federal Government agency, signed a concession title with the subsidiary Autovía Mitla Tehuantepec, S.A. de C.V., to construct, exploit, operate, conserve, maintain, modernize and expand the Mitla-Entronque Tehuantepec II federal highway, which is 169 km in length. For the construction of this highway, the special purpose entity Constructora MT de Oaxaca, S.A. de C.V. (MT) was created in December 2010, of which 40% is owned by Operadora. MT signed a contract in September 2011 with the concessionaire for the construction of this highway with value of $9,318,200. At December 31, 2015, there have been advances of approximately 59%.

o. In January 2010 CICSA announced that it was awarded a contract for the construction and operation of the Wastewater Treatment Plant at Atotonilco, Tula, Hidalgo, in which CICSA, through Infraestructura y Saneamiento de Atotonilco, S.A. de C.V., a consortium created at the end of 2010, would participate in the development of the structural and architectural engineering and in the civil construction project worth $2,004,000 (including VAT). The Atotonilco Plant will be the largest in Mexico and one of the largest in the world with a capacity of 35 m^3 per second (m3/s) for the treatment of wastewater in the Metropolitan Zone of Mexico City, cleaning 23 m3/s during the dry season and another 12 m3/s more in the rainy season, by means of a physical-chemical process module. At December 31, 2015, there have been advances that reached about 98.6% of the project and is expected to conclude in the first half of 2016.

p. In October 2009 Operadora announced that it had reached agreement with Impulsora Del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. (IDEAL, a related party) to perform the construction and modernization work on the "Proyecto Pacífico Norte", which consists of: (i) The Southern Bypass of Culiacan and the Mazatlan Bypass and its connecting branches, and (ii) The Mazatlan-Culiacan High Specification Highway and the related modernization work. The work to be performed is worth a total of $3,975,714, divided into three parts; the Culiacan Bypass for $1,590,844, in which the work was completed during 2012, the Mazatlan Bypass for $1,884,870, in which the Entity started the construction in certain trams and presents an advance of 93% and modernization work for $500,000; the latter will be performed after the first two phases have been concluded.

q. In November 2008, through a Consortium with other entities, CICSA signed the contract for the construction of the Eastern Emitter Tunnel, which will recover drainage capacity in the Metropolitan Zone of Mexico City and ensure the normal operation of deep drainage maintenance programs, thus eliminating the risk of flooding during the rainy season. The National Water Commission, the Federal District Government and the Government of the State of Mexico, through Trust number 1928, given the need for such construction projects and considering the technical capacity and experience of the Consortium, made a direct award in accordance with the related Law of Public Works and Services, to assign such project to Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V. (COMISSA), whose shareholders are: CICSA with 40% of the equity, Ingenieros Civiles Asociados, S.A. de C.V. (ICA), Construcciones y Trituraciones, S.A. de C.V. (COTRISA), Constructora Estrella, S.A. de C.V. (CESA) and Lombardo Construcciones, S.A. de C.V. (LOMBARDO). The project began engineering and construction work under a mixed public works scheme on the basis of unit prices, lump sum and fixed term, which must be concluded in September 2012. However, with the authorizations made after the construction work ended, the deadline was extended. The contract stipulates the construction of a tunnel 7 meters (m) in diameter, approximately 62 kilometers (km) long and with a capacity of 150 m^3 per second. The original amount of this contract was $20,167,949. As of December 31, 2015 the project is 60% completed, including the aforementioned increases, and the project is expected to conclude in 2018.

r. In December 2015 construction work began on commercial, residential and office space in Mexico City, where the Ford Nasa agency was located, for the amount of $768,000; the work is expected to conclude in the third quarter of 2017.

s. In the third quarter of 2015, construction work began on an office building in the city of Querétaro. The value of the work will be approximately $135,000 and is expected to conclude in the first quarter of 2016.

t. In the second quarter of 2015, expansion work began on Terminal II of the Mexico City International Airport, whose value will be around $143,000 and is expected to conclude in the second quarter of 2016. Approximately 25% of the work has been completed as of December 31, 2015.

u. In the second quarter of 2015, construction work began on a commercial and office building on Palmas Avenue. The value of the work will be around $230,000 and is expected to conclude in the fourth quarter of 2016. As of December 31, 2015 approximately 32% of the work has been completed.

v. In May 2014, the construction of the Cuatro Caminos Modal Transfer Station began. The total contract amount is estimated at $704,000; a work completion level of approximately 26% was reported at December 31, 2015.

w. In January 2014, Operadora started work on a shopping mall in Tlalnepantla. The total contract amount was approximately 920,000, which was concluded during 2015 third quarter, when a second phase was initiated whose estimated amount is $525,000 and will conclude during the second half of 2017.

x. In 2013, the subsidiary Operadora began excavations for the Plaza Carso III project, which will be composed by commercial and residential buildings. The total contract amount is estimated at $1,460,000; a work completion level of approximately 2% was reported at December 31, 2015.

y. Since 2012, the subsidiaries Grupo PC and Operadora won a series of contracts for the construction of the project called Plaza Carso II, which consists of various commercial and residential buildings, initially worth $760,000. During the second quarter of 2015, the project was concluded.

z. Operadora has signed a series of contracts to implement the project called New Veracruz, consisting of a comprehensive urban development over an area of 487 hectares and will include a shopping mall, hospital, hotel, school and homes. The Mall opened in December 2013, the hotel ended in 2014 and the hospital concluded in 2015. The water park began in the second quarter of 2015 and it is estimated that the work will be fully completed in the second quarter of 2016. Parallel construction of the homes is taking place.

aa. As of 2011, Operadora has signed contracts for the construction of hospitals; Star Medica - Querétaro, Star Medica -Infantil private in Mexico City, Star Medica - Chihuahua, the total amount of the contract will be about $733,000. In 2013 and 2012, the works were completed in the Star Medica - Infantil private in Mexico City and Star Medica - Querétaro, respectively. The Medical Star - Chihuahua, is expected to be completed in the first quarter of 2016; at December 31, 2015, there have been 98% advances in the Chihuahua hospital.

bb. At December 31, 2015 and 2014, the Entity signed contracts and work orders related to Mexico and Latin America, for total amounts of $3,788,287 and $2,578,571; and US$172,800 and US$227,000, respectively. Contracts include professional services for the construction and modernization of copper cabling networks (pair) and fiber optic outside plant and to build pipelines, installation of fiber optic, public works, and connections. Most of the projects contracted in Mexico are estimated to be completed during 2016.

cc. At December 31, 2015, the Industrial and Construction and Infrastructure sectors have contractual commitments for capital leases of machinery and equipment and operating leases of properties in the amount of $1,287,558.

Maturities of contractual commitments denominated in Mexican pesos at December 31, 2015 are:

Years	Amount
2016	$ 283,353
2017	252,933
2018	262,045
2019	265,478
2020 and thereafter	223,749
	$ 1,287,558

The rents paid were $294,595, $207,129 and $245,518 for the years ended December 31, 2015, 2014 and 2013, respectively.

29. Contingency

I. Retail sector:

As of the date of these financial statements, the Entity has judicial procedures in process with the competent authorities for diverse reasons, mainly for foreign trade duties, for the recovery of accounts receivable and labor matters.

The estimated amount of these processes as of December 31, 2015 amount to $613,519, for which the Entity has recognized provisions for $59,663 which are included in other liabilities in the consolidated statements of financial position. During 2015, the Entity made payments related to these matters of approximately $67,197. While the results of these legal proceedings cannot be predicted with certainty, management does not believe that any such matters will result in a material adverse effect on the Entity's consolidated financial position or operating results.

II. Construction and infrastructure and Industrial sectors:

a. The Entity is involved in legal proceedings related to mercantile, tax and labor matters. These matters have arisen in the normal course of business and they are normal for the industry in which the Entity participates. However, the matters are deemed to have a smaller than probable, but greater than remote probability of resulting in a loss to the Entity. Nevertheless, the Entity believes that these matters will not have a material adverse effect on its consolidated financial position or operating results.

b. Certain subsidiaries are currently engaged in legal proceedings with the competent authorities for different reasons, primarily taxes and to recover long-term accounts receivable. The Entity's officers and attorneys consider that most of these issues will receive favorable verdicts. However, unfavorable verdicts will not substantially affect the Entity's consolidated financial position or results of operations.

c. At December 31, 2015, 2014 and 2013, the Entity has written guarantees, mainly on behalf of their clients, for $13,701,384 and US$21,175, $6,655,515 and US$44,093 and for $6,479,758 and US$62,710, respectively, which were the amounts of liability in force in those periods.

d. Performance warranties. In the normal course of the operations, the Entity is required to guarantee its obligations, mainly derived from construction contracts by means of letters of credit or deposits, regarding the compliance with contracts or the quality of the developed works.

30. Segment information

Information by operating segment is presented based on the management focus and general information is also presented by product, geographical area and homogenous groups of customers.

a. Analytical information by operating segment:

	2015					
Statements of Financial Position	Retail	Industrial	Infrastructure and construction	Carso Energy	Holding, others and eliminations	Total consolidated
Assets:						
Cash and cash equivalents	$ 3,904,546	$ 481,379	$ 1,014,729	$ 2,040,187	$ 629,489	$ 8,070,330
Accounts and notes receivable, net	11,418,186	4,438,025	4,129,873	510,263	88,156	20,584,503
Total current assets	25,659,024	11,220,116	8,792,146	2,937,662	691,022	49,299,970
Property, plant and equipment	12,608,487	3,524,622	2,988,065	4,639,021	(290,110)	23,470,085
Other assets – Net	34,551	232,771	77,886	323,421	3,578	672,207
Total assets	41,364,031	22,521,926	14,221,370	7,887,559	8,190,024	94,184,910
Liabilities:						
Current liabilities:	$ –	$ 2,060,737	$ 350,899	$ –	$ –	$ 2,411,636
Notes payable to financial institutions and current portion of long-term debt	6,041,107	1,412,735	911,275	57,914	(23,438)	8,399,593
Trade accounts payable	10,738,711	5,172,245	6,132,235	173,688	(328,255)	21,888,624
Total current liabilities	–	–	–	–	5,000,000	5,000,000
Long-term debt	11,968,900	5,478,954	6,481,158	543,643	5,917,887	30,390,542

	2014					
Statements of Financial Position	Retail	Industrial	Infrastructure and construction	Carso Energy	Holding, others and eliminations	Total consolidated
Assets:						
Cash and cash equivalents	$ 3,572,499	$ 893,629	$ 1,574,180	$ 27,810	$ 1,709,321	$ 7,777,439
Accounts and notes receivable, net	10,535,986	3,882,848	3,760,004	115,268	139,982	18,434,088
Total current assets	25,759,270	13,516,800	8,483,587	189,200	1,874,939	49,823,796
Property, plant and equipment	11,358,677	3,760,816	2,844,717	3,880,769	4,302	21,849,281
Other assets – Net	27,821	24,741	81,885	–	738,427	872,874
Total assets	40,119,961	24,640,404	10,152,666	4,829,068	11,968,299	91,710,398
Liabilities:						
Notes payable to financial institutions and current portion of long-term debt	$ –	$ 2,672,089	$ 48,211	$ –	$ –	$ 2,720,300
Trade accounts payable	6,283,213	1,577,596	840,318	11,837	(177,147)	8,535,817
Total current liabilities	10,063,391	5,913,298	4,885,959	50,903	1,597,876	22,511,427
Long-term debt	–	26	500,000	–	4,500,000	5,000,026
Total liabilities	11,177,079	6,087,394	5,529,172	51,444	7,679,948	30,525,037

Statements of Comprehensive Income	2013 Retail	Industrial	Infrastructure and construction	Holding, others and eliminations	Total consolidated
Assets:					
Cash and cash equivalents	$ 4,594,296	$ 971,843	$ 1,698,196	$ (365,815)	$ 6,898,520
Accounts and notes receivable, net	10,131,258	4,624,636	6,350,337	313,256	21,419,487
Total current assets	26,977,883	12,813,656	11,280,316	13,428	51,085,283
Property, plant and equipment	9,733,195	3,829,107	6,625,614	123,696	20,311,612
Other assets - Net	29,548	24,741	81,885	570,240	706,414
Total assets	39,481,809	24,292,634	19,726,821	6,679,528	90,180,792
Liabilities:					
Notes payable to financial institutions and current portion of long-term debt	$ –	$ 3,153,217	$ –	$ (3,708)	$ 3,149,509
Trade accounts payable	6,321,806	1,924,947	310,526	528,729	9,086,008
Total current liabilities	9,929,858	7,283,308	5,916,238	78,631	23,208,035
Long-term debt	–	2,989	730,000	5,000,373	5,733,362
Total liabilities	11,470,394	7,595,108	8,470,840	6,003,472	33,539,814

Statements of Financial Position	2015 Retail	Industrial	Infrastructure and construction	Carso Energy	Holding, others and eliminations	Total consolidated
Net sales	$ 44,413,058	$ 26,951,014	$ 16,492,889	$ 769,319	$ (402,464)	$ 88,223,816
Cost of sales	26,937,437	21,936,197	13,681,774	495,429	(389,335)	62,661,502
Distribution and selling	10,582,934	520,661	42,578	–	(57,365)	11,088,808
Administrative	2,101,334	764,579	768,768	103,673	(78,953)	3,659,401
Other (income) expenses – Net	(237,381)	(63,972)	3,148	594,615	(32,605)	263,805
Interest (income) expense – net	(187,615)	(48,415)	31,770	(29,873)	150,840	(83,293)
Exchange gain (loss) – Net	40,226	(23,567)	(46,324)	16,365	(23,175)	(36,475)
Effects of valuation of financial instruments – Net	–	(172)	220,265	–	826,828	1,046,921
Equity in income of associated companies	–	(79,560)	(53,340)	115,257	(1,257,934)	(1,275,577)
Income from income taxes	5,055,163	3,916,304	1,788,155	(526,147)	444,208	10,677,683
Income taxes	1,596,746	1,164,243	702,345	56,107	(346,089)	3,173,352
Consolidated net income	3,458,417	2,752,061	1,085,810	(582,254)	790,297	7,504,331
EBITDA [1]	5,707,369	4,052,744	2,297,009	384,056	129,334	12,570,512
Depreciation and amortization	950,405	332,614	356,483	215,406	(11,433)	1,843,475

Statements of Financial Position	2014 Retail	Industrial	Infrastructure and construction	Carso Energy	Holding, others and eliminations	Total consolidated
Net sales	$ 41,202,547	$ 25,956,926	$ 14,799,667	$ 786,116	$ (357,398)	$ 82,387,858
Cost of sales	24,939,584	22,160,974	12,012,102	470,591	(401,526)	59,181,725
Distribution and selling	10,024,216	510,120	38,854	732	(39,761)	10,534,161
Administrative	2,009,125	776,052	829,903	59,374	(10,587)	3,663,867
Other (income) expenses – Net	(318,258)	(83,807)	(8,062)	(125)	(170,070)	(580,322)
Interest (income) expense – net	(241,658)	11,242	46,459	(361)	158,730	(25,588)
Exchange gain (loss) – Net	33,398	99,734	133,634	9,239	133,592	409,597
Effects of valuation of financial instruments – Net	–	(5,642)	152,920	–	524,526	671,804
Equity in income of associated companies	–	(342,205)	(127,225)	–	(945,173)	(1,414,603)
Income from income taxes	4,636,734	2,710,621	1,670,985	238,195	191,777	9,448,312
Income taxes	1,432,036	774,647	555,527	86,169	(174,710)	2,673,669
Consolidated net income	3,204,698	1,935,974	1,115,458	152,026	366,487	6,774,643
EBITDA [1]	5,027,548	2,821,982	2,221,607	470,470	64,410	10,606,017
Depreciation and amortization	819,973	353,028	344,834	223,397	958	1,742,190

Statements of Comprehensive Income	2013 Retail	Industrial	Infrastructure and construction	Holding, others and eliminations	Total consolidated
Net sales	$ 40,514,434	$ 26,722,998	$ 18,818,223	$ (185,110)	$ 85,870,545
Cost of sales	24,426,130	23,514,718	15,306,246	(282,185)	62,964,909
Distribution and selling	9,567,563	471,769	30,935	(20,025)	10,050,242
Administrative	1,848,781	783,348	614,219	59,628	3,305,976
Other (income) expenses – Net	(447,743)	72,470	39,742	(29,007)	(364,538)
Interest (income) expense – net	(247,792)	67,038	191,616	110,613	121,475
Exchange gain (loss) – Net	(3,469)	(105,365)	(7,948)	(102,396)	(219,178)
Effects of valuation of financial instruments – Net	–	–	(40,791)	40,085	(706)
Equity in income of associated companies	–	(359,786)	(120,298)	(828,709)	(1,308,793)
Income from income taxes	5,257,487	2,176,856	2,793,870	8,456,265	18,684,478
Income taxes	1,709,964	510,492	721,715	779,537	3,721,708
Consolidated net income	3,547,523	1,666,364	2,072,155	7,676,728	14,962,770
EBITDA [1]	5,500,202	2,154,407	3,356,985	7,687,788	18,699,382
Depreciation and amortization	704,052	376,078	540,536	11,516	1,632,182

[1] EBITDA reconciliation:

	December 31, 2015	December 31, 2014	December 31, 2013
Income before income taxes	$ 10,677,683	$ 9,448,312	$ 18,684,478
Depreciation and amortization	1,843,475	1,742,190	1,632,182
Interest income	(473,088)	(465,787)	(459,899)
Interest expense	389,795	440,199	581,374
Exchange gain (loss)	(36,475)	409,597	(219,178)
Gain on property revaluation	(244,550)	(225,695)	(210,076)
Impairment of property, plant and equipment and of exploration expenses	642,328	–	–
Effects of valuation of financial instruments	1,046,921	671,804	(706)
Equity in income of associated entities	(1,275,577)	(1,414,603)	(1,308,793)
EBITDA	**$ 12,570,512**	**$ 10,606,017**	**$ 18,699,382**

Grupo Carso's EBITDA at December 31, 2015 increased 19% due to a better profitability; and at December 31, 2014 decreased 43% in comparison to the previeous year, mainly due to the gain on sale of associated companies of $7,588,664 related to the sale of 20% stake in PMM, which was completed on September 30, 2013 (see Note 16c).

Cash flows from operating activities:

	2015	2014	2013
– Retail	$ 3,473,779	$ 3,008,974	$ 2,843,860
– Industrial	2,593,314	4,023,649	261,703
– Infrastructure and construction	1,531,175	3,378,966	1,867,522
– Carso Energy	(289,977)	(61,693)	–
– Others and eliminations	(755,598)	(773,308)	431,066
Total consolidated	**$ 6,552,693**	**$ 9,576,588**	**$ 5,404,151**

Cash flows from investing activities:

	2015	2014	2013
– Retail	$ (1,954,333)	$ (1,583,688)	$ (4,404,530)
– Industrial	2,114,311	(3,059,794)	(1,016,285)
– Infrastructure and construction	(301,006)	71,956	(177,273)
– Carso Energy	(1,029,014)	(222,580)	–
– Others and eliminations	(275,200)	133,075	8,597,053
Total consolidated	**$ (1,445,242)**	**$ (4,661,031)**	**$ 2,998,965**

Cash flows from financing activities:

	2015	2014	2013
– Retail	$ (2,821,248)	$ (2,479,649)	$ 3,828,799
– Industrial	(4,603,474)	(761,466)	(278,852)
– Infrastructure and construction	(1,878,442)	(3,589,157)	(463,489)
– Carso Energy	3,326,751	225,866	–
– Others and eliminations	1,228,490	2,452,470	(9,579,695)
Total consolidated	**$ (4,747,923)**	**$ (4,151,936)**	**$ (6,493,237)**

b. General segment information by geographical area:

The Entity operates in different geographical areas and has distribution channels in Mexico, the United States and other countries through industrial plants, commercial offices or representatives.

The distribution of such sales is as follows.

	2015	%	2014	%	2013	%
North America	$ 7,923,795	8.98	$ 7,046,168	8.54	$ 6,115,786	7.12
Central and South America and the Caribbean	5,875,996	6.66	6,210,692	7.53	6,387,124	7.44
Europe	214,299	0.24	295,896	0.35	298,661	0.35
Rest of the world	177,036	0.20	48,993	0.06	43,103	0.05
Total exports and foreign	14,191,126	16.08	13,601,749	16.48	12,844,674	14.96
Mexico	74,032,690	83.92	68,786,109	83.52	73,025,871	85.04
Net sales	**$ 88,223,816**	**100.00**	**$ 82,387,858**	**100.00**	**$ 85,870,545**	**100.00**

The Entity has a wide variety of customers according to the category of products and services it offers; however, no particular customer represents more than 10% of net sales. The Entity offers its products and services mainly in the following industries: energy, automotive, telecommunications, construction, electronics and general public.

31. New and revised IFRS in issue but not yet effective

The Entity has not applied the following new and revised IFRS that have been issued but are not yet effective:

IFRS 9	Financial Instruments [2]
IFRS 15	Revenue from Contracts with Customers [2]
IFRS 16	Leases [3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations [1]
Amendments to IAS 1	Disclosure Initiative [1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization [1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception [1]
Amendments to IFRS	Annual Improvements to IFRS 2012-2014 Cycle [1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

IFRS 9, *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in net income (loss).
- With regard to the measurement of financial liabilities designated as of fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Entity's management anticipates that the application of IFRS 9 in the future may have a material impact on the amounts reported in its consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Entity undertakes a detailed review.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Entity's management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Entity's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Entity performs a detailed review.

IFRS 16, *Leases*

IFRS 16, Leases was issued in January 2016 and supersedes IAS 17, *Leases and related interpretations*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. Earlier adoption permitted if IFRS 15, *Revenue from Contracts with Customers* has also been applied.

Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

However, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and leases where the underlying asset has a low value when new, such as personal computers or small items of office furniture (this election can be made on a lease-by-lease basis).

IFRS 16 establishes different transitional provisions, including retrospective application or the modified retrospective application where the comparative period is not restated.

The Entity is in the process of determining the potential impacts that will derive from the adoption of this standard in its consolidated financial statements.

Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3, *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and IAS 36, *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after January 1, 2016. The directors of the Entity anticipate that the application of these amendments to IFRS 11 may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1, *Disclosure Initiative*

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016. The Entity does not anticipate that the application of these amendments to IAS 1 will have a material impact on the Entity's consolidated financial statements.

Amendments to IAS 16 IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

Currently, the Entity uses the straight-line method for depreciation and amortization for its property, plant and equipment, and intangible assets respectively. The Entity's management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Entity's consolidated financial statements.

Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. The Entity does not anticipate that the application of these amendments to IFRS 10 and IAS 28 may have an impact on its consolidated financial statements in future periods should such transactions arise.

Annual Improvements to IFRS 2012-2014 Cycle

The Annual Improvements to IFRS 2012-2014 Cycle include a number of amendments to various IFRS, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Entity does not anticipate that the application of these amendments will have a material effect on its consolidated financial statements.

32. Authorization to issue the financial statements

On March 14, 2016, the issuance of the accompanying consolidated financial statements was authorized by L.C. Arturo Spínola García; consequently, they do not reflect events occurred after that date, and are subject to the approval of the Entity's Ordinary Stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law. The consolidated financial statements for the years ended December 31, 2014 and 2013, were approved at the Ordinary Stockholders' meetings that took place on April 27, 2015 and April 28, 2014, respectively.

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Information about the shares:
The shares Series A-1 of Grupo Carso, S.A.B de C.V. are listed in the Mexican Stock Exchange under the ticker symbol “GCARSO”.

ADR’S Level 1 Information:
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2:1
Cusip: 400485207

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