

GRUPO
carso

Annual report
2016

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 35 years ago, its dynamism, innovation in processes and technologies, including a sustainable management of resources, have all characterized Grupo Carso. To this extent, several operational synergies have been achieved, which translate into growing levels of profitability and generation of cash flow. Ours is a history of long-term value creation for the benefit of shareholders.

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Atotonilco wastewater treatment plant



Divisions, products and services

Commercial and retail



Grupo Sanborns

It operates some of the most successful commercial formats in Mexico, with widely recognized brands. Through 442 units and one million 186 thousand square meters of commercial area, it serves a large percentage of consumers of medium, medium-high and high-income segments.

50.0%

Contribution to sales

48.2%

Contribution to operating income

Industrial and manufacturing



Grupo Condumex

The sector operates a portfolio of products and services focused on satisfying the needs of the telecommunications, construction, electrical, energy, automotive and mining industries.

30.5%

Contribution to sales

34.8%

Contribution to operating income

Infraestructure and construction



Carso Infraestructura y Construcción

It serves five segments: chemical and oil industry, pipeline installation, infrastructure, civil construction and housing development.

19.5%

Contribution to sales

15.0%

Contribution to operating income

Carso Energy



Carso Energy

The division participates in the energy and oil industry. Currently, it supplies gas transportation services for the Federal Electricity Commission (Comisión Federal de Electricidad). Similarly, it takes advantage of business opportunities derived from the Energy Reform in Mexico and other markets.

0.8%

Contribution to sales

1.6%

Contribution to operating income

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



Formats:

- Department stores and boutiques
- Shop-Restaurant
- Electronics and technology

Main brands:

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

Services and products:

- Cables (energy, telecommunications, electronic, coaxial, optic fiber, and for mining and automotive use, among others)
- Electric harnesses for automotive use
- Precision steel pipes
- Transformers
- Alternative energy

Main brands:

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

It is dedicated to the construction of:

- Roads, tunnels, water treatment plants and infrastructure in general
- Oil rigs and equipment for the chemical and oil industry
- Oil and geothermic well drilling, and drilling services
- Shopping centers, industrial plants, office buildings and housing

Main brands:

- CICSA
- Swecomex
- Bronco Drilling
- Cilsa
- GSM
- PC Construcciones
- Urvitec

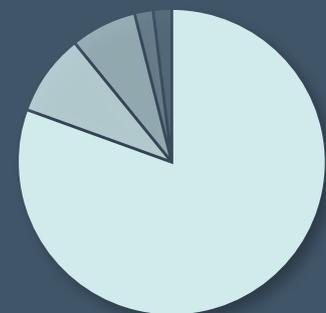
It is dedicated to:

- Gas transportation services

Main brands:

- Carso Energy
- Carso Oil & Gas
- Carso Electric

Sales Breakdown by Geographic Division



- 81.4% Mexico
- 10.8% North America
- 7.3% Central, South America and the Caribbean
- 0.3% Europe
- 0.2% Rest of the world

Key financial information

(Amounts in thousand pesos, except earnings per share, which is shown in pesos, and outstanding shares)

	2014	2015	2016	2016 vs 2015	Var
Sales	82,387,858	88,223,816	95,187,635		7.9%
Gross Profit	23,206,133	25,562,314	28,470,025		11.4%
Operating Income	9,089,522	10,329,259	13,725,876		32.9%
EBITDA	10,606,017	12,570,512	14,578,076		16.0%
Controlling Participation in Net Income	5,684,990	6,196,155	9,524,896		53.7%
Earnings per Share (EPS)*	2.48	2.72	4.20		54.6%
Margins					
Gross	28.2%	29.0%	29.9%	0.9	pp
Operating	11.0%	11.7%	14.4%	2.7	pp
EBITDA	12.9%	14.2%	15.3%	1.1	pp
Net	6.9%	7.0%	10.0%	3.0	pp
Revenues					
Retail	41,202,547	44,413,058	47,593,847		7.2%
Industrial	25,956,926	26,951,014	29,048,773		7.8%
Infrastructure and Construction	14,799,667	16,492,889	18,512,889		12.2%
Energy	786,116	769,319	794,257		3.2%
EBITDA**					
Retail	5,027,548	5,707,369	6,465,469		13.3%
Industrial	2,821,982	4,052,744	5,127,274		26.5%
Infrastructure and Construction	2,221,607	2,297,009	2,448,779		6.6%
Energy	470,470	384,056	463,993		20.8%
EBITDA Margin					
Retail	12.2%	12.9%	13.6%	0.7	pp
Industrial	10.9%	15.0%	17.7%	2.6	pp
Infrastructure and Construction	15.0%	13.9%	13.2%	-0.7	pp
Energy	59.8%	49.9%	58.4%	8.5	pp
Total Assets	91,710,398	94,184,910	109,556,349		16.3%
Total Liabilities	30,525,037	30,390,542	37,976,185		25.0%
Stockholders' Equity	61,185,361	63,794,368	71,580,164		12.2%
Compounded Average Outstanding Shares ('000)	2,289,802	2,281,190	2,268,787		-0.5%

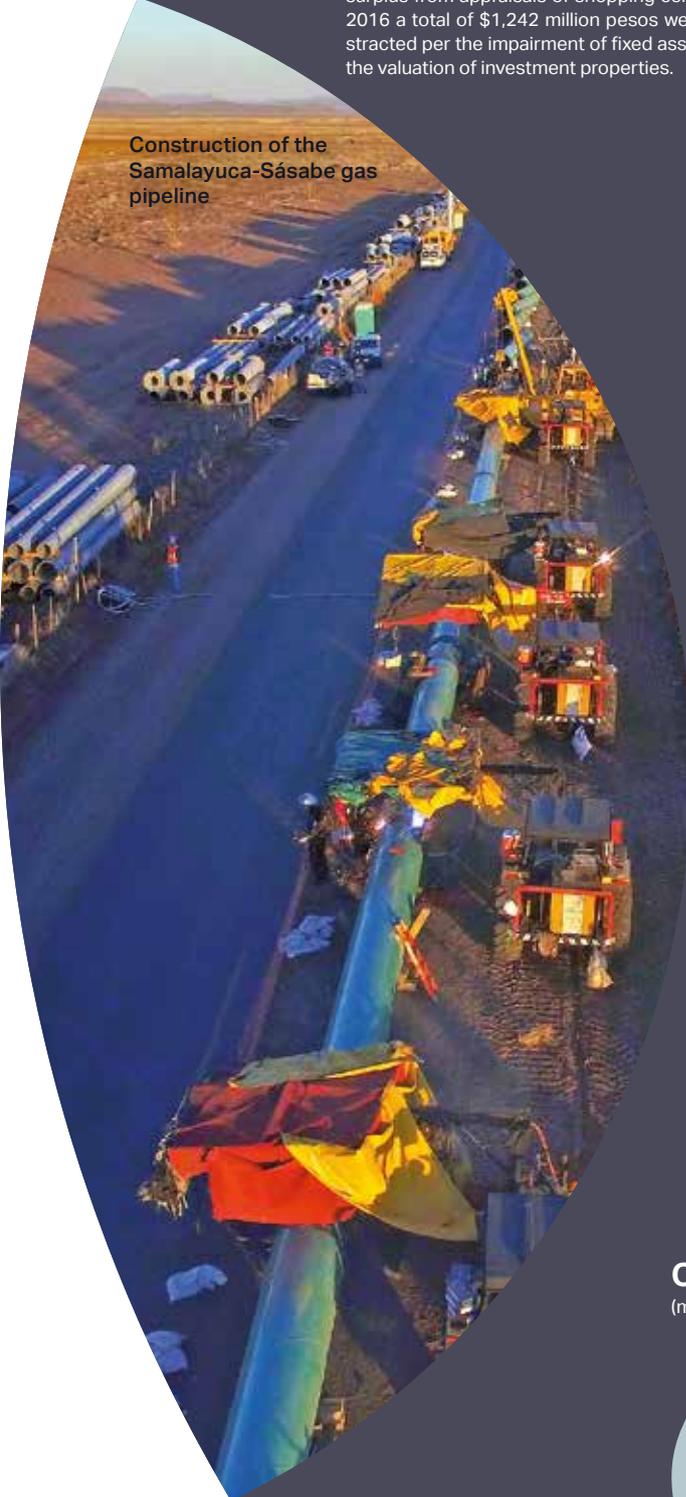
* EPS: Calculated as Controlling Participation in Net Income divided by the compounded average shares outstanding.

** 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.

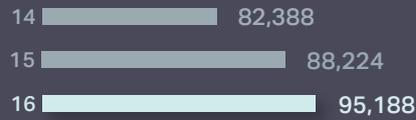
*Note: A total of \$7,589 million pesos were subtracted to the consolidated operating income and EBITDA of 2013 due to the sale of Philip Morris Mexico (PMM) as well as \$210 on the valuation of investment properties. In 2014 a total of \$210 million pesos were added to the consolidated operating income 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 amounts of impairment of machinery and equipment and exploration expenses, nor the surplus from appraisals of shopping centers. In 2016 a total of \$1,242 million pesos were subtracted per the impairment of fixed assets and the valuation of investment properties.

Construction of the Samalayuca-Sásabe gas pipeline



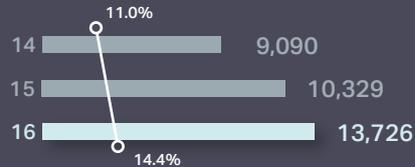
Sales

(million pesos)



Operating income*

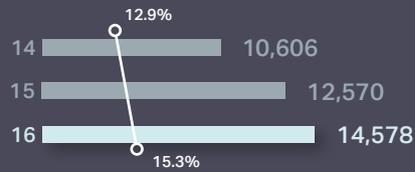
(million pesos)



○—○ Operating margin

EBITDA*

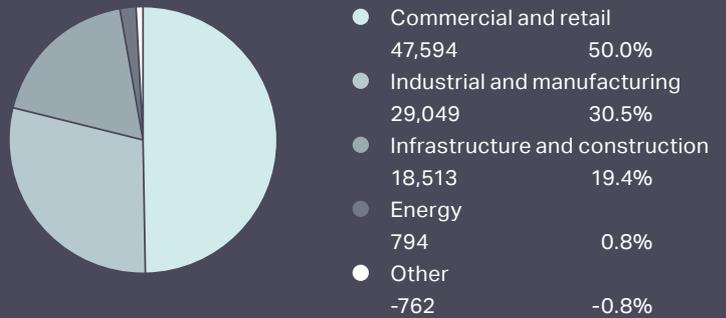
(million pesos)



○—○ EBITDA margin

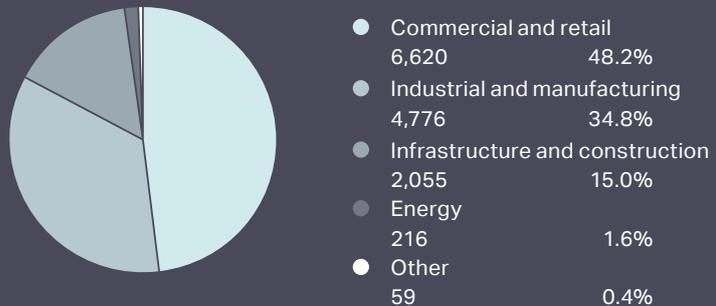
Sales breakdown by subsidiary

(million pesos)



Operating income breakdown by subsidiary

(million pesos)



Letter to shareholders

Catenary machine for high voltage cables at the Vallejo Plant



Economic Outlook

During 2016, significant factors had an impact on the global financial environment, including the volatility at the financial markets and the referendum in the United Kingdom to decide on the convenience of leaving the European Union. Likewise, the strengthening of the value of the U.S. dollar against other currencies and the Mexican peso, because of the presidential elections in that country, was part of the events that characterized the year.

In the year, the U.S. economy expanded 1.6% mainly driven by a 5.77% growth in durable goods consumption. Nonetheless, private investment decreased 1.55%. Similarly, the benchmark interest rate in the United States increased by 25 basis points, which was mainly due to the high level of employment and inflation rate in comparison with the Federal Reserve target. As a result, the country's monetary policy was adjusted.

In Mexico, the country's Gross Domestic Product (GDP) grew by 2.3%, a marginally lower rate than that registered in 2015. Furthermore, formal employment expanded 4.10%. In particular, the tertiary sector of the economy offset the zero growth observed in the secondary sector, which was a result of both lower oil production and the moderate growth that the manufacturing industry showed. Regarding the behavior of domestic consumption in Mexico, the indicator was positively driven by a greater historical flow of remittances to the country, lower interest rates and the presence of higher, real salaries and wages. The inflation rate stood at 3.4%, driven mainly by a higher price of electric energy and fuels, as well as by the devaluation of the Mexican peso against other currencies towards the end of the year.

The Mexican currency suffered a devaluation of 18% during the year, registering a high volatility derived from the uncertainty produced by the presidential election in the United States of America, with potential impact on the North American Free

+Ps. 6,964

million grew the sales of
Grupo Carso in 2016.

Saks Fifth Avenue

Saks Fifth Avenue in Santa Fe



Trade Agreement. This situation contributed favorably to a significant reduction of the trade deficit of our country in the last months of 2016. Additionally, Banco de México modified the monetary policy by raising the benchmark interest rate five times along the year, from 3.25% to 5.75%.

The surplus in Banco de México's monetary reserves, as well as the convenience of monetizing public assets, jointly with the country's solid export industry, tourism, the domestic sector and other competitive advantages, allowed Mexico to strengthen in the face of new international challenges. Similarly, economic growth in the United States is expected to increase the demand for goods and employment in Mexico, positively affecting the growth rate of the domestic economy.

Grupo Carso

In 2016, Grupo Carso recorded positive financial performance and achieved a solid improvement in its profitability levels, through which it overcame the macroeconomic challenges in the year. We expanded our businesses, consolidated strategies, improved our operations, and diversified the Group's businesses and products. This allowed us to capitalize on new business opportunities in the sectors and markets in which the Group participates and lay the foundations for future growth.

Despite exchange rate volatility, as well as changes in consumer preferences, along with pressures in the competitive arena, we grew and consolidated our business initiatives at Grupo Sanborns in the year. In this regard, sales expanded 7.2% due to the good performance of all formats. We opened 17 new Sears, Sanborns and iShop stores, with which we operated 442 units at the end of the year, equivalent to 1,186,000 square meters of commercial area. Similarly, we continued to develop proprietary brands and our domestic suppliers, and carried out image change and remodeling works where we have 50% of the Sears stores renovated.

The global environment evolves towards online commerce. In this regard, we continued to strengthen logistics and operations of our online trade capabilities, mainly at ClaroShop.com. These tasks are intended to deliver a better service to our customers in all channels.

We acquired a significant portion of the shares held by Sears United States at Sears Operadora México S.A. de C.V. Under the terms of the transaction, which took place in the year, Grupo Sanborns now holds an equity interest of 99% in that operation.

We strengthened the competitive position and leveraged the portfolio of recognized brands of cables, as well as the operating efficiency of Grupo Condumex, whose sales increased 7.8% as a result of a higher volume of cables for the construction and telecommunications markets. We expanded the customer base and consolidated our commercial alliances with distributors that participate in the sector. The automotive business showed strong performance through business diversification and cost reduction initiatives, and the growth of the automotive industry in Mexico.

Because of our performance and the quality of our products, we obtained various awards from our main clients. In this regard, General Motors awarded us the "GM Supplier Quality Excellence Award" and "2015 GM Certificate of Excellence Silver", thus recognizing our high level of quality and performance. For its part, we obtained from Daimler the "2015 Master of Quality Daimler Buses" recognition, while Valeo granted us the "Valeo BEST Project Management 2016" award. In addition, the Apaseo and Cordaflex plants obtained the "2015 Pinnacle Award" from our partner Delphi, in recognition of our commitment to quality, value and cost performance.

The industrial division is focused on improving product mix. In this regard, we have carried out divestitures in secondary busi-

A sound improvement in profitability was achieved: the operating income of the Group increased 32.9% and EBITDA increased 16.0%.



El Caminero elevated bypass road

nesses. These actions led to a 26.5% increase of EBITDA in Grupo Condumex during the year, with the division accounting for the largest increase in terms of profitability within the Group.

Sales at Carso Infrastructure and Construction (CICSA) expanded 12.2%, reflecting a greater contribution from various markets, such as pipeline installation and infrastructure. Both allowed offsetting the lower level of sales registered at the oil, civil construction and housing sectors.

Important projects were completed during the year. These included the final phase of the Wastewater Treatment Plant of Atotonilco, the Southern Guadalajara bypass road and El Caminero elevated bypass road in Mexico City.

At CICSA, we have adapted to the complex macroeconomic dynamics, as well as those of the industry. Despite lower government spending, we have worked to diversify our businesses. As a result, we have established strategic alliances and associations with other companies. This modality has allowed us to participate recently in the construction of the Runway 3 and the Terminal building of the new airport of Mexico City. Particularly, our alliance with FCC (FCC Americas) will allow us to participate in construction projects in the Americas.

Regarding the Carso Energy division, sales increased 3.2%, which is mainly a result of income from rentals of the Jack-Up "Independencia I". Similarly, we concluded the construction of the Waha - Presidio gas pipeline, which provides gas transportation service to the Federal Electricity Commission (Comisión Federal de Electricidad) in Mexico. The Waha - San Elizario gas pipeline, located in the state of Texas, in the United States of America, and the Samalayuca - Sásabe gas pipeline, located in the states of Chihuahua and Sonora in Mexico, are still under construction. Our energy division will continue to seek opportunities to engage in business related to the oil, natural gas and alternate energy markets.

The aforementioned events allowed us to shape the performance of our four divisions, as well as to increase Grupo Carso's net sales by 7.9% in the year, totaling Ps. 95,188 million. In addition, the Group's operating income expanded 32.9%, explained by the extraordinary item generated by the purchase of Sears Operadora México shares. Similarly, EBITDA increased

by 16.0% as a result of better operating and financial results. Consequently, Grupo Carso's net income grew 53.7%, while net earnings per share stood at Ps. 4.20, in comparison with Ps. 2.72 achieved in the previous year.

Grupo Carso's financial position remains solid. In this regard, total assets increased 16.3% to Ps. 109,556 million, while consolidated stockholders' equity rose 12.2% to Ps. 71,580 million. Total liabilities totaled Ps. 37,976 million.

Currently, Grupo Carso maintains a corporate structure and financial viability that allow it to execute future projects. In this respect, the net cash flow generated by operating activities was Ps. 6,578 million. Moreover, the Group's total indebtedness increased 58.1% to Ps. 11,721 million, as a result of the bridge loan contracted to finance the construction of the Samalayuca - Sásabe gas pipeline. Particularly, Grupo Carso paid in cash an ordinary dividend of Ps. 0.88 pesos per share, from the balance of the Net Tax Profit Account, which took place between May and October 2016. Finally, the Group made investments in fixed assets for Ps. 7,949 million during the period.

With regard to sustainability, the Carlos Slim Foundation executed programs in various fields, thus demonstrating the high sense of social responsibility that it maintains under a scope of efficiency and opportunity. In this regard, the foundation participated in education, employment, health, nutrition, social justice, and culture, as well as human development, natural disasters, economic development, and environmental protection and conservation. The foundation's actions contributed to improving the quality of life of the population, thus promoting the formation of human capital, as well as generating opportunities for the integral development of people and communities.

On behalf of the Board of Directors, I would like to thank our shareholders, customers and suppliers for the trust they have placed in us. Likewise, I thank all our teams, urging them to continue showing the motivation required for Grupo Carso to achieve the goals it has set, to continue to improve its performance year by year, and to contribute to the development of Mexico.

Sincerely,
Mr. Carlos Slim Domit
 Chairman of the Board

Management's discussion and analysis

Report of the Chief Executive Officer to the Board of Directors on the results of fiscal year 2016.

During 2016, Grupo Carso's consolidated sales increased 7.9% to Ps. 95,188 million, which represented Ps. 6,964 million more than the sales recorded in the previous year. This increase was mainly the result of the good performance shown by the four divisions of the Group. In this regard, Sales in the commercial sector expanded by 7.2%, while sales of the industrial, infrastructure and construction, and energy divisions grew 7.8%, 12.2% and 3.2%, respectively, in the year.

Consolidated operating income showed a solid increase of 32.9% in the year to reach Ps. 13,726 million. This effect was a result of higher profitability in all divisions, mainly in Grupo Sanborns and Grupo Condomex, and, to a lesser extent, at Carso Infraestructura y Construcción and Carso Energy. This reflected both the initiatives undertaken to reduce costs, as well as a mix of services and higher value-added products, together with the recognition of a Ps. 1,141 million effect in Grupo Sanborns. This item arose from the acquisition of 14% of the capital stock of Inmuebles SROM, S.A. de C.V. Without considering this extraordinary effect, operating income would have increased 21.8% in the year compared to 2015.

Accumulated EBITDA for the year was Ps. 14,578 million, an increase of 16.0% against 2015. (This figure does not include Other Expenses of Ps. 44 million resulting from the impairment of assets, nor Other Revenues for Ps. 1,286 million from the valuation of real estate, as it excludes the extraordinary item generated in Grupo Sanborns previously mentioned). The EBITDA margin stood at 15.3% in 2016, or 110 basis points higher than the EBITDA margin achieved in the previous year.

Comprehensive financing result in the year was Ps. 715 million, which compares with a financing cost of Ps. 927 million in 2015.

In 2016, net operating income increased 53.7% to reach Ps. 9,525 million, which compares favorably with the net income of Ps. 6,196 million recorded in 2015. This was a result of better operating and financial results in the period, as well as the extraordinary effect previously mentioned. Similarly, the net margin, expressed as a percentage of sales, went from 7.0% in 2015 to 10.0% in the year.

As of December 31, 2016, total debt increased 58.1% to reach Ps. 11,721 million, which was mainly the result of the bridge loan obtained to finance the construction of the Samalayuca - Sásabe gas pipeline. The total debt matures in the short term, while 51% is denominated in Mexican pesos. In particular, the Group's net debt was Ps. 5,365 million. This includes a reduction of 40.9% in cash and temporary investments derived from the payment of dividends, the repurchase of shares, and contributions made by Carso Energy for the construction of gas pipelines, as well as the opening and remodeling of Grupo Sanborns stores. In addition, the reduction in cash position is explained by the acquisition of 14% of the shares of Sears Operadora México and Inmuebles SROM, S.A. de C.V. As a result, the net debt to LTM EBITDA ratio stood at 0.37 times, and interest coverage ratio, explained as the ratio between LTM EBITDA and interest paid, was 28.1 times. Noteworthy is the fact that the Company's dual program of notes for up to Ps. 5,000 million changed. In this respect, long-term issuances now mature in March 2017 from which are now classified in the short term.

Product of the better operating and financial results, as well as extraordinary effects commented, controlling net income of Grupo Carso grew 53.7% to reach Ps. 9,525 million in 2016.



commercial and retail

Sales of the commercial and consumer division grew 7.2% to reach Ps. 47,594 million in 2016, Ps. 3,181 million more than the previous year.

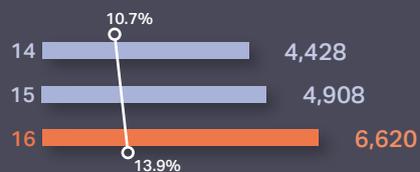
Sales

(million pesos)



Operating income

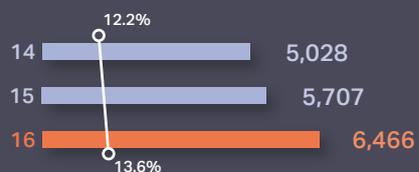
(million pesos)



○—○ Operating margin

EBITDA

(million pesos)



○—○ EBITDA margin

commercial and retail

Grupo Sanborns

Sales of the commercial and consumer division grew 7.2% to reach Ps. 47,594 million in 2016, Ps. 3,181 million more than the previous year. Without considering the adjustment in the business plan for telephony products and services, which prevailed in the first nine months of the year, annual sales would have increased 9.7% to reach Ps. 49,278 million. In particular, the Sears, Sanborns and Promotora Musical stores showed a good performance in sales, where the contribution of each format was 51.6%, 26.7% and 15.2%, respectively.

In the year, income for consumer financing was Ps. 3,183 million, an 8.6% increase if compared with Ps. 2,931 million recorded in 2015. The percentage of non-performing credits over 90 days was 2.8% at the end of the year, a rate below the market.

Grupo Sanborns' operating income increased 34.9% to reach Ps. 6,620 million, thanks to the better profitability due to a higher gross margin. Notwithstanding the foregoing, the recording of Other Income for Ps. 1,396 million, of which Ps. 1,141 million were derived from income recorded by the 14% acquisition of Inmuebles SROM, S.A. de C.V., contributed to the operating profitability of Grupo Sanborns. Likewise, Ps. 122 million that derived from the valuation of real estate in the year, among other items, contributed to the good operating performance.

EBITDA grew 13.3% from Ps. 5,707 million in 2015 to Ps. 6,465 million in the year. Similarly, the EBITDA margin stood at 13.6%, which represented an improvement of 70 basis points when compared to the margin obtained in the previous year.

Grupo Sanborns' net income grew 44.5% in 2016 to reach Ps. 4,466 million, compared to the net income of Ps. 3,090 million recognized in the previous year. This effect is mainly explained by the achievement of better operating results, as well as by Other Income as mentioned previously.

The expansion plan continued throughout the year. It included the opening of six Sears, seven Sanborns and four iShop stores. Particularly, seven units were remodeled (all formats) in 2016. Meanwhile, the capital investments of Grupo Sanborns totaled Ps. 2,905 million, 28.8% higher than the previous year. Capex included the opening of two new Sears stores, the expansion of the distribution center, and the start of construction of two stores to be operative in 2017.

Taking into account all commercial formats, Grupo Sanborns operated 442 units at the end of 2016, representing a 6.4% expansion in the commercial area, equivalent to one million 186 thousand square meters.

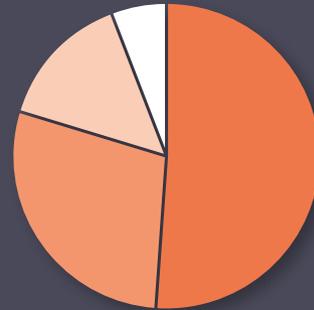


*Grupo Sanborns' CapEx was Ps. 2,905 million,
28.8% higher than in 2015.*

Vía Vallejo iShop



Sales by format



● Sears	51.6%
● Sanborns	26.7%
● Promusa	15.2%
● Other	6.5%

Ps. 3,183

million in credit income in the Commercial Division.



Atizapan Sears

Arming of automotive harnesses at the Arcomex Plant

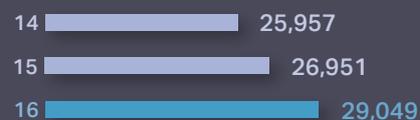


industrial and manufacturing

Operating income and EBITDA summed up Ps. 4,776 million and Ps. 5,127 million, reflecting solid increases of 26.9% and 26.5%, respectively, compared to the figures of the previous year.

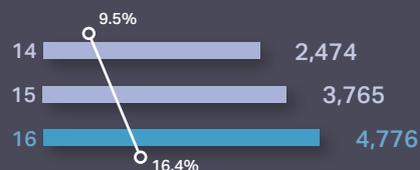
Sales

(million pesos)



Operating income

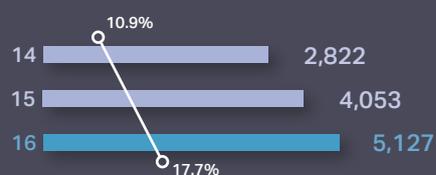
(million pesos)



○—○ Operating margin

EBITDA

(million pesos)



○—○ EBITDA margin

industrial and manufacturing

Grupo Condumex

In 2016, sales at Grupo Condumex grew 7.8% to Ps. 29,049 million, compared to sales of Ps. 26,951 million recorded in the previous year. In this regard, the automotive sector's sales stand out, reflecting a greater volume of direct and indirect export of cables and harnesses to markets in the United States and South America. Likewise, the Telecommunications sector and construction cables contributed to the growth observed.

Operating income and EBITDA summed up Ps. 4,776 million and Ps. 5,127 million, respectively, reflecting solid increases

of 26.9% and 26.5% in the year. The growth was mainly explained by the mix of products, where, the Automotive and Construction divisions gained greater participation within the portfolio, and contributed to the increase in profitability.

Net income increased 45.6% in the year to reach Ps. 3,249 million, which compares with the net income of Ps. 2,231 million recorded in 2015.

Capital expenditures made by Grupo Condumex in 2016 totaled Ps. 362 million.

*EBITDA at Grupo Condumex grew 26.5%,
the highest growth rate of profitability
within Grupo Carso.*

Fiber Optic at the ConduTel Plant

Arcomex Plant

The Automotive Sector won the “GM Supplier Quality Excellence Award” and “2015 GM Certificate of Excellence Silver”, as a result of the high level of quality and performance.

Ps. 29,049

million in sales at Grupo Condumex, a growth of 7.8% against 2015.





infrastructure and construction

The annual sales of Carso Infraestructura y Construcción were Ps. 18,513 million, representing a growth of 12.2% in the year. This was mainly due to higher sales in the Installation of pipelines and additional installation services in the telecommunications sector, together with the execution of new Civil Construction and Infrastructure projects.

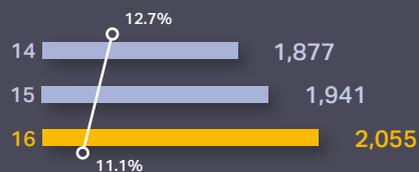
Sales

(million pesos)



Operating income

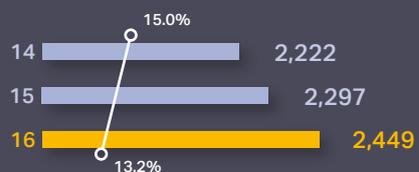
(million pesos)



○—○ Operating margin

EBITDA

(million pesos)



○—○ EBITDA margin

infrastructure and construction

Carso Infraestructura y Construcción

The annual sales of Carso Infraestructura y Construcción were Ps. 18,513 million, representing a growth of 12.2% in the year. This was mainly due to higher sales in the installation of pipelines and the provision of additional installation services in the telecommunications sector in Mexico and South America, together with the execution of new civil construction and infrastructure projects.

The performance observed in these markets managed to offset the lower level of sales recorded in the manufacturing and services for the chemical and oil industry sector, where the turnover related to the oil industry decreased during the year.

Operating income and EBITDA increased by 5.6% and 6.6% respectively, while operating margin and EBITDA margin stood at 11.1% and 13.2%. This was a result of the mixture of projects, where a lower activity in the execution of projects for Petróleos Mexicanos was recognized, especially in the manufacturing and services for the chemical and oil industry sector, as previously mentioned.

The controlling net income of Carso Infraestructura y Construcción was Ps. 1,049 million in 2016, compared to the net income of Ps. 1,193 million recorded in the previous year, thus representing a decrease of 12.0%.

By the end of 2016, the backlog of Carso Infraestructura y Construcción was Ps. 13,088 million, compared to Ps. 17,502 million observed in the previous year. The figure for 2016 does not include Ps. 2,726 million corresponding to projects conducted jointly with other companies, therefore the backlog would have been valued at Ps. 15,814 million. This amount considers the beginning of civil work of the Track 3 of the new airport in Mexico City, but not yet that of the Terminal Building.

Investments in fixed assets carried out during 2016 totaled Ps. 137 million.

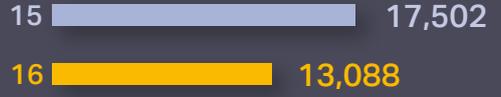
In CICSA, we have adapted to the macroeconomic and industry environment, thus seeking the diversification of our businesses.

Acapulco tunnel

Inbursa water park

Annual Backlog*

(million pesos)



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

Ps. 18,513

million totaled the sales of Carso Infraestructura y Construcción during 2016.

Culiacan bypass road

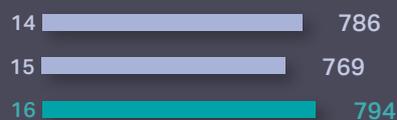


Carso Energy

During the year, Carso Energy sales were Ps. 794 million, an increase of 3.2% against the previous year, mainly explained by income derived from rentals of the Jack-Up "Independencia I".

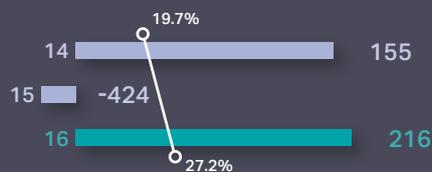
Sales

(million pesos)



Operating income

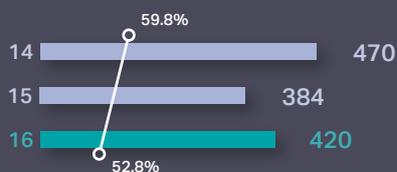
(million pesos)



○—○ Operating margin

EBITDA

(million pesos)



○—○ EBITDA margin

Carso Energy

During the year, Carso Energy sales were Ps. 794 million, an increase of 3.2% against the previous year, mainly explained by income derived from rentals of the Jack-Up "Independencia I".

Accumulated operating income was Ps. 216 million, a figure that compares favorably with the operating loss of Ps. 424 million recorded in 2015.

EBITDA for the year was Ps. 420 million, 9.3% more than 2015. Similarly, the EBITDA margin stood at 52.8%.

In January 2015, the Federal Electricity Commission (CFE, Comisión Federal de Electricidad) granted Carso Energy a contract for the provision of gas transportation services through the Waha - Presidio and Waha - San Elizario pipelines, both located in the state of Texas, in the United States of America. Carso Energy is a consortium involving Energy Transfer Partners, LP and Mastec, Inc. Carso holds a 51.0% stake in both companies, which are responsible for the pipelines projects. The pipelines have a length of 238 and 313 kilometers, respectively, and a diameter of 42 inches. In particular, the Waha - Presidio pipeline will be ready to serve the CFE beginning February 2017 once the compression tests and the

interconnection works have been completed. Furthermore, the Waha - San Elizario gas pipeline is expected to become operational in the first half of 2017.

On September 11, 2015, Carso Electric S.A. de C.V. won the tender of the CFE for the provision of gas transportation services through the Samalayuca - Sásabe pipeline, which will be located in the states of Chihuahua and Sonora, in Mexico. Carso Energy holds a 100.0% stake in the company in charge of the duct. Its length will be 624 kilometers and have a diameter of 36 inches. At the end of 2016, construction works of the pipeline continued, with significant advances in obtaining the rights of way, the completion of technical studies for the change of land use, and the availability of tubes and valves required. It is estimated that this pipeline will start operations in 2018.

Investments in fixed assets carried out by Carso Energy during 2016 were Ps. 4,544 million.

Mr. Antonio Gómez García
Chief Executive Officer

The sales of Carso Energy increased 3.2% mainly due to rentals from Jack-Up "Independencia I".

"Independencia I" oil Jack-Up

Gas pipeline construction



Location of gas pipelines



Ps. 4,544

million totaled the capital expenditures during the year.

In January 2015, the Federal Electricity Commission (CFE) selected Carso Energy S.A. de C.V., together with Energy Transfer Partners LP and Mastec Inc., for the construction and operation of two gas pipelines in the state of Texas, in the United States of America:

Waha-Presidio

- Carso Energy stake: **51.0%**
- Net Present Value of **US\$ 767** million offered
- Length of **238 kilometers** and diameter of **42 inches**
- Gas transportation service contract
- **25-year** income from U.S. dollar-denominated rentals
- Start of operations: **February 2017**

Waha-San Elizario

- Carso Energy stake: **51.0%**
- Net Present Value of **US\$ 596** million offered
- Length of **313 kilometers** and diameter of **42 inches**
- Gas transportation service contract
- **25-year** income from U.S. dollar-denominated rentals
- Start of operations: **1Q17**

In September 2015, the CFE selected Carso Electric, a subsidiary of Energy Carso S.A., for the construction and operation of a pipeline in the states of Chihuahua and Sonora, in Mexico:

Samalayuca-Sásabe

- Carso Energy stake: **100.0%** (consolidated with Grupo Carso)
- Net Present Value of **US\$ 471** million offered
- Length of **624 kilometers** and diameter of **36 inches**
- Gas transportation service contract
- **25-year** income from U.S. dollar-denominated rentals
- Start of operations: **2018**



Social responsibility activities



Reforestation activities by CIDECA

Social performance

The Carlos Slim Foundation (Fundación Carlos Slim) conducts programs in various fields, thus proving its high sense of social responsibility with a focus on efficiency and timeliness.

We participate in areas like education, employment, health, nutrition, social justice, culture, human development and natural disasters, as well as economic development, and protection and conservation of the environment. Our actions contribute to improving the quality of life of people of all ages, promoting the formation of human capital and creating opportunities for the integral development of individuals and communities.

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

In addition to the activities carried out by the Foundation, the following initiatives complement the investments made in the education, health, infrastructure and community development fields:

- Corporate volunteering at Condumex work centers
- Annual participation in the control and prevention of diseases and illness efforts, jointly with the support of the Carlos Slim Health Institute (Instituto Carlos Slim de la Salud)
- The Carso Center for the Study of History of Mexico (CEHM, Centro de Estudios de Historia de México)
- The Carso Training Centers (Centros de Capacitación Carso) for public benefit.
- The Carso Research and Development Center (CIDECA, Centro de Investigación y Desarrollo Carso)
- Academic bonding for projects of technical innovation by Condumex and Carso Infraestructura y Construcción

3,583

courses on technical training, skills and safety were offered at Condumex and CICSA.



- Rescue program of Sanborns buildings
- Hiring of people with disabilities in Sanborns and Sears, with the support of the Mexican Organization for People with Disabilities (CONFE, Confederación Mexicana de Organizaciones a Favor de la Persona con Discapacidad), the Center of Multiple Attention (CAM, Centro de Atención Múltiple), the Young Men's Christian Association (YMCA), as well as the National System for the Integral Family Development (DIF, Sistema Nacional para el Desarrollo Integral de la Familia)
- Free courses of the "Training for Job" (Capacitate para el Empleo) platform of the Carlos Slim Foundation, where general public gets access to the job boards of Grupo Carso's companies, including processes of recruitment.

Carso training centers carry out free training. Public in general is involved in basic and advanced courses on residential low voltage electrical installations. In the year, 1,850 people graduated from the 66 courses offered, thus recording a total of 118,680 hours of training.

Environmental performance

The "Carso Environment" report is published every year. It includes our Environment policy in addition to general indicators, projects by sector and / or company, and measurable results in volume and in economic terms. Some aspects covered in the report include:

- Energy savings
- Water savings
- Waste management of urban solids (dangerous and special handling)
- Reduction of carbon dioxide emissions
- Caring of trees and flora
- Route and logistic optimization for fuel savings

During the year, thirteen Condumex plants have environmental management systems certified under ISO 14001: 2004. In particular, eight obtained third-party certification, while seven plants obtained internal proprietary certification. Plants certified by third parties have begun the transition to ISO 14001: 2015.

The Arela plant in Apaseo, in the state of Guanajuato and the Condumex plant in Guadalajara, in the state of Jalisco, voluntarily obtained the distinctive "Empresa Limpia" (Clean Company). Meanwhile, the Latincasa plant, located in the state of San Luis Potosi, received environmental certification from the Federal Attorney for Environmental Protection (PROFEPA, Procuraduría Federal de Protección al Ambiente).

During 2016, Carso Infraestructura y Construcción continued carrying out the processes for implementing the ISO 14001 standards for environmental management. It also conducted endorsement of certificates and met the mitigation measures established by environmental authorities.

As part of our responsibilities, we try to keep updated and properly communicate our processes and procedures. They are aimed, among others, to ensure the high quality of our products, human capital management, our value chain, and ethical practices, together with environmental care and energy efficiency. In that regard, we have progressed in workplaces at CICSA and Grupo Condumex to obtain the certifications ISO 9001, OHSAS 18001 / PASST, ISO 14001, Industria Limpia (Clean Industry), Liderazgo Ambiental (Environmental Leadership) and ISO 50001.

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

The free courses offered by the "Training for Job" program of the Carlos Slim Foundation are for the general public and include recruitment processes for Grupo Carso's companies.



Work performance, health and safety

Grupo Carso provides job opportunities for more than 74 thousand people (staff and temporary positions) in Mexico, Latin America and some European countries. In 2016, we created 976 new jobs. In particular, our employees have salaries and wages according to the regulation, the labor market, the own worker performance and level of responsibility and functions. The Benefit Programs for Employees of the three divisions of Grupo Carso include:

- Digital and other scholarships for children and immediate family members
- 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 (PRODES, Profesionistas en Desarrollo) program, in Carso Infraestructura y Construcción and Condumex
- Health prevention campaigns with the collaboration of the Mexican Social Security Institute (IMSS, Instituto Mexicano del Seguro Social) and the Ministry of Health (SS, Secretaría de Salud)
- Civil Protection Program that considers the training of volunteers organized in brigades
- Personal Development Program with the support of the ASUME, CRESE and Social Welfare programs

- Courses connected to the "Training for Job" platform of the Carlos Slim Foundation aimed at providing basic training to operative workers
- Training on sales and managerial skills

The integral development of employees represents an important aspect for Grupo Carso. The following programs proved to be successful in 2016:

- i. The ASUME (Asociación de la Superación por México, or Association for the Growth of Mexico) program reached 3,078 employees of Grupo Carso.
- ii. Through the CRESE (Programa de Calidad Humana, or Program for Human Quality) program, a system for quality assurance aimed at the respect of dignity, values, family integration and cultural immersion, four work centers were certified and 65 centers (stores, credit centrals, logistics and technical support) of Sanborns and Sears applied satisfactorily to renew certification.
- iii. The Social Welfare program considered three fundamental aspects, namely training, health, and culture and leisure. 34,612 workers of Grupo Carso and their families benefited from the program.

During 2016, Grupo Condumex and Carso Infraestructura y Construcción carried out 3,583 technical training courses and education on skills and safety for 37,190 participants.

Integral human development of Grupo Carso's workers is key. In this regard there are three programs to strengthen it: the ASUME Program, the Human Quality Program (CRESE) and the Social Welfare Program.

3,078

employees graduated from the ASUME Program (Association of Personal Growth Mexico).

The "Training for Job" program of the Carlos Slim Foundation continued during the year. Through online courses, we provided basic training to operative personnel and managers. In this regard, 5,864 collaborators from Sanborns, and 566 workers from Condumex and CICSA participated in the program. It is noteworthy that these two companies hired 45 people who attended the courses.

For further information about sustainability activities, review: http://www.carso.com.mx/ES/responsabilidad-social/Paginas/gestion_rse_carso.aspx



ASUME Program graduates

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-Six	Patrimonial Related
Antonio Cosío Ariño	CEO – Cía. Industrial de Tepeji del Río	Twenty-Six	Independent
Arturo Elías Ayub	Director of Strategic Alliances, Communication and Institutional Relations – Teléfonos de México CEO – Fundación Telmex	Nineteen	Related
Claudio X. González Laporte	COB – Kimberly Clark de México	Twenty-Four	Independent
José Humberto Gutiérrez Olvera Zubizarreta	Business Consultant	Twenty-Six	Independent
Daniel Hajj Aboumrad	CEO – América Móvil	Twenty-Two	Related
David Ibarra Muñoz	CEO – Despacho David Ibarra Muñoz	Fifteen	Independent
Rafael Moisés Kalach Mizrahi	CEO and COB – Grupo Kaltex	Twenty-Three	Independent
José Kuri Harfush	COB – Janel	Twenty-Seven	Independent
Juan Antonio Pérez Simón	COB – Sanborn Hermanos Vice-Chairman – Teléfonos de México	Twenty-Seven	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-One	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-Six	Patrimonial Related

SEARS

Atizapán Sears

Board Members	Position*	Years as Board Member**	Type of Member***
Julio Gutiérrez Trujillo	Business Consultant	Twelve	Independent
Antonio Cosío Pando	General Manager– Cía. Industrial de Tepeji del Río	Fifteen	Independent
Alfonso Salem Slim	Vice-Chairman – Impulsora del Desarrollo y el Empleo en América Latina COB –Inmuebles Carso	Sixteen	Patrimonial Related
Antonio Gómez García	CEO – Grupo Carso CEO - Carso Infraestructura y Construcción COB and CEO – Grupo Condomex	Thirteen	Related
Fernando G. Chico Pardo	CEO – Promecap	Twenty-Seven	Independent
Alejandro Aboumrad Gabriel	COB – Grupo Proa	Twenty-Six	Independent
Treasurer			
Arturo Spínola García	CFO and Administration Director – Carso Infraestructura y Construcción and Grupo Condomex	Three	
Secretary			
Alejandro Archundia Becerra	General Manager Corporate Legal –Grupo Condomex	Four	

* 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.

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 Report

Lic. José Kuri Harfush

Chairman

Mr. Antonio Cosío Ariño

Mr. Rafael Moses 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 2016.

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 the 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.B. de C.V., for the sale of telephone copper wire and optic fiber, telephone installation and sale of items for telephony, optic fiber linkage and long distance telephony matching sites, dining services, commissions for the sale of scrap, rescues and fleet replacement vehicles; Delphi Packard Electric Systems, for the sale of harnesses and cables, and automotive engineering services; Concesionaria Autopista Guadalajara - Tepic, S.A. de C.V., construction of road bypasses, revamp of roads and optic fiber linkage; and Claro, S.A., for the sale of wire and optic fiber, manufacturing and installation of wiring for data and design of communication networks, including the sale of telephone copper wire and optic fiber.

All transactions with related parties were conducted at market value 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, 2016.

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 entities 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 with substantial power to take advantage of business opportunities for themselves or for third parties, corresponding to the Company or entities that 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 that 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, 2016 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.

In addition, 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.



Arco Norte II highway

Because of the review of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries as of December 31, 2016, 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 management 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.

Regarding the financial information that the Company prepares and submits to the Mexican Stock Exchange and to the Securities and Exchange Commission of Mexico, we make sure that such information is prepared under the same accounting principles, criteria and practices as the annual information.

Finance and Planning functions

During the fiscal year 2016, the Company and some of the entities that 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 2016 together with the financial projections that were consid-

ered 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 that it controls and the independent auditor.

Mr. José Kuri Harfush

Chairman

Consolidated financial statements

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Independent auditors' report



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

Opinion

We have audited the accompanying consolidated financial statements of Grupo Carso, S.A.B. de C.V. and Subsidiaries (the Entity or Grupo Carso), which comprise the consolidated statements of financial position as of December 31, 2016, 2015 and 2014, the consolidated statements of profit and other comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements, which include a summary of the significant accounting policies used.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Carso, S.A.B. de C.V. and Subsidiaries as of December 31, 2016, 2015 and 2014, as well as their consolidated financial performance and consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Basis for opinion

We have conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code of Ethics) and the one issued by the Mexican Institute of Public Accountants (IMCP Code of Ethics), and we have complied with the other ethical responsibilities in accordance with the IESBA Code of Ethics and with the IMCP Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

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

Composition of Grupo Carso

As indicated in Note 1 to the consolidated financial statements, Grupo Carso is a diversified conglomerate comprised of four sectors, which have been defined as strategic. In the accompanying consolidated financial statements, the four sectors which are consolidated are: Commercial, Industrial, Infrastructure and construction and Energy.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year 2016. These matters were selected from those communicated to the Management and Audit Committee of the Entity, but are not intended to present all the matters discussed with them. Our audit procedures related to these matters were designed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that the matters described below are the key audit issues which should be communicated in our report.

a. Applicable to all the Sectors:**Calculation and recording of assets and liabilities from labor obligations**

(see Note 21 to the consolidated financial statements)

To determine the carrying value of the labor obligations it is required the use of actuarial assumptions in relation to the amount of obligations for items such as: retirement age, remaining labor life of all the employees and workers, as well as entry data which may be sensitive, principally the discount rate and the valuation of the plan assets may have a significant impact on such book value due to the characteristics of the investment portfolio which comprise such assets.

The procedures applied to validate these variables were: 1) we evaluated the technical capacity of the independent actuaries; 2) held meetings with the actuaries responsible for making the respective calculations in order to assess the methodology applied and the principal assumptions used; 3) challenged the key assumptions affecting the calculations, mainly the discount rate; and 4) obtained the investment portfolio of the assets and compared its valuation to independent sources. Also, we considered the appropriateness of the disclosures in relation to the balance of labor obligations and whether the disclosures related to the sensitivity analyses adequately reflect the risks inherent to such variables. The results of our audit procedures were reasonable.

b. Commercial Sector:**Revenue recognition****Presentation and completeness of the revenues reported in the financial statements**

(see Note 24 to the consolidated financial statements)

We assumed a risk of material misstatement related to revenue recognition and evaluated the types of revenues, revenue transactions or representations giving rise to such risks.

We ascertained the completeness of the revenues based on tests related to the daily point-of-sale closing process and the parameters used as a control by the system, as well as aspects related to the cutoff in the appropriate accounting period and their realization in cash or through accounts receivable. We analyzed the accurate presentation of the revenues in the financial statements. The results of our audit procedures were reasonable.

Allowances for doubtful accounts

(see Note 8 to the consolidated financial statements)

The Entity carries out sales of goods and services based on credit, resulting in accounts receivable and the corresponding allowance for doubtful accounts, which are determined once the loans have been made and the receivables show arrears regarding their recovery. The factors considered by the Entity in the allowance for doubtful accounts are mainly collection delays based on the credit conditions established, unsecured accounts and other relevant economic conditions.

We ascertained and confirmed that the allowance for doubtful accounts is calculated and recorded in accordance with the accounting policies and operations of the Entity, and we conducted maturity analysis tests and also reviewed the appropriate classification of the overdue receivables which support the parameters applied to determine the allowance for the current year. The results of our audit procedures were reasonable.

Property and equipment

(see Note 14 to the consolidated financial statements)

During the year and as a result of its normal operations, the Entity has opened, closed, remodeled, expanded and transformed some of its stores in their different formats; consequently, we have identified as a risk the appropriate control, recording and disclosures related to those operations in the financial statements, given the materiality of the amounts invested.

The procedures applied to validate the appropriate recording consisted of: 1) review of the amounts budgeted against the amounts invested and the review of internal controls for each project; 2) selective physical inspection of the newly opened or remodeled stores; 3) review of the appropriate and timely capitalization of each project to begin its depreciation; and 4) review of the correct handling and recording of the assets write offs during the closure or remodeling of the stores. The results of our audit procedures were reasonable.

Business acquisitions

(see Note 2 to the consolidated financial statements)

During 2016 the Entity acquired a majority ownership of Claro Shop Holding, S.A. de C.V., and subsidiaries, increased its ownership percentage in Sears Operadora México, S.A. de C.V., and also acquired a non-controlling interest in Inmuebles SROM, S.A. de C.V. Derived from these operations, we identified the risk of valuation, recording and presentation within the financial statements.

The procedures applied to validate the transactions were: 1) we held meetings with management to understand the bases and terms of the purchases; 2) analyzed the supporting documentation of the transactions; 3) reviewed the reasonableness of the process used to determine the fair values of the net assets acquired and; 4) challenged the management assumptions for the accounting treatment of each case.

We also considered the appropriateness of the disclosures in relation to each acquisition and whether the respective disclosures adequately reflect the conclusions reached. The results of our audit procedures were reasonable.

c. Industrial Sector:

Revenue recognition

Presentation and occurrence of the revenues reported in the financial statements

(see Note 24 to the consolidated financial statements)

We assumed a risk of material misstatement related to revenue recognition and assessed which types of revenues, revenue transactions or representations give rise to such risks.

Our audit procedures included test of details and analytical tests, in order to validate the recognition of revenues inherent to the transfer of risks and benefits of ownership. We also analyzed the proper presentation of revenues in the financial statements. The results of our audit procedures were reasonable.

Inventories and cost of sales

(see Note 9 to the consolidated financial statements)

We identified as a risk the physical existence of raw materials and finished product inventories, as well as the net realizable value of the finished product inventory, and the correct determination of the cost of sales of the Entity for the following reasons; a) recording of nonexistent inventories, b) high demand for its basic raw material (copper), c) incorrect classification of the production process, based in the different elements comprising cost of sales, such as raw material, labor force, and manufacturing expenses (fixed and variable), d) recording of cost of sales for finished products not shipped, e) recognition of the cost of sales derived from nonexistent sales, and f) errors in the determination of cost of sales.

Our procedures included tests of details focusing on the physical inspection of raw materials and finished product inventories; we also tested the net realizable value of the finished products and based on analytical tests, we validated that the cost of sales matched the revenues recorded. The results of our audit procedures were reasonable.

d. Infrastructure and construction sector:

Recognition of construction revenues

(see Note 24 to the consolidated financial statements)

We identified that there is a risk of revenue recognition associated with the recorded costs incorporated in the Stage of Completion, and the associated account receivable for the Non Billed Stage of Completion (OENF, by its acronym in Spanish), for the following reasons: a) they represent work not authorized by the customers or, there is not appropriate documentation for revenue recognition or its possible collection, b) they includes costs valued at prices different from those agreed, or c) they have profit margins assigned when only their cost is recoverable.

Our review included detail tests focusing on the costs incurred, and we checked that the related documentation included that supported the occurrence and validity of the revenue. Also, we reviewed the lists of agreed prices and confirmed that the costs incurred were approved by the customer, as the case may be. Additionally, given the nature of the risk, we included procedures designed to review the revenue recognition trend of certain projects to address additional considerations. Finally, we carried out procedures focusing on the OENF receivable balances, with regard to the evidence of their collectability. The results of our audit procedures were reasonable.

e. Energy Sector:

Exploration expenses and equipment and going concern in the subsidiary Tabasco Oil Company (TOC)

(see Note 2 to the consolidated financial statements)

Given the significance of the balance of Exploration expenses and equipment and the cease of activities of TOC since 2015, it is essential to ensure that these items are reviewed appropriately to identify potential impairment. The determination on whether the carrying value of the Exploration expenses and equipment account is recoverable, requires management to make significant estimates regarding the future cash flows, discount rates, and their growth, based on management's opinion regarding the future outlook of the business.

As the Group's auditors, given that TOC is audited by other independent auditors, we met with the management of the Entity and analyzed the working papers and conclusions of the other auditors, and reviewed the assumptions used by management in the impairment model, including specifically the cash flow projections, discount rates and long-term revenue growth.

Our fair value appraisal specialists assisted us with an independent assessment of the discounts rates used and the methodology used in the preparation of the impairment test model. We also tested the integrity and accuracy of the impairment model.

The results of our audit tests were reasonable, including that the assumptions used, such as the discount rate, which originated the recording of impairment on exploration expenses in the year.

Determination of the functional currency of the gas pipelines

(see Note 4.1 to the consolidated financial statements)

During 2016 the subsidiaries and joint ventures engaged in the construction and future operation of gas pipelines were in construction stage and are expected to begin operations in 2017 and 2018. Considering that several of the activities of these entities will be carried in US dollars, the Entity must evaluate the principal economic factors they operate with. This assessment requires management to make significant estimates and weight the results in order to conclude on the functional currency to be used.

Our audit procedures included, among others, review of the policies and procedures to evaluate the functional currency of such businesses, based on the specific industry and, we challenged the assumptions used to get to the conclusions on functional currency. As part of our audit procedures, we also performed the recalculation of the translation of the financial statements from their recording currency to their functional currency and to the reporting currency in accordance with the procedure established in IAS 21 "Effects of changes in the exchange rates". The results of our audit procedures were reasonable.

Information different from the consolidated financial statements and the auditors' report

Management is responsible for the other information. The other information will include the information that will be incorporated into the Annual Report that the Entity is required to prepare in accordance with Article 33, section I, subsection b) of Title Fourth, Chapter First of the General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico, and the Instructions which accompany those provisions (the Provisions). The Annual Report is expected to be available for consultation after the date of this audit report.

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

In relation to our audit of the consolidated financial statements, our responsibility is to read the Annual Report, and when doing so, to consider if the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or appears to contain a material misstatement. When we read the Annual Report we will issue the legend on the reading of the Annual Report required by Article 33, section I, subsection b) numeral 1.2. of the Provisions.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the relevant transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2016 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



C.P.C. Manuel Nieblas Rodríguez
March 17, 2017

Consolidated statements of financial position

As of December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

	Note	2016	2015	2014
Assets				
Current assets:				
Cash and cash equivalents	6	\$ 4,857,917	\$ 8,070,330	\$ 7,777,439
Investments in securities held for trading	7	1,498,719	2,692,010	6,313,231
Accounts and notes receivable, net	8	25,504,011	20,584,503	18,434,088
Due from related parties	23	3,682,581	3,436,079	2,672,542
Inventories, net	9	15,766,892	13,818,933	13,684,065
Prepaid expenses		723,039	698,115	942,431
Derivative financial instruments	13	10,898	-	-
Total current assets		52,044,057	49,299,970	49,823,796
Non-current assets:				
Long-term accounts receivable		10,143	27,479	48,062
Real estate inventories		873,262	790,920	877,318
Property, machinery and equipment, net	14	30,175,511	23,778,913	22,158,109
Investment property	15	2,668,495	2,449,834	2,166,803
Investment in associates and joint ventures	16	19,819,417	13,941,135	12,464,262
Employee retirement benefits	21	517,681	616,473	1,059,890
Derivative financial instruments	13	359,532	227,233	214,006
Intangible assets, net	17	663,438	560,880	1,013,668
Deferred income tax asset	27	2,048,472	2,143,195	1,754,350
Other assets – net	18	376,341	348,878	130,134
Total non-current assets		57,512,292	44,884,940	41,886,602
Total assets		\$ 109,556,349	\$ 94,184,910	\$ 91,710,398
Liabilities				
Current liabilities:				
Notes payable to financial institutions and other	19	\$ 6,721,179	\$ 2,411,615	\$ 2,717,358
Current portion of long-term debt	19	5,000,000	21	2,942
Trade accounts payable		9,346,930	8,399,593	8,535,817
Due to related parties	23	2,368,778	1,885,390	1,211,685
Other accounts payable and accrued liabilities		6,353,423	5,603,083	4,001,657
Provisions	20	3,269,303	2,346,175	4,240,288
Direct employee benefits		1,003,831	881,083	799,683
Derivative financial instruments	13	69,281	87,544	28,729
Advances from customers		125,581	274,120	973,268
Total current liabilities		34,258,306	21,888,624	22,511,427
Non-current liabilities:				
Long-term debt	19	-	5,000,000	5,000,026
Deferred income taxes	27	1,827,890	1,390,901	1,345,523
Other long-term liabilities		1,486,303	1,328,063	838,657
Employee retirement benefits	21	391,543	431,368	186,963
Derivative financial instruments	13	12,143	351,586	642,441
Total non-current liabilities		3,717,879	8,501,918	8,013,610
Total liabilities		37,976,185	30,390,542	30,525,037
Stockholders' equity				
Capital stock	22	2,530,929	2,533,048	2,536,774
Net stock issuance premium		879,092	879,092	879,092
Retained earnings		58,640,821	51,756,235	48,808,374
Other comprehensive income items		1,421,137	(56,014)	660,384
Controlling interest		63,471,979	55,112,361	52,884,624
Non-controlling interest		8,108,185	8,682,007	8,300,737
Total consolidated stockholders' equity	22	71,580,164	63,794,368	61,185,361
Total liabilities and stockholders' equity		\$ 109,556,349	\$ 94,184,910	\$ 91,710,398

See accompanying notes to consolidated financial statements.

Consolidated statements of profit and other comprehensive income

As of December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos, except for basic earnings per common share data)

	Note	2016	2015	2014
Net sales	24	\$ 95,187,635	\$ 88,223,816	\$ 82,387,858
Cost of sales	25	66,717,610	62,661,502	59,181,725
Gross profit		28,470,025	25,562,314	23,206,133
Sales and development expenses	25	11,838,925	11,088,808	10,534,161
Administrative expenses	25	3,931,465	3,659,401	3,663,867
Statutory employee profit sharing		388,308	350,417	289,519
Other (income) expenses, net	26	(273,282)	263,805	(580,322)
Interest expense		518,538	389,795	440,199
Interest income		(377,811)	(473,088)	(465,787)
Exchange gain		(3,973,438)	(1,886,461)	(1,491,621)
Exchange loss		3,079,668	1,849,986	1,901,218
Effects of valuation of derivative financial instruments		38,180	1,046,921	671,804
(Gain) loss on disposal of shares of associates	16c	(1,141,267)	(129,376)	209,386
Equity in income of associated companies and joint ventures		(1,868,484)	(1,275,577)	(1,414,603)
Income before income taxes		16,309,223	10,677,683	9,448,312
Income taxes	27	5,030,852	3,173,352	2,673,669
Consolidated net income for the year		\$ 11,278,371	\$ 7,504,331	\$ 6,774,643
Other comprehensive income, net of income tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations		392,522	(252,695)	453,498
Valuation of derivative financial instruments		11,487	(1,753)	(22,862)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial gain (loss)		48,657	(519,043)	32,451
Share of other comprehensive income of associates and joint ventures		1,068,102	(2,268)	70
Total other comprehensive income		1,520,768	(775,759)	463,157
Consolidated comprehensive income of the year		\$ 12,799,139	\$ 6,728,572	\$ 7,237,800
Consolidated net income attributable to:				
Controlling interest		\$ 9,524,896	\$ 6,196,155	\$ 5,684,990
Non-controlling interest		1,753,475	1,308,176	1,089,653
		\$ 11,278,371	\$ 7,504,331	\$ 6,774,643
Basic earnings per common share attributable to controlling interest:				
Continuing operations		\$ 4.198	\$ 2.716	\$ 2.483
Weighted average number of shares ('000)		2,268,787	2,281,190	2,289,802
Consolidated comprehensive income attributable to:				
Controlling interest		\$ 11,002,047	\$ 5,479,757	\$ 6,117,600
Non-controlling interest		1,797,092	1,248,815	1,120,200
		\$ 12,799,139	\$ 6,728,572	\$ 7,237,800

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

	Capital stock	Net stock issuance premium	Retained earnings	Translation effects of foreign operations
Consolidated 2014 beginning balances	\$ 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
Repurchase of capital stock	(2,119)	-	(680,020)	-
Cash dividends declared	-	-	(1,995,912)	-
Dividends paid to non-controlling interest	-	-	-	-
	-	-	(98,334)	-
Decrease in non-controlling interest due to stock issuance of subsidiary	-	-	133,956	-
Increase in non-controlling interest due to stock issuance of subsidiary	-	-	-	-
Balances before comprehensive income	2,530,929	879,092	49,115,925	598,703
Consolidated comprehensive income of the year	-	-	9,524,896	359,113
Consolidated balances as of December 31, 2016	\$ 2,530,929	\$ 879,092	\$ 58,640,821	\$ 957,816

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
\$	(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
	-	-	-	(682,139)	-	(682,139)
	-	-	-	(1,995,912)	-	(1,995,912)
	-	-	-	-	(1,251,003)	(1,251,003)
	-	-	-	(98,334)	(137,557)	(235,891)
	-	-	-	133,956	430,925	564,881
	-	-	-	-	(1,413,279)	(1,413,279)
	(79,844)	(606,670)	31,797	52,469,932	6,311,093	58,781,025
	11,439	57,584	1,049,015	11,002,047	1,797,092	12,799,139
\$	(68,405)	\$ (549,086)	\$ 1,080,812	\$ 63,471,979	\$ 8,108,185	\$ 71,580,164

Consolidated statements of cash flows

For the years ended December 31, 2016, 2015 and 2014

(In thousands of Mexican pesos)

	2016	2015	2014
Cash flows from operating activities:			
Consolidated net income for the year	\$ 11,278,371	\$ 7,504,331	\$ 6,774,643
Adjustments not requiring (providing) cash:			
Income tax recognized in earnings	5,030,852	3,173,352	2,673,669
Depreciation and amortization	2,093,893	1,843,475	1,742,190
Gain on sale of property, machinery and equipment and others assets	(12,200)	(73,420)	(31,304)
Derecognition of property, machinery and equipment and intangible assets	-	19,180	44,307
Impairment of property, plant and equipment	(236)	108,252	-
Impairment of exploration expenses	44,327	534,076	-
Gain on investment property revaluation	(135,845)	(244,550)	(225,695)
Gain on brand revaluation	(8,672)	-	-
Equity in income of associated companies and joint ventures	(1,868,484)	(1,275,577)	(1,414,603)
Derivative financial instruments	(37,909)	(59,374)	42,742
Interest income	(3,560,383)	(3,404,144)	(3,297,044)
Interest expense	518,538	389,795	440,199
(Gain) loss on disposal of shares of subsidiary and associated	(1,141,267)	(129,376)	209,386
Unrealized exchange gain from financing	-	-	(3,179)
Other items	280,041	117,190	131,640
	12,481,026	8,503,210	7,086,951
Items related to operating activities:			
(Increase) decrease in:			
Accounts receivable	(3,427,025)	(2,036,223)	1,790,423
Interest income	3,140,534	2,920,455	2,829,244
Other accounts receivable	(1,028,507)	(200,828)	811,498
Due from related parties	(246,502)	(763,537)	1,140,996
Inventories	(1,946,213)	(134,868)	642,414
Prepaid expenses	(24,924)	244,316	23,632
Long-term accounts receivable	17,336	20,583	11,500
Real estate inventories	(82,342)	86,398	(46,283)
Other assets	(278,992)	(310,777)	37,568
Increase (decrease) in:			
Trade accounts payable	941,653	(136,224)	(550,191)
Due to related parties	483,388	673,705	(802,323)
Other liabilities	506,937	1,280,026	360,963
Provisions	923,128	(167,588)	(243,732)
Direct employee benefits	122,748	81,400	24,307
Advances from customers	(148,539)	(699,148)	(567,204)
Other long-term liabilities	146,657	489,406	370,248
Employee retirement benefits	107,624	168,779	(135,764)
Income taxes paid	(4,636,975)	(3,218,086)	(3,016,004)
Derivative financial instruments	(473,394)	(248,306)	(191,655)
Net cash flows provided by operating activities	6,577,618	6,552,693	9,576,588
Cash flows from investing activities:			
Purchase of investments in securities held for trading	(3,630,842)	(2,820,740)	(3,446,267)
Sale of investments in securities held for trading	4,824,133	6,441,961	788,019
Purchase of property, machinery and equipment	(7,949,201)	(3,926,325)	(3,114,661)
Proceeds from sale of property, machinery and equipment	41,711	180,037	175,964
Other assets	(13,413)	(53,162)	(251,156)
Interest received	379,700	471,501	465,270
Dividends received	840,808	-	678,486
Purchase of investment property	-	-	(470)
Derivative financial instruments	3,462	23,100	162
Reimbursement for the sale of shares of Philip Morris Mexico, S.A. de C.V.	-	(1,726,525)	-
Sale of shares of subsidiaries	-	249,984	-
Acquisition of shares in subsidiaries and associates	(3,929,650)	(285,073)	-
Other	-	-	43,622
Net cash flows used in investing activities	(9,433,292)	(1,445,242)	(4,661,031)
Cash flows from financing activities:			
Borrowings	11,671,967	2,495,665	5,652,066
Payment of borrowings and long-term debt	(7,362,424)	(2,804,355)	(6,811,432)
Interest paid	(518,901)	(388,912)	(441,835)
Dividends paid	(3,246,915)	(2,663,062)	(2,251,822)
Capital stock repurchase	(682,139)	(1,065,718)	-
Capital stock repurchase from subsidiary	(235,891)	(650,552)	(296,549)
Derivative financial instruments	18,425	37,560	(2,364)
Decrease (acquisition) of non-controlling interest	(4,364)	291,451	-
Net cash flows used in financing activities	(360,242)	(4,747,923)	(4,151,936)
Effects of exchange rate changes on cash and cash equivalents	3,503	(66,637)	115,298
Net increase in cash and cash equivalents	(3,212,413)	292,891	878,919
Cash and cash equivalents at beginning of the year	8,070,330	7,777,439	6,898,520
Cash and cash equivalents at end of the year	\$ 4,857,917	\$ 8,070,330	\$ 7,777,439

See accompanying notes to consolidated financial statements.

Notes to the consolidated financial statements

For the years ended December 31, 2016, 2015 and 2014
(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 companies that operate in the Industrial, Retail, Infrastructure and construction and Energy sectors. Grupo Carso is domiciled in Lago Zürich 245, sixth floor, Colonia Ampliación Granada, Mexico City, Zip Code 11529.

2. Significant events

- a. In October and November 2016 the subsidiary Condumex, S.A. de C.V. (formerly Tenedora de Empresas de Materiales de Construcción, S.A. de C.V.) acquired 77,811,474 and 6,033,838 shares of its associate Elementia, S.A.B. de C.V., for the amount of \$1,556,229 and \$120,677, respectively, resulting in an increase in the ownership percentage from 35.62% to 36.17%.
- b. Consorcio Cargi - Propen, S.A. de C.V. was founded on September 9, 2016; its main activities are the engineering, design, planning, construction and execution of Runway 3 of Mexico City's new airport.
- c. On July 15, 2016 Grupo Sanborns, S.A.B. de C.V., acquired from Sears Mexico Holdings Corp. (Sears USA) a share package of 14% in Sears Operadora México, S.A. de C.V. (Sears Mexico) and 14% in Inmuebles SROM, S.A. de C.V. (SROM), for the amount of US\$106 million, equivalent to \$1,945,602. In the transaction, a gain on the purchase of SROM shares was generated for \$1,141,267, recorded in results, and a gain of \$172,433 originated by the purchase of shares of Sears Mexico, recorded in stockholders' equity because control was already held over such entity. As a result of this transaction, the equity of Grupo Sanborns in Sears Mexico was increased to 98.94% and in Inmuebles SROM to 14%.

Grupo Sanborns is strengthening its profitability and cash flows. The parties recognize and agree that the issues of corporate governance and other provisions of the share purchase-sale contract will remain in generating effects in full force for the 1% of common stock which the selling stockholder still holds in each of the aforementioned entities. The commercial agreements with Sears USA are not affected by this transaction.

- d. On February 5, 2016, Grupo Sanborns entered into a strategic partnership with América Móvil, S.A.B. de C.V. (AMX) and Promotora Inbursa, S.A. de C.V. (Inbursa), both related parties, which consisted of a capital investment in ClaroShop.com, S.A. de C.V. (ClaroShop), owner of the e-commerce platform www.claroshop.com.

As a result of this partnership, in order to strengthen and promote its online sales activities, Grupo Sanborns has an equity percentage of 56.54%, in ClaroShop, while AMX holds 25.75%, Inbursa 15.65% and other investors own the remaining 2.06%. The equity of ClaroShop was \$970,000 as of that date. The total contribution made by Grupo Sanborns was \$560,000. The result of such entity was included in the accompanying consolidated financial statements as of the acquisition date.

- e. The Entity's stockholders decided to cease 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 the international oil prices. Also, at the yearend of 2016 and 2015 it recorded at impairment in the capitalized exploration expenses and fixed assets of the subsidiary for \$44,327 and \$534,076, respectively. As of December 31, 2016, 2015 and 2014 Carso Energy shows accumulated losses of \$495,490, \$795,833 and \$99,571, respectively. The management of Carso Energy believes that these situations will not affect its continuity as a going concern. The Entity believes that international oil prices could recover during 2017, for which reason during that year it hopes to reactivate TOC operations.

Furthermore, during 2015 and 2014 the Entity, through Carso Energy, made common stock contributions in its subsidiary TOC for US\$5,500, equivalent to \$82,675, and US\$43,000, equivalent to \$569,786, respectively, thus increasing its interest to 94.20% and 93.72% of the voting stock of TOC at the yearend.

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

- f. In September 2015, Inmuebles Arela, S.A. de C.V. (Inmuebles Arela) completed the sale of the shock absorbers business to the company 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.
- g. 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). The former 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.

- h. 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.
- i. On July 10, 2015, the associated company Elementia, S.A.B. 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 reduction and dilution of the equity in the associated company, from 46% to 35.62%.
- j. On May 12, 2015, through the subsidiary Carso Electric, Carso Energy Corp. was incorporated. Its principal activity is as the holding company of two special purpose entities established in the United States of America (US), engaged in the construction and operation of the pipelines de Waha-Presidio and Waha-San Elizario, in the state of Texas, US.

3. Application of new and revised International Financial Reporting Standards

- a. Application of new and revised International Financing Reporting Standards (IFRS or IAS) 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, 2016.

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 application of these amendments to IAS 1 did not have impacts on the Entity's 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 are 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 1 January 2016. The application of these amendments to IFRS 11 did not have an impact on the Entity's consolidated financial statements.

Amendments to IAS 16 and 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 management of the Entity 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, the application of these amendments to IAS 16 and IAS 38 did not have an 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 1 January 2016.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarized 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 clarify 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 quality 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 application of these amendments had no material effect on the Entity's consolidated financial statements.

4. Significant accounting policies

a. Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. Certain accounting practices applied by the Entity that conform with International Financial Reporting Standards (IFRS) may not conform with accounting principles generally accepted in the country of use.

b. Statement of compliance - The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

c. 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 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.

d. Basis of consolidation - The consolidated financial statements incorporate the financial statements of the Grupo Carso and its subsidiaries controlled by it. Control is achieved when the 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 the Grupo Carso holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Grupo Carso, other vote holders or other parties;
- Rights arising from other contractual arrangements; and

Any additional facts and circumstances that indicate that the 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 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 2016, 2015 and 2014 are shown below:

Subsidiary	Country of incorporation and operations	Activity	Ownership % December 31		
			2016	2015	2014
Carso Infraestructura y Construcción, S.A. de C.V. and subsidiaries (CICSA)	Mexico, Central America and South America	Operation of several engineering areas 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, US, 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.	84.71	84.35	83.39
Carso Energy, S.A. de C.V. and subsidiaries	Mexico, US and Colombia	Holding of shares of companies 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 IFRSs). 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.

- e. **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.
- f. **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 acquired entity, 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.

- g. **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.

h. 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.

i. 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:

i. Sale of goods - The 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.

ii. Finance income on credit sales - Finance income on credit sales recognized when it is accrued and is generated by credit card transactions (Sanborns, Sears, Saks Fifth Avenue, Claro Shop and Mixup).

iii. Services - Provided are recognized when the service is rendered.

iv. 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 are accrued and leasing services rendered.

v. **Construction contracts** - When can be estimated reliably 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.

vi. **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 measured reliably and when, derived from progress in the negotiations, there is reasonable evidence that the client will accept your payment.

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

viii. **Dividends and interests**- Dividend income from other investments is recognized once the right of shareholders to receive this payment has been established (when it is probable that the economic benefits will flow to the Entity and that the income 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 when these amounts can be reliably valued. Interest income is primarily generated by the operation of credit cards in department stores.

j. **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 statement of financial position, within other accounts payable and accrued liabilities. Deferred revenue is recognized in income once the award is redeemed or expires.

k. **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.

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.

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.

l. **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 presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units 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. Any exchange difference that has been previously attributed to the non-controlling interests is written off and no reclassified to the profits.

In the partial disposal of a subsidiary (i.e., when there is no loss of control) which includes a foreign transaction, the Entity again attributes the proportional holding of the accumulated amount of the exchange differences recognized in the other comprehensive profit and loss, to the non-controlling interests in that foreign transaction. In any other partial disposal of a foreign transaction (i.e., of associates or entities controlled jointly which does not involve a loss of significant influence or joint control), the Entity reclassifies to results only the proportional equity of the accumulated amount of the exchange differences.

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
Cablana, S.A.	Euro	Euro
Cablana 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 Ltda, 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.	Córdoba	Córdoba
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.	Argentinian peso	Argentinian 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
Carso Energy Corp.	US Dollar	US Dollar
Carso Gasoducto Norte, S.A. de C.V.	Mexican Peso	US Dollar

The entities listed above are considered foreign operations under IFRS.

m. 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.

- n. **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.

Statutory employee profit sharing

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, 2016, 2015 and 2014, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

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

i. Current tax

Calculated current tax corresponds to the income tax (ISR) and is recorded in the profit of the year as it is caused.

From 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.

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.

The book value of a deferred tax asset should be subjected to review at the end of the reporting period and should be reduced if it is considered likely that there will not be sufficient taxable profits to facilitate the recovery of all or part of the asset.

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 Administration 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 respectively. 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.

- p. **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 commercial** - 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. The lands to be developed are tested for impairment if there are indications 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.

- q. **Offsetting of financial assets and financial liabilities** - The Entity offsets a financial asset and a recognized financial liability and presents the amount offset in the consolidated statement 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.
- r. **Property, plant and equipment** - As of January 1, 2011, the transition date to IFRS, property, plant 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 your life is less, within the relevant lease.

- s. **Investment property** - 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 property 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 property 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.

- t. **Intangible assets** - Intangible assets are recognized in the accompanying consolidated statements 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 of the Project, whichever is lower.

Plans and projects for environmental control are presented within other assets. The expenses that are 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.

- u. Intangible assets acquired in a 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, the estimated cash flows future cash are discounted 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 have not been adjusted future cash flows.

- v. 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.

- w. 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 incurred for this purpose.

The estimated costs to be incurred could be modified due to changes in the physical condition of the affected work zone, 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.
- Purchase and sale of own shares** - Purchases of shares are recognized directly as a reduction of the share capital at their nominal value, and the difference against the acquisition cost is recorded against the stock repurchase reserve, which is included in the retained earnings. The share sales are recorded directly as an increase in common stock at theoretical par value, and it is considered in the computation of the weighted average number of shares. 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 share repurchases, which is included in retained earnings.

x. 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 of 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 applied 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 applied cost of a financial instrument and assigning income or financial cost throughout the relevant period. 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 ago payments, 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 issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

– Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity. Equity instruments issued by a group entity are recognized at 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.

– 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 applied cost by using the effective interest rate method, while interest expenses are recognized on an effective return basis.

– 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.

y. 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) rate debt and y 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.

i. 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.

ii. 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 changes in 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 and accumulated under the heading of cash flow hedging reserve. 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 other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately 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.

iii. 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.

iv. 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 of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the caption "Effects of valuation of derivative financial instruments".

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

v. 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 period, the Entity did not enter into any fair value hedges for its net investment in foreign transactions or embedded derivatives.

- z. Statement of cash flows** - The indirect method is used for presenting cash flows from operating activities, such that the net 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 received is presented as an investing activity and interest paid is presented as a financing activity.
- aa. Earnings per share** - (i) The basic earnings per common share is calculated by dividing the net consolidated profit 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. At December 31, 2016, 2015 and 2014, the Entity has no potential ordinary shares with dilutive effects.

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 consolidated 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, plant and equipment - the Entity reviews the estimated useful lives 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 2016, 2015 and 2014, based on detailed analysis of the Entity management modify the useful life of certain components of property, plant and equipment components. 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; the Entity has utilized the physical inspection. 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 2016, 2015 and 2014. Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment properties.

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 determine 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 y 13 contains 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 determine the best annual estimate of these benefits. Like the above assumptions, these benefits 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 estimated reliably, 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 the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2016	2015	2014
Cash	\$ 1,748,167	\$ 1,245,390	\$ 1,417,288
Cash equivalents			
Demand deposits	213,911	2,979,246	2,068,022
Banking paper	698,979	2,806,476	2,427,871
Government paper	432,614	198,246	1,730,041
Trading paper	-	7,271	19,934
Certificates of deposit	62,009	-	-
Demand deposits in US\$	1,689,270	824,249	111,494
Other	12,967	9,452	2,789
	\$ 4,857,917	\$ 8,070,330	\$ 7,777,439

7. Investments in securities held to maturity

	2016	2015	2014
Banking paper	\$ 122,362	\$ 1,070,973	\$ 2,629,908
Trading paper	-	-	3,028,900
Demand deposits in US\$	1,276,041	801,958	524,050
Government paper	100,316	819,079	28,035
Bank deposit certificates	-	-	102,338
	\$ 1,498,719	\$ 2,692,010	\$ 6,313,231

8. Accounts receivables

	2016	2015	2014
Clients	\$ 18,654,582	\$ 15,449,107	\$ 13,790,173
Allowance for doubtful accounts	(654,859)	(511,664)	(496,407)
	17,999,723	14,937,443	13,293,766
Work completed pending certification	3,332,875	2,844,871	2,441,724
Sundry debtors	342,002	338,340	385,326
Recoverable value added tax	2,222,584	1,395,562	1,007,436
Recoverable ISR	832,857	523,831	620,187
Recoverable IMPAC	71,679	76,721	87,583
Other recoverable taxes	241,899	193,749	189,579
Other	460,392	273,986	408,487
	\$ 25,504,011	\$ 20,584,503	\$18,434,088

a. Clients

The Entity offers sales promotions through which it grants credit to its customers for different periods which, on average, are 206, 203 and 203 days at December 31, 2016, 2015 and 2014, respectively. In the case of sales promotions with collection periods exceeding one year, the respective accounts receivable are classified as short-term because they form part of the Entity's regular transaction cycle, which is a common industry practice. Maturities exceeding one year are \$1,291,061, \$1,281,389 and \$1,273,053 at December 31, 2016, 2015 and 2014, respectively.

The average credit period of revenues derived from the cable, electronics, auto and corporate sectors is 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 as regards 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 customer’s 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:

	2016	2015	2014
1 to 30 days	\$ 2,204,578	\$ 2,507,172	\$ 1,922,980
31 to 60 days	768,937	986,344	484,166
61 to 90 days	446,916	761,986	285,032
Past due more than 90 days	2,125,683	910,715	516,168
Total	\$ 5,546,114	\$ 5,166,217	\$ 3,208,346

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. 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 as follows:

	2016	2015	2014
Receivables for sales of property and retail services	\$ (375,792)	\$ (359,507)	\$ (340,881)
Receivables for sales of construction services	(109,453)	(83,197)	(85,283)
Customers by selling property and industrial services	(169,614)	(68,960)	(70,243)
	\$ (654,859)	\$ (511,664)	\$ (496,407)

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

	2016	2015	2014
Beginning balance	\$ (511,664)	\$ (496,407)	\$ (486,945)
Period accrual	(651,851)	(468,844)	(400,457)
Write offs and cancelations	508,656	453,587	390,995
Ending balance	\$ (654,859)	\$ (511,664)	\$ (496,407)

e. Work completed pending certification

	2016	2015	2014
Costs incurred on uncompleted contracts	\$ 16,289,200	\$ 14,402,889	\$ 13,268,897
Estimated earnings	2,223,689	2,090,000	2,283,736
Revenue recognized	18,512,889	16,492,889	15,552,633
Less: Certifications to date	(13,430,600)	(12,451,546)	(12,473,642)
Less: Advances received	(1,749,414)	(1,196,472)	(635,205)
Less: Work completed pending certification long-term	-	-	(2,062)
Work completed pending certification	\$ 3,332,875	\$ 2,844,871	\$ 2,441,724

9. Inventories

	2016	2015	2014
Raw materials and auxiliary materials	\$ 3,717,249	\$ 2,676,504	\$ 2,749,299
Production-in-process	359,989	309,080	275,571
Finished goods	732,046	1,010,766	1,030,292
Merchandise in stores	10,486,098	9,229,930	8,952,341
Land and housing construction in progress	285,992	343,049	229,149
Allowance for obsolete and slow moving inventories	(847,308)	(729,572)	(583,878)
	14,734,066	12,839,757	12,652,774
Merchandise in-transit	571,490	486,870	629,433
Replacement parts and other inventories	461,336	492,306	401,858
	\$ 15,766,892	\$ 13,818,933	\$ 13,684,065

At December 31, 2016, 2015 and 2014, inventories written off directly to results in administrative expenses and/or other expenses amount to \$16,227, \$28,295, and \$1,725, 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 goods shrinkage.

The estimate for obsolescence and slow-moving inventories is determined based on prior-year 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 goods shrinkage 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 shrinkage percentages of different stores.

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

	2016	2015	2014
Beginning balance	\$ (729,572)	\$ (583,878)	\$ (518,589)
Period accrual	(321,799)	(301,845)	(187,574)
Write offs and cancelations	204,063	156,151	122,285
Ending balance	\$ (847,308)	\$ (729,572)	\$ (583,878)

10. Backlog

In the infrastructure and construction sector, a reconciliation of backlog at December 31, 2016, 2015 and 2014 is as follows:

	Total
Balance at the beginning of 2014	\$ 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
New contracts and changes	13,820,562
Less: Income	(18,233,783)
Balance at December 31, 2016	\$ 13,088,288

11. Financial risk management

The Entity is exposed to market, operating and financial risks as a result of its use of financial instruments, these include 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 derivatives is governed by the Entity policies approved by the board of directors, which provide written principles of recruiting 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, 2016, 2015 and 2014, are detailed below:

	2016	2015	2014
Financial assets			
Cash and cash equivalents	\$ 4,857,917	\$ 8,070,330	\$ 7,777,439
At amortized cost:			
• Held-to-maturity financial assets	1,498,719	2,692,010	6,313,231
• Accounts receivable in the short and long term	22,145,131	18,421,820	16,576,185
• Due from related parties	3,682,581	3,436,079	2,672,542
Measured at fair value:			
• Derivative financial instruments	370,430	227,233	214,006
Financial liabilities			
At amortized cost:			
• Loans with financial institutions and long-term debt	\$ 11,721,179	\$ 7,411,636	\$ 7,720,326
• Payables to suppliers	9,346,930	8,399,593	8,535,817
• Due to related parties	858,081	483,721	434,740
• Other payables, accrued liabilities	2,571,978	2,205,254	1,100,863
• Provisions for the fair value adjustment as part of the gain on the sale of stock PMM	-	-	1,669,305
Measured at fair value:			
• Derivative financial instruments	81,424	439,130	671,170

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

- Capital risk management** - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The capital structure of the Entity is composed by its net debt (mainly the bank loans, in 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.

Management reviewed monthly 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) in connection with the preparation of financial projections as part of the business plan submitted to the Board of Directors and shareholders. The Entity's policy is to maintain a net debt ratio of no more than three times EBITDA, determined as the ratio of net debt to EBITDA of the last 12 months.

The net debt ratio of the Entity is presented below:

	2016	2015	2014
Loans with financial institutions and other	\$ 11,721,179	\$ 7,411,636	\$ 7,720,326
Cash and cash equivalents	(4,857,917)	(8,070,330)	(7,777,439)
Investments in securities held to maturity	(1,498,719)	(2,692,010)	(6,313,231)
Cash surplus with financial institutions and / or related parties	\$ 5,364,543	\$ (3,350,704)	\$ (6,370,344)
EBITDA	14,578,076	12,570,512	10,606,017
Net debt ratio	0.37 times	(0.27) times	(0.60) times
EBITDA	\$ 14,578,076	\$ 12,570,512	\$ 10,606,017
Interest on debt	518,538	389,795	440,199
Interest coverage ratio	28.11 times	32.25 times	24.09 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 meet their obligations, and in some cases, depending on the proportion of short-term debt and long term, are contracted interest rate hedges (swap contracts). 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, it periodically prepares a sensitivity analysis by considering the cost of the net exposure from its customer portfolio and financial liabilities derived that earn and bear interest at variable interest rates; it also prepares an analysis based on the amount of outstanding credit at the end of the period.

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 profit of 2016, 2015 and 2014 would have increased or decreased by approximately \$ 81,713, \$77,483 and \$107,101, respectively. At December 31, 2016, 2015 and 2014, there would have been no effect on other comprehensive income because the derivative financial instruments in effect at that date 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 Mexican peso against U.S. dollar that arises in connection with retail operations and financing. In some cases, these same operations give 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		
	2016	2015	2014	2016	2015	2014
U.S. Dollar (US)	478,390	345,758	416,226	616,094	546,956	414,307
Euro (EU)	11,977	8,181	4,466	24,693	19,894	9,163
Brazilian real (RA)	52,362	63,054	84,289	142,079	120,267	167,705
Colombian peso	15,548,521	16,900,304	22,120,084	23,296,132	26,376,130	30,529,342
Peruvian Sol	42,231	51,964	43,120	66,953	72,678	63,007

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 currency. 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 fair value 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 US dollar (figures in thousands):

	Stockholders' equity(1)			Liabilities			Assets		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
US	-	-	-	(47,839)	(34,576)	(41,623)	61,609	54,696	41,431
EU	1,837	(1,466)	(1,898)	(1,198)	(818)	(447)	2,469	1,989	916
RA	-	-	-	(5,236)	(6,305)	(8,429)	14,208	12,027	16,771
Colombian peso	-	-	-	(1,554,852)	(1,690,030)	(2,212,008)	2,329,613	2,637,613	3,052,934
Peruvian New Sol	-	-	-	(4,223)	(5,196)	(4,312)	6,695	7,268	6,301

(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:

Cash flow hedges	Average exchange			Notional			Fair value		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Euro purchase									
Less than one month	\$ -	-	17,6588	\$ -	\$ -	\$ 869	\$ -	\$ -	\$ (1,506)
More than 12 months	\$ 20,6308	17,5896	17,6588	\$ 22,408	\$ 16,835	\$ 14,768	\$ (26,239)	\$ (20,938)	\$ (25,606)

d. Credit risk management - The credit risk refers to the situation 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 consolidated statements 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 1,867,000 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 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 under review, 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.

As of December 31, 2016	Weighted average effective interest rate	3 months	6 months	1 year	Between 1 and 3 Years	Total
Loans with financial institutions and others	MX 5.88%					
	US 0.91%	\$ 6,761,819	\$ -	\$ 4,959,360	\$ -	\$ 11,721,179
Payables to suppliers		9,141,675	133,171	72,084	-	9,346,930
Due to related parties		858,081	-	-	-	858,081
Other accounts payable and accrued liabilities		2,020,320	57,636	494,022	-	2,571,978
Derivative financial instruments		58,759	3,544	6,978	12,143	81,424
Total		\$ 18,840,654	\$ 194,351	\$ 5,532,444	\$ 12,143	\$ 24,579,592

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	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		1,892,641	37,471	275,142	-	2,205,254
Derivative financial instruments		76,514	9,607	1,423	351,586	439,130
Total		\$ 13,169,875	\$ 122,074	\$ 295,799	\$ 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 as part of the gain on the sale of stock PMM		-	-	1,669,305	-	1,669,305
Derivative financial instruments		11,644	3,485	13,600	642,441	671,170
Total		\$ 12,612,422	\$ 145,423	\$ 1,731,909	\$ 5,642,467	\$ 20,132,221

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, profit before tax for the years 2016, 2015 and 2014 for the next period would have (decreased) increased by approximately \$183,624, \$150,435 and \$182,243, 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 techniques and inputs used).

Financial assets/ financial liabilities	Fair value as of			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to el valor fair value
	31/12/16	31/12/15	31/12/14				
1) Foreign currency forward contracts (see Note 13) ⁽ⁱ⁾	Liabilities - \$43,826	Liabilities - \$75,085	Liabilities - \$32,220	Level 2	Discounted cash flows. 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 - \$332,832	Liabilities - \$136,812	Liabilities - \$424,944	Level 2	Discounted cash flows.	N/A	N/A
3) Contingent liabilities from the sale of investment in shares in Philip Morris Mexico (PMM) (see Notes 16c y 20)	-	-	Liabilities - \$1,669,305	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.	EBITDA average of de 2012 to 2014 - \$378,475	EBITDA average of 2012 to 2014 - \$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 to say derived from these prices. During the years ended December 31, 2016, 2015 and 2014 there were no transfers between levels, both 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 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 and long-term debt approximate their fair value because they short-term maturities. The long-term debt of the Entity are recorded at amortized cost and debt is interest at fixed and variable rates that are related to market indicators.

To obtain and disclose the fair value of long-term debt using quoted market prices or quotations for similar instruments operators. To determine the fair value of financial instruments using other techniques such as estimated cash flows, considering the dates flow curves intertemporal market 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 statement of financial position.

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

	December 31, 2016		December 31, 2015		December 31, 2014	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:						
Cash and equivalent cash	\$ 4,857,917	\$ 4,857,917	\$ 8,070,330	\$ 8,070,330	\$ 7,777,439	\$ 7,777,439
Instruments available-for-sale:						
Fixed-term securities	1,498,719	1,498,719	2,692,010	2,692,010	6,313,231	6,313,231
Loans and receivables:						
Accounts receivable in the short and long term	22,145,131	22,147,478	18,421,820	18,593,931	16,576,185	16,670,521
Due to related parties	3,682,581	3,682,581	3,436,079	3,436,079	2,672,542	2,672,542
Accounts and notes payable:						
Notes payable to financial institutions including current portion of long-term debt and others	(6,721,179)	(6,721,179)	(2,411,636)	(2,411,636)	(2,720,326)	(2,720,326)
Debt securities	(5,000,000)	(5,895,000)	(5,000,000)	(4,994,700)	(5,000,000)	(4,993,588)
Trade accounts payable	(9,346,930)	(9,346,930)	(8,399,593)	(8,399,593)	(8,535,817)	(8,535,817)
Due to related parties	(858,081)	(858,081)	(483,721)	(483,721)	(434,740)	(434,740)
Other accounts payable and accrued liabilities	(2,571,978)	(2,571,978)	(2,205,254)	(2,205,254)	(1,100,863)	(1,100,863)
Long-term provisions and the fair value adjustment as part of the gain on the sale of stock PMM	-	-	-	-	(1,669,305)	(1,669,305)
Total	\$ 7,686,180	\$ 6,793,527	\$ 14,120,035	\$ 14,297,446	\$ 13,878,346	\$ 13,979,094

The fair values shown at December 31, 2016, 2015 and 2014, except for the receivables to commercial 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:

Instrument	Designated as	Notional		Maturity	Valuation as of December 31, 2016			
		Amount ('000)	Unit		Asset (liability)	Net income of the year	Income of prior year	Gain (loss) on settlement
Dollar forwards	Purchase	5,933,742	US	During 2016	\$ -	\$ -	\$ -	\$ (731,639)
Dollar forwards	Sale	80,000	US	March 2017	(17,587)	17,587	-	-
Dollar forwards	Sale	5,236,664	US	During 2016	-	-	-	942,290
LIBOR swaps to fixed rate	Purchase	50,000	US	February 2030 and February 2035	14,006	27,812	(41,818)	15,364
TIE swaps to fixed rate	Purchase	8,600,000	MX	May 2017 to April 2027	281,485	(599,383)	317,898	257,681
Fixed rate swaps to TIE	Sale	1,700,000	MX	June 2017 and May 2018	29,042	123,248	(152,290)	(81,475)
Total at December 31, 2016					\$ 306,946	\$ (430,736)	\$ 123,790	\$ 402,221
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

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

Instrument	Notional		Maturity	Valuation as of December 31, 2016		Gain (loss) on settlement
	Amount ('000)	Unit		Asset (liability)	Comprehensive income	
Euro forwards purchase	22,408	Thousand Euros	January 2017 to December 2018	\$ (26,239)	\$ 18,367	\$ -
Euro forwards purchase	8,435	Thousand Euros	During 2016	-	-	18,425
Total at December 31, 2016				\$ (26,239)	\$ 18,367	\$ 18,425
Total at December 31, 2015				\$ (20,938)	\$ 14,657	\$ 37,560
Total at December 31, 2014				\$ (27,112)	\$ 18,978	\$ (2,364)

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

Instrument	Notional		Maturity	Valuation as of December 31, 2016		Gain loss on settlement Cost of
	Amount ('000)	Unit		Asset (liability)	Comprehensive income	
sales						
Copper Swaps purchase	730	Tons	January to December 2017	\$ 8,370	\$ (6,371)	\$ -
Copper Swaps purchase	2,207	Tons	During 2016	-	-	3,649
Aluminum Swaps purchase	125	Tons	January to February 2017	(71)	48	-
Aluminum Swaps purchase	1,125	Tons	During 2016	-	-	(187)
Total at December 31, 2016				\$ 8,299	\$ (6,323)	\$ 3,462
Total at December 31, 2015				\$ (13,022)	\$ 10,696	\$ 23,100
Total at December 31, 2014				\$ (5,562)	\$ 3,812	\$ 162

14. Property, plant and equipment

The reconciliation between the carrying amount at the beginning and end of the year 2016, 2015 and 2014 is as follows:

	Balances as of December 31, 2015	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31, 2016
Investment:						
Land	\$ 3,343,242	\$ 270,184	\$ (292)	\$ 141,933	\$ 2,171	\$ 3,757,238
Buildings and leasehold improvements	14,366,328	973,716	34,458	(577,378)	63,286	14,860,410
Machinery and equipment	18,769,050	306,944	(195,825)	672,601	279,116	19,831,886
Furniture and equipment	4,953,903	870,359	(19,037)	(4,153)	11,558	5,812,630
Computers	1,676,565	175,384	(28,156)	15,141	34,277	1,873,211
Vehicles	1,127,280	38,695	(55,427)	(137,334)	14,640	987,854
Construction in progress	1,677,116	5,314,232	(3,676)	(455,947)	237,619	6,769,344
Total investment	45,913,484	7,949,514	(267,955)	(345,137)	642,667	53,892,573
Accumulated depreciation:						
Buildings and leasehold improvements	(6,648,619)	(427,343)	(26,926)	373,459	(28,060)	(6,757,489)
Machinery and equipment	(10,498,622)	(727,318)	188,053	(249,169)	(122,500)	(11,409,556)
Furniture and equipment	(2,720,730)	(505,086)	12,393	7,588	(5,796)	(3,211,631)
Computers	(1,385,218)	(113,391)	26,760	4,525	(20,899)	(1,488,223)
Vehicles	(641,834)	(124,244)	38,163	112,176	9,378	(606,361)
Total accumulated depreciation	(21,895,023)	(1,897,382)	238,443	248,579	(167,877)	(23,473,260)
Impairment:						
Land	(26,814)	-	-	-	-	(26,814)
Buildings and leasehold improvements	(85,306)	-	-	5,202	-	(80,104)
Machinery and equipment	(118,948)	-	236	2,113	(12,321)	(128,920)
Furniture and equipment	(965)	-	-	58	-	(907)
Computers	(576)	-	-	35	-	(541)
Vehicles	(6,939)	-	-	423	-	(6,516)
Accumulated impairment losses	(239,548)	-	236	7,831	(12,321)	(243,802)
Net investment	\$ 23,778,913	\$ 6,052,132	\$ (29,276)	\$ (88,727)	\$ 462,469	\$ 30,175,511

	Balances as of December 31, 2014	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31 , 2015
Investment:						
Land	\$ 3,335,833	\$ 8,342	\$ (13,417)	\$ 46,348	\$ (33,864)	\$ 3,343,242
Buildings and leasehold improvements	12,910,524	1,323,106	(70,353)	237,774	(34,723)	14,366,328
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	42,993,527	3,926,325	(812,730)	468,543	(662,181)	45,913,484
Accumulated depreciation:						
Buildings and leasehold improvements	(6,240,176)	(459,494)	43,899	15,925	(8,773)	(6,648,619)
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	(20,699,632)	(1,758,924)	667,174	(506,986)	403,345	(21,895,023)
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	\$ 22,158,109	\$ 2,059,149	\$ (145,556)	\$ (38,481)	\$ (254,308)	\$ 23,778,913

	Balances as of January 1, 2014	Additions	Retirements / disposals	Transfers	Translation effect	Balances as of December 31 , 2014
Investment:						
Land	\$ 2,762,110	\$ 559,677	\$ -	\$ 10,703	\$ 3,343	\$ 3,335,833
Buildings and leasehold improvements	11,989,314	953,554	(136,908)	48,788	55,776	12,910,524
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	40,122,550	3,114,661	(733,256)	30,947	458,625	42,993,527
Accumulated depreciation:						
Buildings and leasehold improvements	(5,864,988)	(440,546)	91,834	1,711	(28,187)	(6,240,176)
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	(19,378,184)	(1,640,481)	524,279	(12,708)	(192,538)	(20,699,632)
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	\$ 20,620,440	\$ 1,474,180	\$ (208,977)	\$ 21,519	\$ 250,947	\$ 22,158,109

Total transfers during 2016 were made to investment properties for \$ 82,816 and other assets for \$ 5,911.

15. Investment properties

	2016	2015	2014
Investment properties	\$ 2,668,495	\$ 2,449,834	\$ 2,166,803

The changes in investment properties are as follows:

	2016	2015	2014
Balance at beginning of period	\$ 2,449,834	\$ 2,166,803	\$ 1,940,638
Additions	-	-	470
Transferred from property, plant and equipment	82,816	38,481	-
Gain/(loss) on property revaluation	135,845	244,550	225,695
Balance at end of period	\$ 2,668,495	\$ 2,449,834	\$ 2,166,803

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

The valuation techniques considered under the following different 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 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 rates. Depreciation for valuation purposes is defined as the difference in value between real 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 active subjects identical to comparable sales prices of comparable 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:

No. Type of property	Recommended ranges for capitalization rates	
	Low	Maxim
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 as earned and amounted to \$213,463, \$221,714 to \$222,978 for the years ended December 31, 2016, 2015 and 2014, respectively. At December 31, 2016, 2015 and 2014 the occupancy rate of shopping centers is of 96%, 93% and 94%, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income and constitute approximately 33% 32% and 33%, of rental income for years ended December 31, 2016, 2015 and 2014, 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, 2016, 2015 and 2014 are as follows:

	2016		2015		2014	
	Level 3	Fair value	Level 3	Fair value	Level 3	Fair value
Shops located in Mexico City	\$ 2,207,946	\$ 2,207,946	\$ 2,086,228	\$ 2,086,228	\$ 1,908,604	\$ 1,908,604
Land located in Baja California	460,549	460,549	363,606	363,606	258,199	258,199
Total	\$ 2,668,495	\$ 2,668,495	\$ 2,449,834	\$ 2,449,834	\$ 2,166,803	\$ 2,166,803

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 7.1% - 8.8%, 6.61% - 8.86% and 6.15% - 8.86% in 2016, 2015 and 2014, 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 \$312, \$328 and \$312 Mexican pesos per square meter (sqm) per month in 2016, 2015 and 2014, respectively.	A significant increase in the market rent used would result in a significant increase in fair value, and vice versa.
Land	Market approach	There have been no appraisals in the last 3 years because market conditions have not changed and are not expected to change in the following periods.	

16. Investment in shares of associated entities and joint ventures

a. The principal associated entities and their activities are as follows:

Associated	Ownership percentage			Location	Activity
	2016	2015	2014		
Elementia, S. A. de C. V. (Elementia)	36.18	35.62	46.00	México	Manufacture and sale of high technology products for the cement, concrete, polyethylene, styrene, copper and aluminum production industries.
GMéxico Transportes, S.A. de C.V. (FM Rail Holding, S.A. de C.V. until April 29, 2016).	16.75	16.75	-	México	Railway transportation.
Infraestructura y Transportes México, S.A. de C.V. (ITM)	16.75	16.75	16.75	México	Holding of shares.
Inmuebles SROM, S.A. de C.V.	14.00	-	-	México	Real estate leasing.
Grupo Telvista, S.A. de C.V.	10.00	10.00	10.00	México	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	México	Construction of wastewater treatment plant.
Constructora MT de Oaxaca, S.A. de C.V. (joint venture)	40.00	40.00	40.00	México	Highway construction.
Cuprum, S.A.P.I. de C.V. (Cuprum)	10.00	10.00	10.00	México	Manufacture of aluminum products.
Trans-Pecos Pipeline, LLC (joint venture)	51.00	51.00	-	United States	Design, development, construction and operation of a new natural gas transportation pipeline.
Comanche Trail Pipeline, LLC (joint venture)	51.00	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 associated entities and income derived from other investments was as follows:

	2016				
	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia ⁽¹⁾	\$ 21,083,266	\$ 692,592	36.17	\$ 8,181,023	\$ 210,356
GMéxico Transportes, S.A. de C.V. (FM Rail Holding, S.A. de C.V. until April 29, 2016) ⁽²⁾	35,317,090	6,677,073	16.75	5,915,613	1,118,410
ITM ⁽²⁾	8,100,666	1,161,165	16.75	1,356,862	194,496
Inmuebles SROM, S.A. de C.V.	13,658,709	642,794	14.00	1,912,219	89,992
Grupo Telvista, S.A. de C.V.	3,311,867	309,628	10.00	331,187	30,963
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	91,249	(339,263)	42.50	38,781	(144,186)
Constructora MT de Oaxaca, S.A. de C.V.	409,088	(196,991)	40.00	163,635	(80,736)
Cuprum ⁽³⁾	4,235,135	(1,350,000)	10.00	468,606	68,891
Trans-Pecos Pipeline, LLC	410,943	(1,680)	51.00	209,581	(857)
Comanche Trail Pipeline, LLC	1,168,537	(1,643)	51.00	595,954	(838)
Other Associates ⁽⁴⁾				643,391	380,067
Total investment in associated entities				19,816,852	1,866,558
Other investments				2,565	1,926
Total investment in associated entities and joint ventures				\$ 19,819,417	\$ 1,868,484

	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)
Other Associates				783,081	81,358
Total investment in associated entities				13,938,569	1,276,696
Other 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 shares of associated entities and joint ventures				\$ 12,464,262	\$ 1,414,603

⁽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 spin-off 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 includes goodwill of \$45,092.

⁽⁴⁾ The increase in other associates was due to the sale of Laboratorio Medico Polanco, S.A. de C.V. to Medica Sur, S.A.B. de C.V. for the amount of \$1,700 million pesos.

c. 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 rest of the shareholding equivalent to 90%.

Regarding Cuprum, the Entity has significant influence for having a representative on the Board of Directors, considering its 10% participation.

17. Intangible assets

	Amortization period	Balances as of January 1, 2016	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2016
Cost:						
Trademark	Indefinite	\$ 5,911	\$ 13,835	\$ -	\$ -	\$ 19,746
Exploration and evaluation (concession)	Indefinite	891,404	13,413	(584)	178,707	1,082,940
Computer programs	5.83	-	10,304	-	-	10,304
Licenses and franchises	Indefinite	-	38,142	-	-	38,142
Industrial property rights	10	397,869	-	-	-	397,869
Intangible assets in progress	15	-	41,878	-	-	41,878
Other intangible assets	Indefinite	-	2,592	-	-	2,592
Total cost		1,295,184	120,164	(584)	178,707	1,593,471

Accumulated amortization:

Trademark	(4,737)	(1,544)	-	-	(6,281)
Exploration and evaluation (concession)	(16,189)	-	-	(1,860)	(18,049)
Industrial property rights	(161,492)	(37,102)	-	-	(198,594)
Total amortization	(182,418)	(38,646)	-	(1,860)	(222,924)

Impairment Adjustments

Exploration and evaluation (concession)	(551,886)	-	(44,327)	(110,896)	(707,109)
Net cost	\$ 560,880	\$ 81,518	\$ (44,911)	\$ 65,951	\$ 663,438

	Amortization period	Balances as of January 1, 2016	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2015
Cost:						
Trademark	Indefinite	\$ 5,911	\$ -	\$ -	\$ -	\$ 5,911
Exploration and evaluation (concession)	Indefinite	756,385	13,118	(5,513)	127,414	891,404
Industrial property rights	10	397,869	-	-	-	397,869
Total cost		1,160,165	13,118	(5,513)	127,414	1,295,184

Accumulated amortization:

Trademark	(4,460)	(277)	-	-	(4,737)
Exploration and evaluation (concession)	(13,645)	(1,220)	-	(1,324)	(16,189)
Industrial property rights	(128,392)	(33,100)	-	-	(161,492)
Total amortization	(146,497)	(34,597)	-	(1,324)	(182,418)

Impairment Adjustments

Exploration and evaluation (concession)	-	-	(534,076)	(17,810)	(551,886)
Net cost	\$ 1,013,668	\$ (21,479)	\$ (539,589)	\$ 108,280	\$ 560,880

	Amortization period	Balances as of January 1, 2016	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2014
Cost:						
Trademark	Indefinite	\$ 5,911	\$ -	\$ -	\$ -	\$ 5,911
Exploration and evaluation (concession)		480,505	216,193	59,687	-	756,385
Industrial property rights	10	397,869	-	-	-	397,869
Total cost		884,285	216,193	59,687	-	1,160,165

Accumulated amortization:

Trademark	(2,727)	(224)	(1,509)	-	(4,460)	
Exploration and evaluation (concession)	-	(13,645)	-	-	(13,645)	
Industrial property rights	(98,830)	(29,562)	-	-	(128,392)	
Total amortization	(101,557)	(43,431)	(1,509)	-	(146,497)	
Net cost		\$ 782,728	\$ 172,762	\$ 58,178	\$ -	\$ 1,013,668

18. Others assets

Other assets were as follows:

	Amortization period	2016	2015	2014
Insurance and surety	(a)	\$ 438,407	\$ 354,621	\$ 267,972
Collaborative commissioning agreement		159,604	159,604	-
Guarantee deposits		53,031	47,325	55,425
Installation costs		112,744	85,495	38,427
Prepaid expenses		12,113	12,113	12,113
Others		113,765	45,176	64,252
		889,662	704,334	438,189
Accumulated amortization		(513,321)	(355,456)	(308,055)
		\$ 376,341	\$ 348,878	\$ 130,134

(a) CICSAs insurance and surety have a useful life according to the contracted projects which on average have a maturity between 2 and 3 years.

	Insurance and surety	Collaborative commissioning agreement	Guarantee deposits	Installation costs	Prepaid expenses	Others	Total
Investment:							
Balance at the beginning of 2014	\$ 237,591	\$ -	\$ 131,106	\$ 10,886	\$ 12,113	\$ 71,416	\$ 463,112
Acquisitions	30,381	-	-	27,541	-	9,618	67,540
Translation effect	-	-	-	-	-	-	-
Applications / Recoveries	-	-	(75,681)	-	-	(16,782)	(92,463)
Balance as of December 31, 2014	267,972	-	55,425	38,427	12,113	64,252	438,189
Acquisitions	86,649	159,604	17,024	47,068	-	432	310,777
Translation effect	-	-	-	-	-	-	-
Applications / Recoveries	-	-	(25,124)	-	-	(19,508)	(44,632)
Balance as of December 31, 2015	354,621	159,604	47,325	85,495	12,113	45,176	704,334
Acquisitions	83,786	-	8,208	27,249	-	70,173	189,416
Translation effect	-	-	-	-	-	-	-
Applications / Recoveries	-	-	(2,502)	-	1	(1,587)	(4,088)
Balance as of December 31, 2016	\$ 438,407	\$ 159,604	\$ 53,031	\$ 112,744	\$ 12,114	\$ 113,762	\$ 889,662
Accumulated amortization							
Balance at the beginning of 2014	\$ (202,860)	\$ -	\$ -	\$ (5,984)	\$ (2,850)	\$ (25,508)	\$ (237,202)
Retirements / disposals	-	-	-	(9,725)	(2,850)	-	(12,575)
Amortization	(57,367)	-	-	-	-	(911)	(58,278)
Balance as of December 31, 2014	(260,227)	-	-	(15,709)	(5,700)	(26,419)	(308,055)
Retirements / disposals	-	-	-	(3,713)	-	6,266	2,553
Amortization	(45,126)	-	-	-	(2,851)	(1,977)	(49,954)
Balance as of December 31, 2015	(305,353)	-	-	(19,422)	(8,551)	(22,130)	(355,456)
Retirements / disposals	-	-	-	-	-	-	-
Amortization	(86,342)	-	-	(53,588)	(2,850)	(15,085)	(157,865)
Balance as of December 31, 2016	\$ (391,695)	\$ -	\$ -	\$ (73,010)	\$ (11,401)	\$ (37,215)	\$ (513,321)

The amortization recorded in income was \$157,865, \$49,954 and \$58,278 in 2016, 2015 and 2014, respectively, of which \$148,146, \$47,103 and \$58,278 is recognized as part of cost of sales, respectively.

19. Current debt and long-term debt

Debt is as follows:

	2016	2015	2014
Current debt:			
Commercial loans in US\$39,000, with maturities in January 2017 at an interest rate of 1.11%	\$ 805,896	-	\$ -
Unsecured loans for \$450,000 at a fixed rate of 6.37% maturing in January 2017, as well as \$25,000 at a fixed rate of 6.10%, and \$405,000 at a fixed rate of 6.84%, with the latter maturing in February 2017.	880,000	-	-
Syndicated loan for US\$240,000 maturing in July 2017, at a variable rate equal to Libor+1	4,959,360	-	-
Commercial loans in US\$90,000, with maturities in January 2016 with interest rate of 0.69%	-	1,548,585	-
Commercial loans in US\$25,000, 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	-
Commercial loans in US\$17, with maturities in February 2016 with interest rate of 3.67%	-	143	-
Commercial loans in US\$141,000, with maturities in January 2015 with interest rate of 0.5%	-	-	2,075,238
Commercial loans in US\$39,000, with maturities in January 2015 with interest rate of 0.6%	-	574,002	-
Other loans	75,923	120,724	68,118
	6,721,179	2,411,615	2,717,358
Add current portion of long-term debt	5,000,000	21	2,942
Current portion	\$ 11,721,179	\$ 2,411,636	\$ 2,720,300
Long-term debt:			
Debt securities issued in Mexican pesos with monthly maturities from March 2012 with interest rate of TIIE + 0.53 and final maturity in 2017	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Direct loan in different currencies, mainly Brazilian reals, with quarterly and semiannual maturities at variable rates, and final maturity in 2016	-	21	2,968
	5,000,000	5,000,021	5,002,968
Less - current portion	(5,000,000)	(21)	(2,942)
Long-term debt	\$ -	\$ 5,000,000	\$ 5,000,026

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2016 stood at a weighted average of 4.80%.

20. Provisions

The provisions presented below represent charges incurred during 2016, 2015 and 2014, 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.

	2016					
	Opening balance	Additions	Provision applied	Reversals	Closing Derecognition	balance
Contractor costs	\$ 1,846,373	\$ 12,000,925	\$ (11,299,032)	\$ -	\$ (29,544)	\$ 2,518,722
Construction costs and other extraordinary items	132,412	1,080,802	(916,590)	-	-	296,624
Environmental costs and plant closure	183,674	-	(20,714)	-	-	162,960
Employment relationships	56,500	66,397	(61,933)	-	-	60,964
Others	127,216	467,960	(365,143)	-	-	230,033
	\$ 2,346,175	\$ 13,616,084	\$ (12,663,412)	\$ -	\$ (29,544)	\$ 3,269,303
	2015					
	Opening balance	Additions	Provision applied	Reversals	Closing Derecognition	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 gain on the sale of PMM stock	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	Closing Derecognition	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 gain on the sale of PMM stock	-	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

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 policy 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 asset 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 estates. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it 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 debt 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, 2016 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:

	2016	2015	2014
Discount rate	7.49%	7.09%	6.98%
Expected rate of salary increase	4.61%	4.56%	5.05%
Expected return on plan assets	7.49%	7.11%	6.98%
Retirement age for current pensioners (years)			
Males and females	65	65	65

Amounts recognized in the consolidated statements of financial position in respect of these defined benefit plans are as follows.

	2016	2015	2014
Present value of defined benefit obligation	\$ (3,565,979)	\$ (3,482,979)	\$ (2,929,408)
Plan assets at fair value	3,692,117	3,668,084	3,802,335
Present value of unfunded defined benefit obligation	\$ 126,138	\$ 185,105	\$ 872,927

Balances included in the consolidated statements of financial position are as follows:

Defined retirement employee benefits liabilities	\$ (391,543)	\$ (431,368)	\$ (186,963)
Defined retirement employee benefits assets	517,681	616,473	1,059,890
	\$ 126,138	\$ 185,105	\$ 872,927
Contributions to plan assets	\$ 204,509	\$ 162,292	\$ 141,659

The expense for the year amounts \$150,619, \$130,507 and \$(3,505) in 2016, 2015 and 2014, respectively, and have been included in profit or loss as cost of sales and administration and sales expenses.

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

Net period cost comprises the following:

	2016	2015	2014
Service costs	\$ 165,946	\$ 143,975	\$ 161,429
Interest cost	240,565	200,887	193,766
Interest income	(254,229)	(264,835)	(245,438)
Past service cost	2,342	28,166	(71,310)
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)	(4,005)	22,314	(41,952)
Net period cost (income)	\$ 150,619	\$ 130,507	\$ (3,505)

Components of defined benefit costs recognized in other comprehensive income

	2016	2015	2014
Actuarial (losses) gains – net	\$ (102,834)	\$ (741,784)	\$ 79,490

Given that 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:

	2016	2015	2014
Changes in the present value of the defined benefit obligation at January 1	\$ (3,482,979)	\$ (2,929,408)	\$ (2,745,981)
Service costs	(165,946)	(143,975)	(161,429)
Past service (income) cost	2,342	(28,166)	71,310
Interest cost	(240,565)	(200,887)	(193,766)
Actuarial (losses) gains – net	120,112	(281,186)	(46,359)
Benefits paid	200,641	75,306	104,865
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)	416	22,314	41,952
Other	-	3,023	-
Present value of the defined benefit obligation	\$ (3,565,979)	\$ (3,482,979)	\$ (2,929,408)

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

	2016	2015	2014
Opening fair value of plan assets	\$ 3,668,084	\$ 3,802,335	\$ 3,431,883
Expected yield on plan assets	254,229	264,835	245,438
Reclassifications	3,496	1,405	52,893
Actuarial gain (losses) – net	(201,560)	(460,598)	125,174
Contributions to plan	204,509	162,292	141,659
Benefits paid	(200,641)	(75,306)	(104,865)
Assets distributed on settlements	(36,100)	(23,562)	(37,906)
Others	-	(3,317)	(51,941)
Closing fair value of plan assets	\$ 3,692,017	\$ 3,668,084	\$ 3,802,335

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below have 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 is 50 basis points higher (lower), the defined benefit obligation would decrease by \$354,700 (increase of \$420,669).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by \$294,959 (decrease by \$258,304).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by \$98,727 (decrease by \$93,235).

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 statement of financial position.

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

Main strategic choices that are formulated in the actuarial and technical policy document of the Fund are: Asset mix based on 52% equity instruments and 48% debt instruments.

The average duration of the benefit obligation as of December 31, 2016, 2015 and 2014 is 11.56, 12.50 and 12.88 years, respectively.

The Entity expects to make a contribution of \$220,984 to the defined benefit plans during 2017.

The main categories of plan assets, and the expected return rate in each category at the end of the reporting period, are:

	2016	2015	2014	Fair value of plan assets		
				2016	2015	2014
	%	%	%			
Equity instruments	52	50	50	\$ 1,937,020	\$ 1,835,053	\$ 1,944,056
Debt instruments	48	50	45	\$ 1,754,997	\$ 1,833,031	\$ 1,653,281
Property	-	-	5	\$ -	\$ -	\$ 204,998
Weighted average expected return	-	-	-	\$ 102,082	\$ 115,183	\$ 94,455

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:

	2016	2015	2014
Short-term benefits	\$ 134,300	\$ 133,417	\$ 142,248
Defined benefit plans	2,415	4,745	4,403
Other long-term benefits	287,755	344,457	291,154

22. Stockholders' equity

a. The historical amount of issued and paid-in common stock of Grupo Carso as of December 31, 2016, 2015 and 2014 is as follows:

	Number of shares			Amount		
	2016	2015	2014	2016	2015	2014
Series A1	2,745,000,000	2,745,000,000	2,745,000,000	\$ 644,313	\$ 644,313	\$ 644,313
Treasury shares repurchased	(480,100,000)	(471,070,442)	(455,198,300)	(112,690)	(110,571)	(106,845)
Historical capital stock	2,264,900,000	2,273,929,558	2,289,801,700	\$ 531,623	\$ 533,742	\$ 537,468

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

Pursuant to a General Ordinary Stockholders' Meeting on April 27, 2016, the payment of a dividend was approved for the amount of \$0.88 (eighty eight cents) per share, payable in two exhibitions of \$0.44 (forty four cents) per share each, on May 31 and October 14, 2016 against vouchers No. 34 and 35, respectively, of the securities that are in effect at the time of payment. Total payment was \$1,995,912.

Pursuant to a General Ordinary Stockholders' Meeting on April 27, 2015, the payment of a dividend was approved 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 vouchers No. 32 and 33, respectively, of the securities that are in effect at the time of payment. Total payment was \$1,915,702.

Pursuant to a General Ordinary Stockholders' Meeting on April 28, 2014, the payment of a dividend was approved for the amount of \$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 vouchers No. 30 and 31, respectively, of the securities that are in effect at the time of payment. Total payment was \$1,831,841.

- 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 paid 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 (equal 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 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, 2016, 2015 and 2014, 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 ISR payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on dividends is paid and the following two fiscal years.
- e. An additional 10% ISR on dividends paid to individuals and foreign residents was approved. The income tax is paid via withholding and a final payment by the shareholder. For foreigners may apply treaties to avoid double taxation. This tax is applicable as the distribution of profits generated from 2014.
- f. As discussed in Note 2, the Entity acquired a minority interest in Sears Operadora Mexico, which generated a profit of \$1,141,267. Furthermore, the Entity acquired 51% of Claroshop; both effects are shown in the consolidated statement of changes in stockholders' equity.

23. Transactions and balances with related parties

Balances receivable and payable with related parties are as follows:

	2016	2015	2014
Receivable -			
Teléfonos de México, S.A.B. de C.V.	\$ 958,172	\$ 433,757	\$ 415,666
Delphi Packard Electric Systems, Inc.	607,541	633,833	403,983
Operadora de Sites Mexicanos, S.A. de C.V.	194,568	98,092	-
Claro, S.A.	163,373	200,442	22,301
Radiomóvil Dipsa, S.A. de C.V.	132,692	128,531	71,151
América Móvil Perú, S.A.C.	129,725	207,688	176,282
Concesionaria autopista Guadalajara-Tepic, S.A. de C.V.	118,234	216,699	162,060
Telmex Colombia, S.A.	117,044	42,737	69,792
Infraestructura y Saneamiento de Atotonilco, S.A. de C.V.	107,987	67,545	27,582
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V.	95,897	28,322	9,257
Claro CR Telecomunicaciones, S.A.	81,878	6,563	31,982
Alquiladora de Casas, S.A. de C.V.	70,673	1,443	16,043
Delco Electronic Systems	65,239	-	-
Minera Real de Ángeles, S.A. de C.V.	61,455	59,663	84,596
Puerto Rico Telephone Company, Inc.	56,359	51,733	33,941
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.	55,899	3,209	18,247
Teléfonos del Noroeste, S.A. de C.V.	51,355	27,274	4,401
Minera Tayahua, S.A. de C.V.	47,816	51,591	58,189
Autopista Arco Norte, S.A. de C.V.	46,958	53,174	-
Compañía Dominicana de Teléfonos, S.A.	38,217	42,712	24,295
Acolman, S.A. de C.V.	31,201	6,442	44
Concesionaria ETRAM Cuatro Caminos, S.A. de C.V.	26,800	59,787	4,693
Telecomunicaciones de Guatemala, S.A.	25,857	10,149	6,309
Consorcio Red Uno, S.A. de C.V.	24,755	39,800	4,132
Hubard y Bourlon, S.A. de C.V.	24,586	2,623	35,212
Uninet, S.A. de C.V.	22,773	73,735	-
Consorcio Ecuatoriano de Telecomunicaciones, S.A.	22,193	101,158	19,533
Claro Comunicaciones, S.A.	19,872	4,394	11
Compañía de Teléfonos y Bienes Raíces, S.A. de C.V.	19,857	80,178	16,804
Constructora de Inmuebles PLCO, S.A. de C.V.	19,474	11,233	70,111
CRS Morelos, S.A. de C.V.	18,985	188,975	-
Fundación Carlos Slim, A.C.	17,888	17,996	19,226
Renta de Equipo, S.A. de C.V.	17,350	1,975	11,362
Constructora MT Oaxaca, S.A. de C.V.	16,075	7,165	17,866
Empresa Nicaragüense de Telecomunicaciones, S.A.	14,525	35,227	10,045
Ecuador Telecom, L.L.C.	13,690	38,414	5,447
Compañía de Telecomunicaciones del Salvador, S.A. de C.V.	13,585	13,836	6,318
Conductores Monterrey, S.A. de C.V.	13,481	-	-
Procesadora de Pagos Móviles, S.A. de C.V.	12,319	-	-
Multiservicios de Exploración Geológica Frisco, S.A. de C.V.	10,585	1,328	480
Comanche Trail Pipeline	-	203,570	-
Minera San Francisco del Oro, S.A. de C.V.	4,413	28,039	12,625
Gabriel de México, S.A. de C.V.	3,047	20,591	-
Banco Inbursa, S.A.	929	19,264	2,728
Selmeq Equipos Industriales, S.A. de C.V.	4,731	15,652	5,358
Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V.	-	10,280	9,047
Empresa Brasileira de Telecomunicacoes, S.A.	-	-	441,575
Inmobiliaria Aluminio, S.A. de C.V.	-	554	120,244
Net Servicios de Comunicacao, S.A.	-	-	56,758
Net Brasil servicios de Televisao por Assinatura, S.A.	-	107	48,146
Fundación Teléfonos de México, A.C.	3,476	1,516	17,536
Servicios de Comunicaciones de Honduras, S.A. de C.V.	3,814	6,622	14,202
Hipocampo, S.A. de C.V.	1,097	3,009	11,496
Other less than 10,000	74,141	77,452	75,466
	\$ 3,682,581	\$ 3,436,079	\$ 2,672,542

	2016	2015	2014
Payable -			
Promotora del Desarrollo de América Latina, S.A. de C.V.	\$ 586,700	\$ 591,421	\$ -
Teléfonos de México, S.A.B. de C.V.	324,831	124,134	258,805
Radiomóvil Dipsa, S.A. de C.V.	313,222	72,203	114,477
Delphi Packard Electric Systems, Inc.	183,527	110,594	73,905
Sears Brands Management	97,416	76,449	79,220
Concesionaria Autopista Guadalajara-Tepic, S.A. de C.V.	93,164	4,086	4,878
Operadora de Sites Mexicanos, S.A. de C.V.	65,720	111,842	-
Centro Histórico de la Ciudad de México, S.A. de C.V.	65,407	65,321	121,507
Inmuebles y Servicios Mexicanos, S.A. de C.V.	63,267	-	-
Infraestructura y Saneamiento de Atotonilco, S.A. de C.V.	53,500	50,797	47,789
América Móvil Perú, S.A.C.	53,474	35,102	15,495
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V.	42,693	30	26,118
Concesionaria Distribuidor Vial San Jerónimo-Muyuguarda, S.A.	41,931	128,632	-
Inversora Bursátil, S.A. de C.V.	38,989	1,991	11
Puerto Rico Telephone Company, Inc.	36,861	37,253	29,355
Inmose, S. A.	31,233	18,977	8,980
Claro CR Telecomunicaciones, S.A.	30,250	576	5,214
Instituto Social y Escolar, A.C.	22,190	-	-
Makobil, S.de R.L. de C.V.	21,262	-	-
Net Brasil Servicios de Televisao por Assinatura, S.A.	16,181	-	13,845
CRS Morelos, S.A. de C.V.	15,651	-	-
Anuncios en Directorios, S.A. de C.V.	14,595	-	-
Seguros Inbursa, S.A.	12,207	7,774	302
Minera Real de Ángeles, S.A. de C.V.	10,241	-	-
Acolman, S.A. de C.V.	4,260	149,120	-
Concesionaria Etram Cuatro Caminos S.A. de C.V.	984	89,200	-
Amatech, S.A. de C.V.	-	48,683	-
Claro, S. A.	-	27,729	-
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.	-	20,856	2,719
Trituradora de Materiales Santa Anita, S.A. de C.V.	1,765	14,682	-
Autopista Arco Norte, S.A. de C.V.	2,687	12,350	132,808
Empresa Brasileira de Telecomunicacoes, S.A.	-	-	111,367
Inmobiliaria Aluminio, S.A. de C.V.	-	2,019	35,225
Constructora MT Oaxaca, S.A. de C.V.	-	-	23,726
Comunicación Celular, S.A. de C.V.	-	6,504	23,546
Other less than 10,000	124,572	77,065	82,393
	\$ 2,368,778	\$ 1,885,390	\$ 1,211,685

- Borrowings from financial institutions includes balances with Banco Inbursa, S.A. of \$25,000 and \$12,000 as of December 31, 2016 and 2015, respectively; which accrue interest at a variable rate based on general market conditions (6.10% and 3.67%, respectively; as of December 31, 2016 and 2015). As of December 31, 2014 there were no balances with this related party.
- Due to related parties includes advances from customers of \$1,510,697 \$1,401,669 and \$776,945 as of December 31, 2016, 2015 and 2014, respectively.
- 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.
- Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2016	2015	2014
Sales	\$ 20,994,775	\$ 21,804,777	\$ 18,922,668
Interest income	46,769	58,518	59,779
Purchases	(1,119,977)	(2,808,354)	(2,655,915)
Prepaid insurance	(240,037)	(262,114)	(294,210)
Lease expenses	(651,074)	(427,108)	(615,688)
Services rendered	48,442	175,248	(1,245,557)
Other expenses, net	(537,874)	(637,381)	(609,483)
Purchases of fixed assets	(97,170)	(69,549)	(59,364)

- Transactions with associated companies and joint ventures, carried out in the ordinary course of business, were as follows:

	2016	2015	2014
Sales	\$ 1,052,399	\$ 864,601	\$ 831,378
Services acquired	11,931	59,974	63,968
Purchases	(79,282)	(29,533)	(40,981)
Expense from the lease of real property	(3,629)	(2,927)	(81)
Insurance	(28,467)	(101)	-
Other income, net	(43,465)	(90,047)	(57,203)
Purchases of fixed assets	(8,285)	(6,584)	(5,775)

24. Income

	2016	2015	2014
Sales			
Services	\$ 69,537,706	\$ 65,253,126	\$ 61,167,497
Sale of goods	18,103,694	16,273,844	15,954,539
Interests	3,182,572	2,931,056	2,813,026
Rentals	3,145,362	2,652,824	1,352,724
Construction	1,034,017	995,612	998,859
Others	184,284	117,354	101,213
Total	\$ 95,187,635	\$ 88,223,816	\$ 82,387,858

25. Cost and expenses by nature

Concept	2016			
	Cost of sales	Distribution and selling	Administrative	Total
Wages and salaries	\$ 3,554,169	\$ 3,638,429	\$ 1,700,358	\$ 8,892,956
Employee benefits	364,412	1,755,962	320,191	2,440,565
Raw materials	19,454,366	-	-	19,454,366
Manufacturing expenses	4,407,903	-	-	4,407,903
Finished products	37,572,424	-	-	37,572,424
Depreciation and amortization	990,643	1,006,546	96,704	2,093,893
Advertising	-	441,578	-	441,578
Insurance	32,066	77,718	70,875	180,659
Freight	-	333,126	-	333,126
Allowance for doubtful accounts	5,355	26,891	460,722	492,968
Royalties	-	247,033	3,410	250,443
Fees	1,182	35,605	330,779	367,566
Maintenance	241,142	467,839	102,696	811,677
Plant costs	-	11,755	296,623	308,378
Security services	16,084	72,819	36,015	124,918
Lease	-	1,209,787	109,917	1,319,704
Telephone	-	72,739	50,512	123,251
Electricity	4,283	508,193	5,412	517,888
Credit card fees	-	286,256	6,761	293,017
Other	73,581	1,646,649	340,490	2,060,720
Total	\$ 66,717,610	\$ 11,838,925	\$ 3,931,465	\$ 82,488,000

Concept	2015			
	Cost of sales	Distribution and selling	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	Distribution and selling	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

26. Other income - net

	2016	2015	2014
Sales of materials and waste	\$ (10,725)	\$ (6,096)	\$ (25,234)
Income on sale of fixed asset	(12,200)	(73,420)	(31,304)
Gain on investment property revaluation	(135,845)	(244,550)	(225,695)
Settlement of liabilities and provisions	(8,672)	(102,691)	(313,287)
Impairment of exploration expenses	(155,008)	534,076	-
Impairment of property, plant and equipment	44,327	108,252	-
Impairment	-	-	-
Other, net	4,841	48,234	15,198
	\$ (273,282)	\$ 263,805	\$ (580,322)

27. Income taxes

The Entity is subject to ISR.

ISR -The rate was 30% in 2016, 2015 and 2014 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 2016, 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 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.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain 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 on an individual basis by the holding company and its subsidiaries.

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

	2016	2015	2014
ISR:			
Current	\$ 4,434,296	\$ 3,241,327	\$ 3,466,055
Current from prior periods	596,556	(67,975)	(792,386)
	\$ 5,030,852	\$ 3,173,352	\$ 2,673,669

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

	2016	2015	2014
ISR deferred (asset) liability:			
Property, plant and equipment	\$ 2,481,619	\$ 2,376,674	\$ 1,813,516
Inventories	(241,089)	(218,291)	(265,077)
Advances from customers	(822,121)	(779,579)	(305,217)
Natural gas and metals swaps and forwards	88,993	(63,684)	(142,177)
Revenues and costs by percentage-of-completion method	222,499	176,109	150,881
Allowances for assets and reserves for liabilities	(930,835)	(665,218)	(768,605)
Other, net	(14,345)	(327,754)	(218,035)
Deferred ISR on temporary differences	784,721	498,257	265,286
Effect of tax loss carry-forwards	(1,727,881)	(1,498,206)	(694,431)
Allowance for deferred tax	720,301	238,605	-
Deferred ISR payment (long-term CUFINRE)	2,277	9,050	20,318
	(220,582)	(752,294)	(408,827)
Total deferred tax asset	2,048,472	2,143,195	1,754,350
Total deferred tax liability	\$ 1,827,890	\$ 1,390,901	\$ 1,345,523

c. The movements of deferred tax liabilities during the year are as follows:

	2016	2015	2014
Opening balance	\$ (752,294)	\$ (408,827)	\$ 314,645
Income tax applied to income	596,556	(67,975)	(792,386)
Recognized in other comprehensive income	(64,844)	(275,492)	68,914
Closing balance	\$ (220,582)	\$ (752,294)	\$ (408,827)

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

	2016	2015	2014
	%	%	%
Statutory rate	30	30	30
Add (deduct) the effect of permanent differences -			
Non-deductible expenses	4	4	2
Share in income of associated companies	(3)	(4)	(4)
Effective rate	31	30	28

e. Unused tax loss carryforwards for which a deferred income tax asset has been recognized, may be recovered provided certain requirements are fulfilled. Their maturities and restated amounts at December 31, 2016 are as follows:

Year of expiration	Tax loss carryforwards
2018	\$ 115,713
2019	45,267
2020 and thereafter	3,663,971
	3,824,951
Foreign subsidiaries tax loss carryforwards without expiration term	581,682
Total	\$ 4,406,633

f. Tax consolidation:

The income tax liability at December 31, 2016 from the effects of benefits and tax deconsolidation shall be paid in the following years:

Year	
2017	\$ 35,805
2018	60,492
2019	106,978
2020 and thereafter	258,144
	\$ 461,419

g. Tax integration regime

ISR liability derived from the tax integration regime will be paid within four years; at December 31, 2016, 2015 and 2014, this liability was \$1,048,051, \$739,397 and \$132,261, respectively.

h. The Entity has recorded a payable long-term ISR derived from the December 26, 2013 tax Decree which establishes that the ISR incurred by installment sales can be settled over three years by paying 33.3% of the outstanding amount each year, since the tax advantage of deferring ISR on installment sales was eliminated. As of December 31, 2016, ISR amounts to \$127,027 and is recorded in other accounts payable and accrued liabilities.

28. Commitments

I. Retail sector:

- a. As of December 31, 2016, contracts have been executed with suppliers for the remodeling and construction of some stores. The amount of the commitments contracted in this regard is approximately \$1,493,778.
- b. Furthermore, as of December 31, 2016, the retail sector and its subsidiaries have entered into lease agreements in 339 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 2016, 2015 and 2014 was \$1,367,071, \$1,300,320 and \$1,193,800, 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 2016, 2015 and 2014 was \$221,363, \$219,583 and \$228,551, respectively.
- The amount of rentals payable according to its due date amount to:

Maturity	December 31, 2016
1 year	\$ 577,119
1 to 5 years	2,731,903
More than 5 years	3,154,870
	\$ 6,463,892

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

Maturity	December 31, 2016
1 year	\$ 28,780
1 to 5 years	134,058
More than 5 years	190,715
	\$ 353,553

- 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 have 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, which establishes 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 will be 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. Infrastructure and construction 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 for Pemex Exploración y Producción (PEP) and Pemex Petroquímica (PPQ) public work contracts. Derived from this, the reported figures include the effect of the following contracts and formalized agreements, which provide the current advances to completion:

- a. On December 21, 2016, GSM entered into a contract with the Comisión Federal de Electricidad (CFE) for the drilling of four geothermal wells and the termination of an unfinished well, in the "Los Humeros" field located in the state of Puebla. The contract total value is \$300,000, its operations started during the second half of January 2017.
- b. On September 7, 2015, PEP awarded GSM a jet hydraulic pumping service contract in wells of the Región Sur fields for US\$6,520 thousands; on May 31, 2016 an amendment agreement was signed to extend the effective term and increase the amount to US\$6,879 thousands. As of December 31, 2016, the percentage of completion is 93%.
- c. 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\$22,412. As of December 31, 2016, approximately 82% of the work has been completed and is expected to conclude during 2017.
- d. 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 was US\$62,128; operations will begin during the second half of February 2015, at December 31, 2016, a 48% work completion level was reported and work has been suspended on instructions from PEP.
- e. In October 2014, GSM executed a contract with the Federal Electricity Commission (CFE) to drill five geothermal wells and repair two others at the "Los Azufres" field in Michoacan State. The contract value is \$284,122; on June 15, 2016, the quittance of the contract was signed.
- f. In May 2014, PEP awarded an oil well directional drilling contract to GSM for the amount of US\$88,746, for work to be performed over 882 days. Work began in June 2014; at December 31, 2016, a 37% work completion level was reported and work has been suspended on instructions from PEP.
- g. In May and June 2014, Bronco Drilling Mx, S.A. de C.V. entered into contracts to lease three oil drilling rigs in the Región Sur for a four-year term. In August 2015, the three drilling rigs ceased to be leased because PEP is no longer allocating drills to be welled due to a lack of resources.

- h. In February 2014, GSM entered into a contract for fluids service control and directional drilling for US\$21,967; in January 2016, the advance termination of the contract was formalized.
- i. In September 2016, Operadora announced the award of a contract for the construction of one of the runways of Mexico City's new airport through the CARGI - PROPEN consortium with a 25% share for the design, planning, construction, execution, operation, maintenance, supervision and building of the pre-loading system; the construction will be 5 km long for a contract amount of \$7,359,204 with a termination date in September 2018. As of December 31, 2016, the respective work has begun.
- j. In December 2015, Operadora signed a contract to carry out expansion work on the highway stretches, 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, at December 31, 2016, the execution of the work is suspended by settlers' blockades.
- k. In December 2015, Operadora entered into a contract to carry out repairing work on the road surface (flexible asphalt) of the Arco Norte highway; the contract amount is \$49,169, and 95% of the work has been completed as of December 31, 2016.
- l. 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 91% of the work has been completed as of December 31, 2016.
- m. 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 and at December 31, 2016, an 89% work completion level was reported.
- n. 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 95% was reported at December 31, 2016.
- o. In May 2014, Operadora executed a contract to expand several Type A2 Highway Sections (Atlacomulco Piedras Negras and Piedras Negras-Entronque Autopista Mexico-Querétaro) to four lanes. The contract amount is \$1,495,000 and a 96% work completion level was reported at December 31, 2016.
- p. 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, 2016 there have been advances of 84%.
- q. 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 \$34,500, during 2016, an additional contract was signed for \$ 1,886,763 and at December 31, 2016, there have been advances of approximately 77%.
- r. 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, 2016, there have been progress of approximately 68%.
- s. 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 m³ 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, 2016, there have been advances that reached about 99% of the project and is expected to conclude in the first half of 2017.
- t. Operadora announced in December 2009 that it entered into a lump-sum contract with the decentralized State agency Sistema de Autopistas, Aeropuertos, Servicios Conexos y Auxiliares del Estado de México (SAASCAEM) to modernize the Autopista Tenango-Ixtapan de la Sal, from Km 1+100 to Km 32+630, in Mexico State. The work consists of an expansion from 2 to 4 lanes, including grading, drainage work, structures, asphalt surface, construction and adaptation of junctions for a total length of 31.6 km. The contract amount is approximately \$492,162. As of December 31, 2016, approximately 88% of the work has been completed, but is currently suspended due to a legal safeguard filed by local inhabitants for one stretch of the project. During 2016 and 2015, there were no revenues, costs or expenses related to the project.
- u. 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 Mazatlán Bypass for \$1,884,870, in which the Entity started the construction in certain trams and presents an advance of 99% and modernization work for \$500,000; the latter will be performed after the first two phases have been concluded.

- v. 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 m³ per second. The original amount of this contract was \$9,595,581, and to date it has been authorized to increase it by up to \$ 20,167,949. As of December 31, 2016, an advance of approximately 75% is expected and the project is expected to be completed in August 2018.
- w. In September 2016, work began on the courts building in Mexico City; the approximate contract amount is \$500,000 and is expected to conclude in the third quarter of 2018.
- x. In April 2015, a contract was signed for outfitting and remodeling in certain offices of the customer Teléfonos y Bienes Raíces, S.A. de C.V. in the amount of \$39,285. The work was concluded in the second quarter of 2016, and the administrative closure process is currently in progress.
- y. 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 \$760,000; the work is expected to conclude in the third quarter of 2017. As of December 31, 2016, there is an increase of approximately 5%.
- z. 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 \$131,000 and the work was completed in September 2016, as of December 2016 the entity is in the process of administrative closure.
- aa. 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 the work was completed in September 2016, as of December 2016 the entity is in the process of administrative closure.
- bb. 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 \$370,000 and is expected to conclude in the first quarter of 2017. As of December 31, 2016 approximately 99% of the work has been completed.
- cc. 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 78% was reported at December 31, 2016.
- dd. 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 \$850,000 which will include hospital and housing, is estimated to be completed in the first quarter of 2019. As of December 31, 2016, there is an increase of approximately 4%.
- ee. 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 4% was reported at December 31, 2016.
- ff. 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.
- gg. On January 25, 2016, Cafig Constructores, S.A. de C.V. was established, as an associated company of Operadora with an equity percentage of 45% , whose corporate purpose is the construction of the Gasoducto Samalayuca – Sásabe gas pipeline ("Gasoducto") between the States of Chihuahua and Sonora to transport natural gas.

The gas pipeline will be 36 inches in diameter, and will have a total length of 614.127 kilometers and a natural gas transportation capacity of up to a maximum of 472,000,000 ft.³ a day (472 MMPCD). As of December 31, 2016, the percentage of completion is 5% and the scheduled date for project conclusion is April 2018.
- hh. As of December 31, 2016 and 2015, the Entity has entered into contracts and work orders with related parties in Mexico and Latin America for total amounts of \$6,073,790 and \$3,788,287; and US\$192.9 and US\$172.8 million, respectively. The contracts include professional services for the construction and modernization of copper wiring networks (pairs) and outside plant fiber optics, and also the construction of pipelines and installation of fiber optics, public works and connections. Most of the projects contracted are expected to conclude during 2017.
- ii. Equipment manufacturing contracts for \$117,385 and \$328,450 as of December 31, 2016 and 2015, respectively. There is also a collaboration contract signed in 2015 with Delphi Corporation and General Motors Holding LLC for US\$9.8 million, equivalent to \$159,604, which consists of guaranteeing the supply of articles in the period from 2018 to 2023.
- jj. As of December 31, 2016, in the Industrial and construction and Infrastructure sectors, there are contractual commitments for real estate operating leases in the amount of \$1,388,819.

Maturities of contractual commitments denominated in Mexican pesos at December 31, 2016 are:

Year	Amount
2017	\$ 304,098
2018	292,873
2019	279,028
2020	256,410
2021 and thereafter	256,410
	\$ 1,388,819

Rents paid were \$393,952, \$294,595 and \$207,129 for the years ended December 31, 2016, 2015 and 2014, respectively.

29. Contingencies

I. Retail sector:

As of the date of these consolidated 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 of labor matters.

The estimated amount of these judgments to December 31, 2016 amounts to \$835,865, for which the Entity has recognized provisions \$102,292 which is included in other liabilities in the consolidated statements of financial position. During 2016, the Entity made payments related to these matters of approximately \$38,869. 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 financial position or operating results.

II. Infrastructure and construction 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 financial position or results of operations.

c. At December 31, 2016 and 2015, the Entity has written guarantees, mainly on behalf of their clients, for \$16,469,938 and US\$17,212 and for \$13,701,384 and US\$21,175, respectively, which were the amounts of liability in force in those periods.

d. Performance warranties. In the normal course of operations, the Entity is required to guarantee its obligations, mainly derived from construction contracts by means of letters of credit or bonds, 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:

Statements of financial position	2016					
	Retail	Industrial	Infrastructure and construction	Carso Energy	Holding, others and eliminations	Total consolidated
Current assets:						
Cash and cash equivalents	\$ 1,714,356	\$ 740,696	\$ 1,627,421	\$ 1,473,893	\$ (698,449)	\$ 4,857,917
Accounts and notes receivable, net	13,058,329	5,023,483	5,360,561	2,113,043	(51,405)	25,504,011
Total current assets	25,431,652	12,977,676	10,675,679	3,697,036	(737,986)	52,044,057
Property, plant and equipment	14,400,591	3,574,967	2,887,728	9,237,316	74,909	30,175,511
Other assets – Net	92,272	208,463	74,286	-	1,320	376,341
Total assets	45,185,043	26,941,933	15,873,467	14,223,072	7,332,834	109,556,349
Liabilities:						
Notes payable to financial institutions and current portion of long-term debt	\$ -	\$ 2,848,086	\$ 308,733	\$ 5,301,649	\$ 3,262,711	\$ 11,721,179
Trade accounts payable	7,036,810	1,498,895	810,030	49,280	(48,085)	9,346,930
Total current liabilities	12,470,180	6,000,627	6,823,661	5,596,567	3,367,271	34,258,306
Total de liabilities	14,233,518	6,314,135	7,508,935	6,069,517	3,850,080	37,976,185

2015						
Statements of financial position	Retail	Industrial	Infrastructure and construction	Carso Energy	Holding, others and eliminations	Total consolidated
Current 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	535,291	63,128	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	18,718	23,778,913
Other assets – Net	34,551	232,771	77,886	92	3,578	348,578
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
Current 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	313,130	22,158,109
Other assets – Net	27,821	24,741	81,885	-	(4,313)	130,134
Total assets	40,119,961	24,640,404	10,152,666	4,829,068	11,968,299	91,710,398
Current 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
2016						
Statements of financial position	Retail	Industrial	Infrastructure and construction	Carso Energy	Holding, others and eliminations	Total consolidated
Net sales	\$ 47,593,847	\$ 29,048,773	\$ 18,512,889	\$ 794,257	\$ (762,131)	\$ 95,187,635
Cost of sales	28,671,387	22,638,969	15,539,915	416,678	(549,339)	66,717,610
Distribution and selling	11,237,934	578,019	35,626	-	(12,654)	11,838,925
Administrative	2,330,814	897,505	854,375	119,535	(270,764)	3,931,465
Other (income) expenses – Net	(254,324)	(43,519)	(28,937)	42,220	11,278	(273,282)
Interest (income) expense – net	(119,453)	(2,475)	10,069	(13,205)	265,791	140,727
Exchange gain (loss) – Net	61,044	(514,848)	89,836	(467,343)	(62,459)	(893,770)
Effects of valuation of financial instruments – Net	-	-	-	66,682	(28,502)	38,180
Equity in income of associated companies	(89,992)	(345,964)	226,375	1,695	(1,660,598)	(1,868,484)
Income from income taxes	6,768,654	5,639,241	1,728,854	627,995	1,544,479	16,309,223
Income taxes	2,034,667	1,617,531	686,922	155,584	536,148	5,030,852
Consolidated net income	4,733,987	4,021,710	1,041,932	472,411	1,008,331	11,278,371
EBITDA ⁽¹⁾	6,465,469	5,127,274	2,448,779	419,666	116,888	14,578,076
Depreciation and amortization	1,116,873	365,683	393,645	203,842	13,850	2,093,893

2015						
Statements of financial position	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

2014						
Statements of financial position	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

⁽¹⁾ Reconciliation of EBITDA

	December 31, 2016	December 31, 2015	December 31, 2014
Income before income taxes	\$ 16,309,223	\$ 10,677,683	\$ 9,448,312
Depreciation and amortization	2,093,893	1,843,475	1,742,190
Interest income	(377,811)	(473,088)	(465,787)
Interest expense	518,538	389,795	440,199
Exchange gain (loss)	(893,770)	(36,475)	409,597
Gain/(loss) on property revaluation	(135,845)	(244,550)	(225,695)
Revaluation of trademarks	(8,672)	-	-
Impairment of property, plant and equipment and of exploration expenses	44,091	642,328	-
Effects of valuation of financial instruments	38,180	1,046,921	671,804
Equity in income of associated entities and joint ventures	(1,868,484)	(1,275,577)	(1,414,603)
Income from the purchase of SROM shares	(1,141,267)	-	-
EBITDA	\$ 14,578,076	\$ 12,570,512	\$ 10,606,017

EBITDA for Grupo Carso at December 31, 2016 increased by 16%.

Cash flows from operating activities:

	2016	2015	2014
– Retail	\$ 3,411,862	\$ 3,473,779	\$ 3,008,974
– Industrial	3,399,261	2,593,314	4,023,649
– Infrastructure and construction	1,308,893	1,531,175	3,378,966
– Carso Energy	(61,405)	(289,977)	(61,693)
– Others and eliminations	(1,480,993)	(755,598)	(773,308)
Total consolidated	\$ 6,577,618	\$ 6,552,693	\$ 9,576,588

Cash flows from investing activities:

	2016	2015	2014
– Retail	\$ (2,649,251)	\$ (1,954,333)	\$ (1,583,688)
– Industrial	(1,599,630)	2,114,311	(3,059,794)
– Infrastructure and construction	(77,264)	(301,006)	71,956
– Carso Energy	(4,496,581)	(1,029,014)	(222,580)
– Others and eliminations	(610,566)	(275,200)	133,075
Total consolidated	\$ (9,433,292)	\$ (1,445,242)	\$ (4,661,031)

Cash flows from financing activities:

	2016	2015	2014
– Retail	\$ (3,962,032)	\$ (2,821,248)	\$ (2,479,649)
– Industrial	(1,952,684)	(4,603,474)	(761,466)
– Infrastructure and construction	(779,297)	(1,878,442)	(3,589,157)
– Carso Energy	4,885,265	3,326,751	225,866
– Others and eliminations	1,448,506	1,228,490	2,452,470
Total consolidated	\$ (360,242)	\$ (4,747,923)	\$ (4,151,936)

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	\$ 10,244,484	10.77	\$ 7,923,795	8.98	\$ 7,046,168	8.54
Central and South America and the Caribbean	6,981,115	7.33	5,875,996	6.66	6,210,692	7.53
Europe	259,174	0.27	214,299	0.24	295,896	0.35
Rest of the world	207,388	0.22	177,036	0.20	48,993	0.06
Total exports and foreign	17,692,161	18.59	14,191,126	16.08	13,601,749	16.48
Mexico	77,495,474	81.41	74,032,690	83.92	68,786,109	83.52
Net sales	\$ 95,187,635	100.00	\$ 88,223,816	100.00	\$ 82,387,858	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 in the following industries: energy, automotive, telecommunications, construction, electronics and general public mainly.

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 IAS 12	Income taxes ¹
Amendments to IAS 7	Statements of Cash Flows ¹
Amendments to IFRS 2	Classification and measurement of share-based payments ²

¹ Effective for annual periods beginning on or after 1 January 2017, 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 amounts reported in respect of the Entity's 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. IFRS 16 is effective for periods beginning on or after 1 January 2019, with 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 IAS 12 Income Tax: Recognition of Deferred Tax Assets for Unrealized Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice.

The management of the Entity does not expect significant impacts a result of these amendments.

Amendments to IAS 7 Statements of Cash Flows: Provide disclosures

The amendments in disclosure initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The management of the Entity expects that there may be some impacts a result of these amendments.

Amendments to IFRS 2 Share-based Payments

The amendments to IFRS 2 Share-based Payments, clarify the classification and measurement of share-based payment transactions. The amendments contains clarifications and amendments address to the accounting for cash-settled share-based payment transactions; classification of share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. These amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments apply prospectively.

Management expects that there may be some impacts as a result of these amendments.

32. Authorization to issue the financial statements

On March 17, 2017, 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 Shareholders' 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, 2015 and 2014, were approved at the Ordinary Shareholders' Meetings held on April 27, 2016 and April 27, 2015, 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:

Symbol: GPOVY
2:1
Cusip: 400485207

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