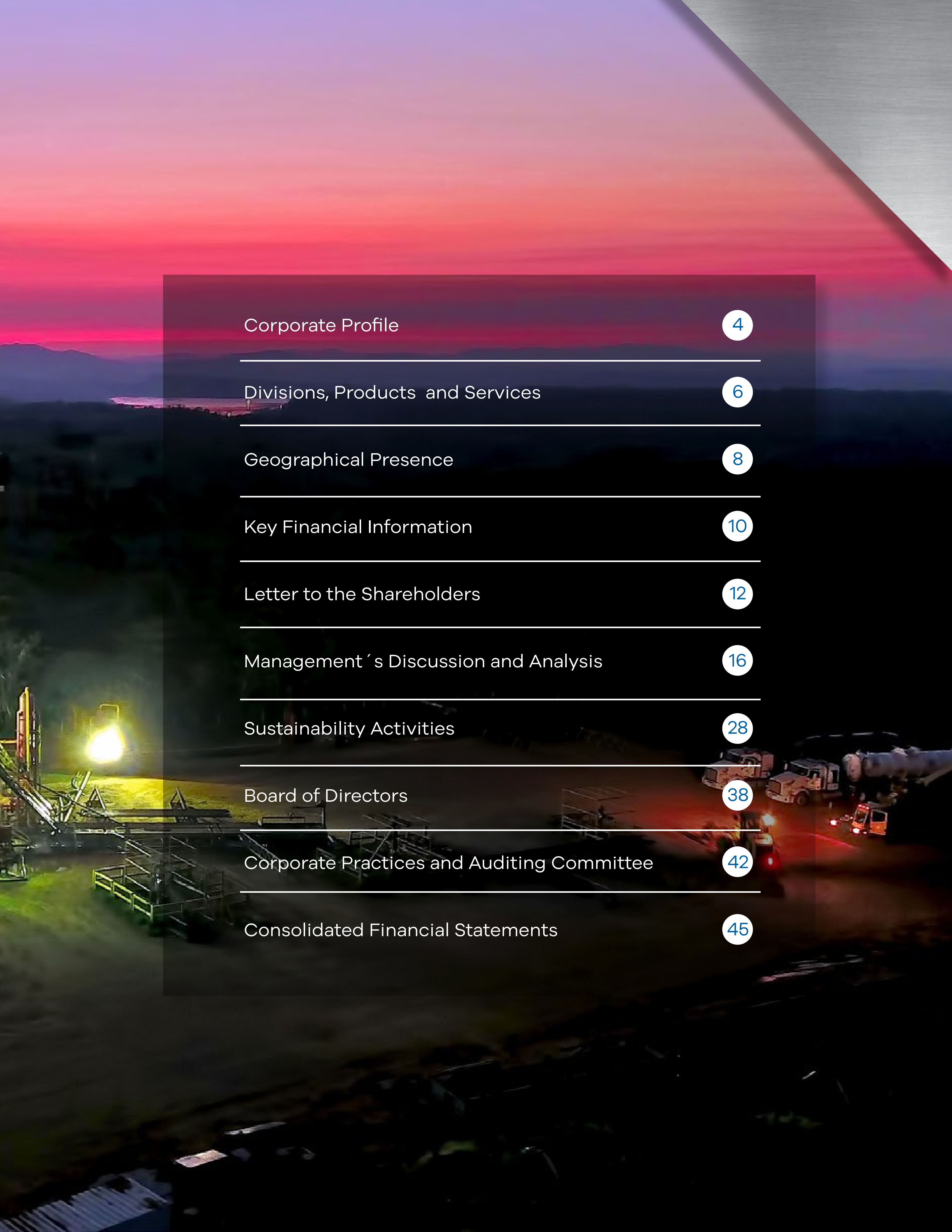
GRUPO CARSO

ANNUAL REPORT 2019

INDEX

Integrated Drilling Services



CORPORATE PROFILE

Grupo Carso is one of the largest, most diversified and important conglomerates of Latin America. Since its inception 40 years ago it has distinguished itself by its dynamism, its innovation in processes and technology, and the sustainable management of its resources.

The Group consists of four strategic sectors:

- The commercial sector
- The industrial sector
- The infrastructure and construction sector
- The energy sector

The Guadalajara Beltway

“The Group holds a dominant position as one of the most prominent market leaders in Mexico, due to its exceptional portfolio of formats, products and services. ”

Various operational and profitability synergies have been developed in the sectors of which the Group is composed, and a constant cash flow has been generated in its divisions, representing a long-term creation of value for the Company’s shareholders.

The Urbana Sur Freeway

DIVISIONS, PRODUCTS AND SERVICES

// COMMERCIAL AND CONSUMPTION

Grupo Sanborns

The Company operates some of the most successful commercial formats in Mexico, with widely recognized trademarks.

It caters to a large percentage of Mexico's middle-, middle-upper and upper-class consumers in the Company's 451 stores and their 1,234,000 square meters of commercial space.

Formats
- Department Stores and Boutiques
- In-Store Restaurants
- Electronics, Technology and Entertainment Stores

Main Brands:
- Sears
- Sanborns
- iShop
- MixUp
- Saks Fifth Avenue

52.0%
Percentage of Sales

41.0%
Percentage of Operating Income

// INDUSTRIAL AND MANUFACTURING

Grupo Condumex

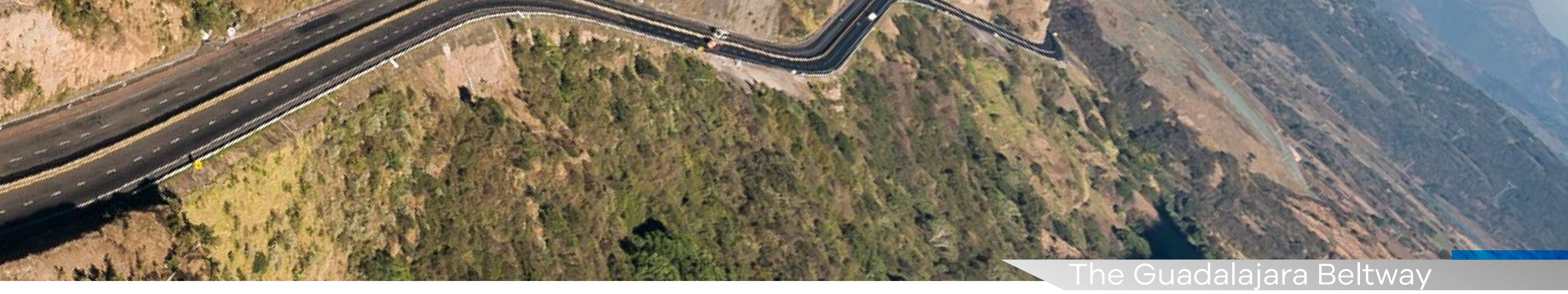
Condumex has a portfolio of products and services focused on the telecommunications, construction, electricity, energy, automotive and mining industries.

Principal Services and Products
- Cables (electrical, telephony, electronic, coaxial, fiber optics, for mining, automotive, and other).
- Automotive electrical harnesses.
- Precision steel tubing.
- Power transformers.
- Alternate energy.

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

31.0%
Percentage of Sales

33.5%
Percentage of Operating Income



The Guadalajara Beltway

INFRASTRUCTURE AND CONSTRUCTION

Carso Infrastructure and Construction

Carso provides services to 5 sectors: the chemical and petroleum industries; the installation of pipelines; infrastructure, civil construction, and the development of housing projects.

It is involved in the construction of:

- Roads; tunnels; water treatment plants, and infrastructure works in general.
- Petroleum platforms and equipment for the chemical and petroleum industries.
- Drilling of oil wells, geothermal wells, and drilling services.
- Commercial centers, industrial plants, office buildings, and housing.
- Telecommunications facilities, gas pipelines and aqueducts.

Main Brands:

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

19.1%
Percentage of Sales

18.5%
Percentage of Operating Income

ENERGY

Carso Energy

Carso Energy participates in the energy and petroleum industries. Currently it performs gas transportation services for the Comisión Federal de Electricidad (Federal Electricity Commission). Among its goals is to take advantage of business opportunities arising from the energy reform laws in Mexico and similar opportunities in other countries.

Carso Energy engages in:

- Performance in gas transportation services.

Main Brands:

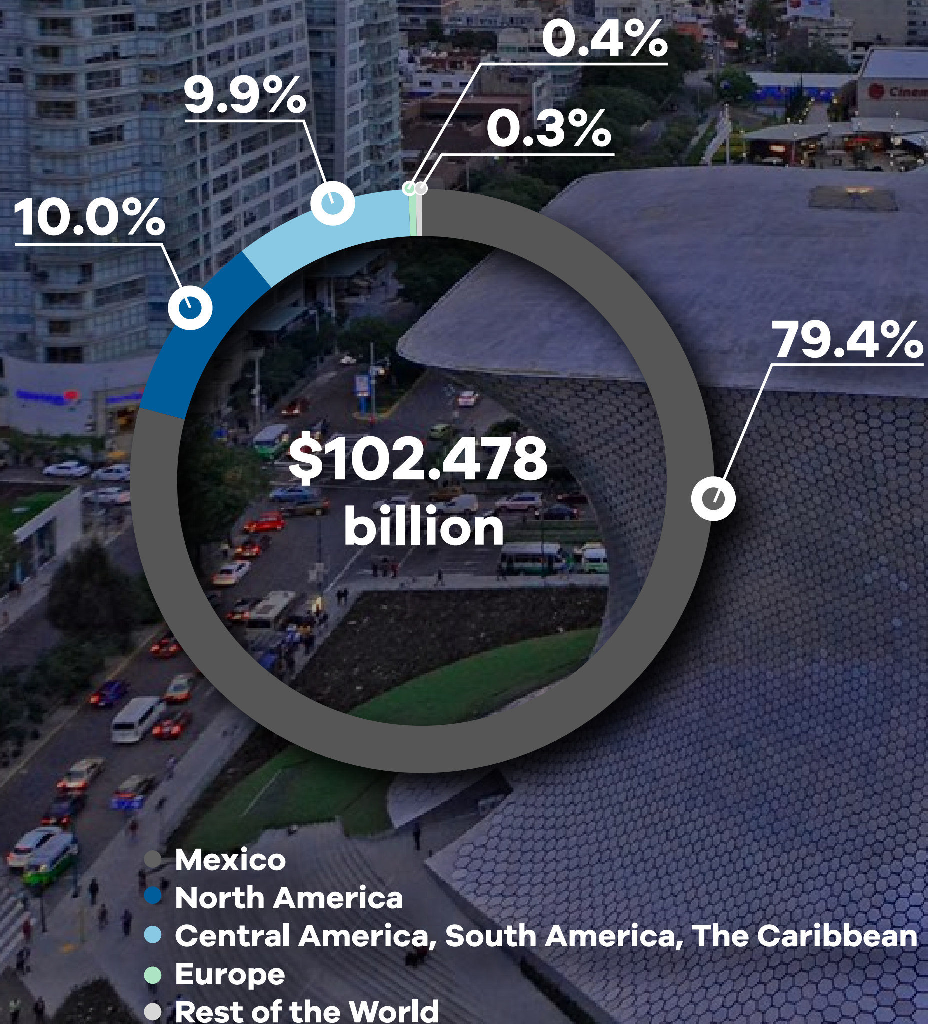
- Carso Energy
- Carso Oil & Gas
- Carso Electric

0.1%
Percentage of Sales

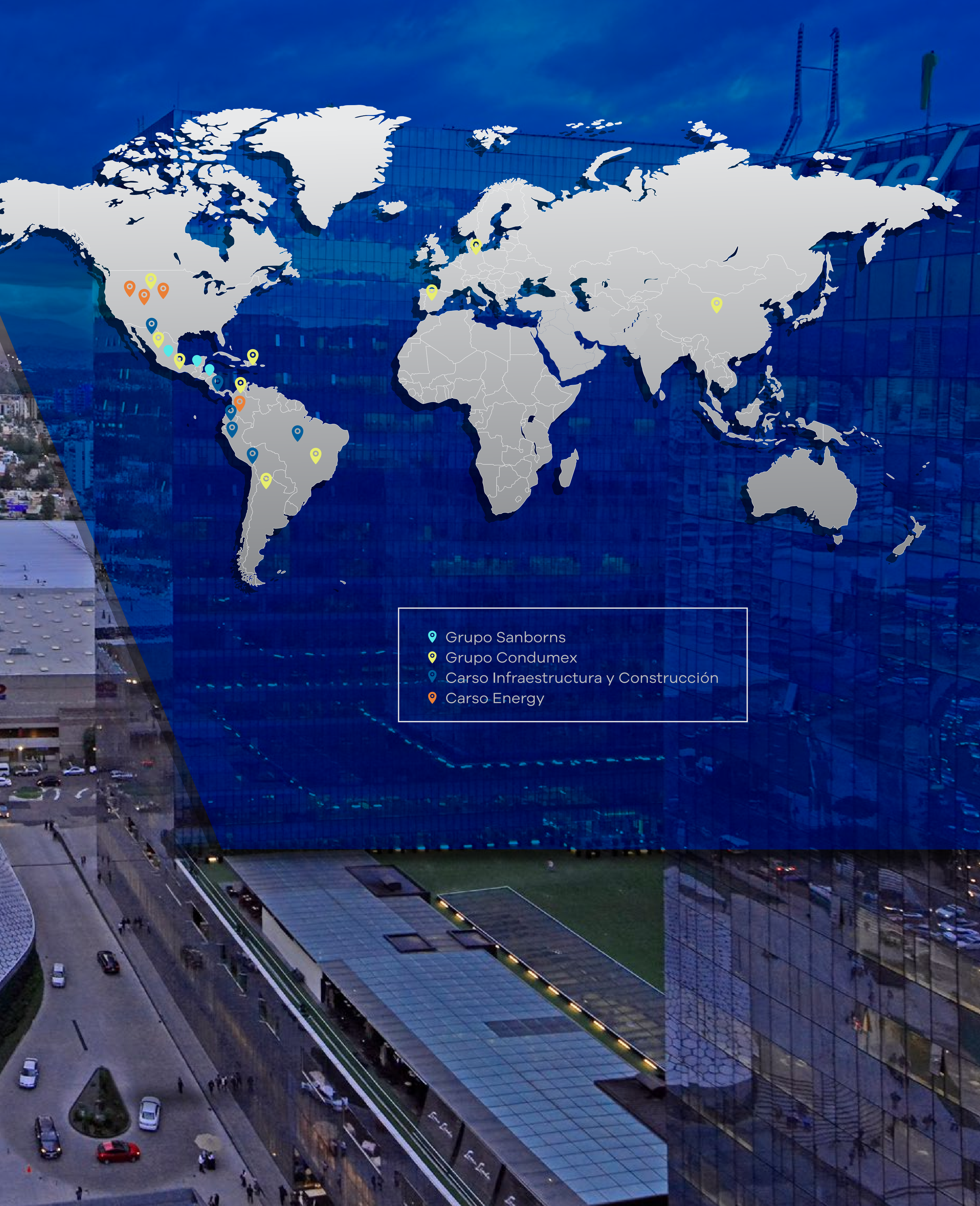
-0.2%
Percentage of Operating Income

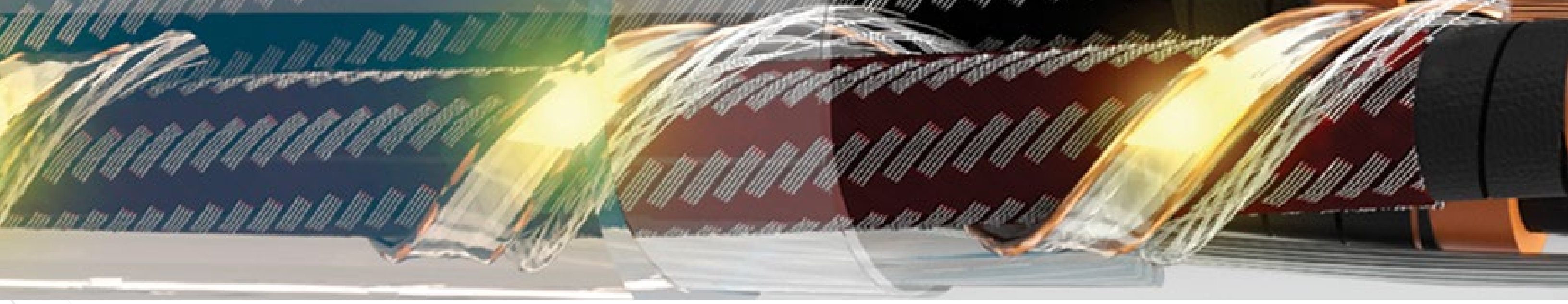
GEOGRAPHICAL PRESENCE

// Sales per Geographical Division



Plaza Carso


Grupo Sanborns
Grupo Condumex
Carso Infraestructura y Construcción
Carso Energy



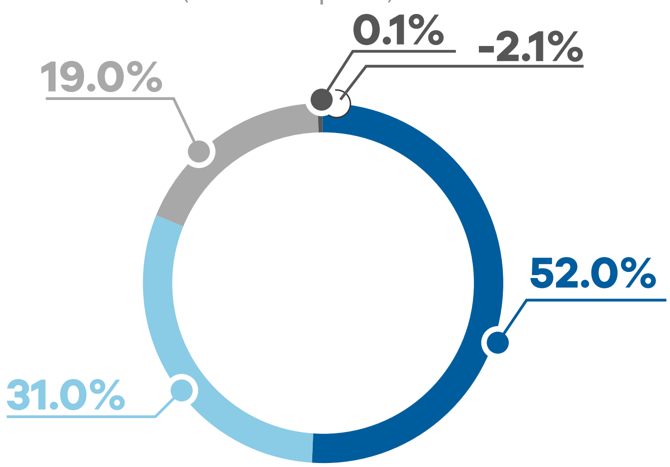
KEY FINANCIAL INFORMATION

(Amounts in thousand pesos, except earnings per share, which is shown in pesos, and outstanding shares)	2017	2018	2019	Var% 2019-2018
Sales	93,592,613	96,639,833	102,477,596	6.0%
Gross Profit	29,019,876	28,659,561	29,139,883	1.7%
Operating Income	13,394,269	11,032,226	11,453,226	3.8%
EBITDA	15,214,889	14,433,693	14,481,063	0.3%
Controlling Participation in Net Income	10,024,662	9,170,294	7,547,361	-17.7%
Earnings per share (EPS)*	4.42	4.02	3.31	-17.7%
Margins				
Gross	31.0%	29.7%	28.4%	-1.2 pp
Operating	14.3%	11.4%	11.2%	-0.2 pp
EBITDA	16.3%	14.9%	14.1%	-0.8 pp
Net	10.7%	9.5%	7.4%	-2.1 pp
Revenues				
Retail	49,768,427	51,755,422	53,288,479	3.0%
Industrial	28,782,821	30,929,859	31,746,579	2.6%
Infrastructure and Construction	17,273,500	15,504,207	19,537,994	26.0%
Energy	62,443	72,354	51,570	-28.7%
EBITDA**				
Retail	7,516,155	7,200,612	6,789,470	-5.7%
Industrial	4,970,601	4,404,034	4,240,699	-3.7%
Infrastructure and Construction	2,734,630	2,235,328	2,706,616	21.1%
Energy	-15,800	-37,396	-9,337	-75.0%
EBITDA Margins				
Retail	15.1%	13.9%	12.7%	-1.2 pp
Industrial	17.3%	14.2%	13.4%	-0.9 pp
Infrastructure and Construction	15.8%	14.4%	13.9%	-0.6 pp
Energy	-25.3%	-51.7%	-18.1%	33.6 pp
Total Assets	125,231,152	144,222,024	150,453,925	4.3%
Total Liabilities	45,280,359	51,835,944	55,809,365	7.7%
Stockholders' Equity	79,950,793	92,386,080	94,644,560	2.4%
Compounded Average Outstanding Shares ('000)	2,267,779	2,281,595	2,280,862	-0.03%

*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 explotation expenses, and effect on valuation of derivative financial instruments, less interest income, net foreign exchange gain, surplus from appraisals of shopping centers anf equity in earnings of associated companies and joint ventures. Conciliation In Note 30 of the Financial Statements.
pp: Variation in percentage points.

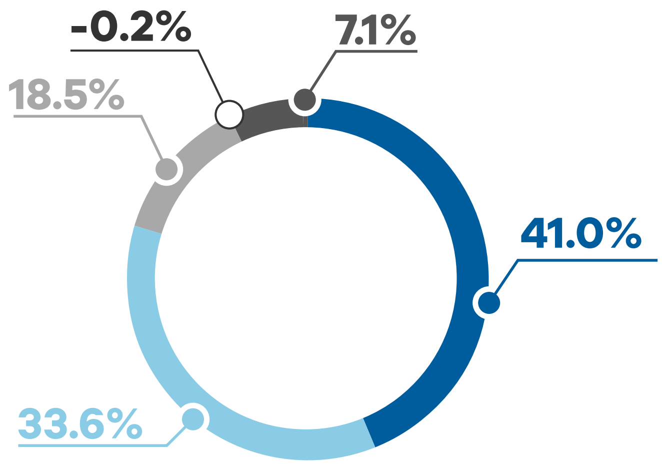

Minled mining cable

// Participation in Sales per Subsidiary
(millions of pesos)



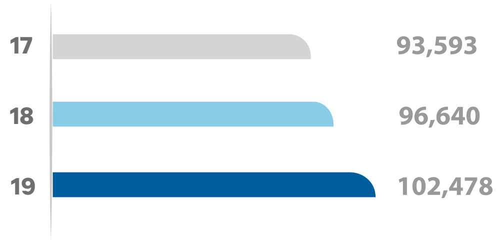
- Commercial and Consumption: **53,288**
- Industrial and Manufacturing: **31,747**
- Infrastructure and Construction: **19,538**
- Energy: **52**
- Others: **-2,147**

// Contribution to Operating Income per Subsidiary
(millions of pesos)

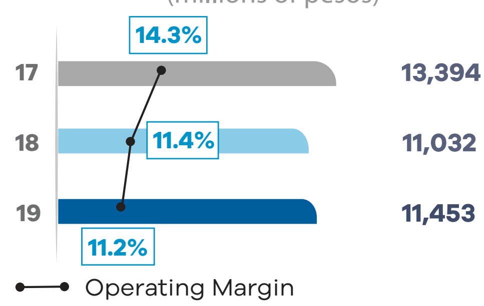


- Commercial and Consumption: **4,699**
- Industrial and Manufacturing: **3,837**
- Infrastructure and Construction: **2,121**
- Energy: **-17**
- Others: **813**

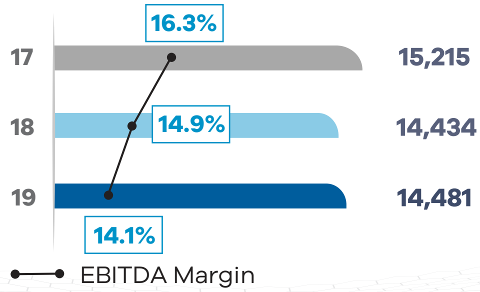
//Sales
(millions of pesos)



//Operating Income
(millions of pesos)



//EBITDA*
(millions of pesos)



*Note: For the calculation of EBITDA for 2017 the amounts corresponding to the net effect on income from the sale of shares of GMexico, the income from the dilution of shares of GMexico, the surplus from the re-evaluation of commercial centers and the depreciation of fixed assets were not included. For the calculation of the EBITDA for 2018, the net effect of the depreciation of fixed assets, exploration and mercantile credit expenses, and the re-evaluation of investment properties were included. For the calculation of EBTDA for 2019 the net effect of the re-evaluation of investment properties, reversion of the depreciation of fixed assets and the expenses for the restoration of the environment were not included.

LETTER TO THE SHAREHOLDERS

Annual Report for 2019
Letter from the President of the Council to Grupo Carso Shareholders

Economic Panorama

In 2019 the world economic situation experienced a marked slow-down, attributable in part to the uncertainty surrounding the commercial tensions between the United States and China.

The United States economy grew by 2.3%, driven by consumer spending that increased by 3.7% and offset by a 1.8% gross decrease in corporate spending, as compared to a 5.1% increase in 2018. In view of this scenario, the Federal Reserve Board lowered the benchmark interest rate three times, to close the year at a range between 1.75% to 2.00%.

In Mexico, the Gross Domestic Product saw a drop of 0.1%, affected by a decrease of 4.9% in gross fixed capital formation, a cutback of 1.5% in government spending, and the slow-down in consumer spending, which grew by only 0.6% in 2019, whereas it increased by 2.3% in 2018.

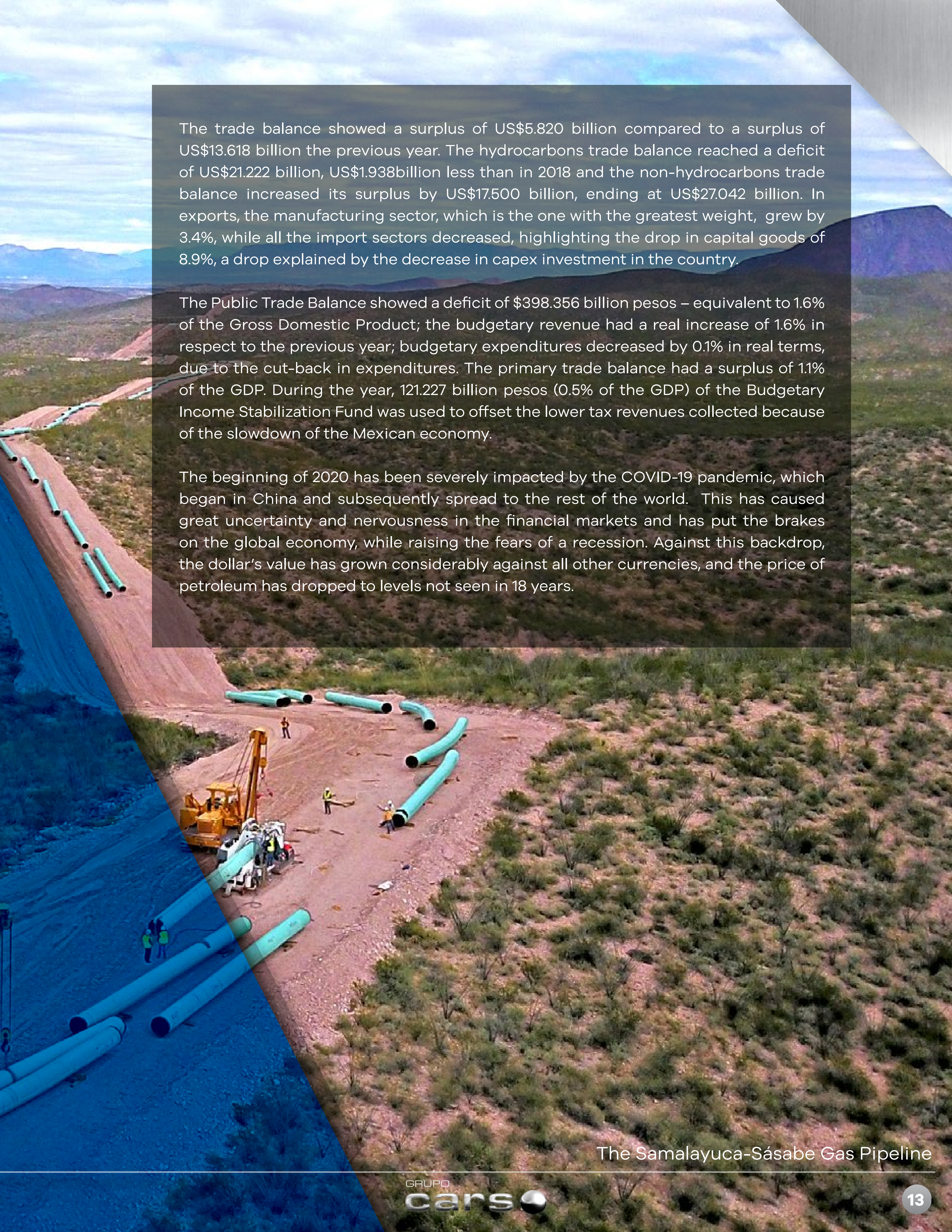
The Mexican peso closed at $18.93 against the dollar in 2019, changing in value by 72 cents during the year, with a minimum of $18.75 during that period. The difference in interest rates between the risk-free bonds of Mexico and the United States and the acceptance of the TMEC (USMCA) trade agreement by the Chamber of Representatives in December contributed to this favorable appreciation of the peso.

Inflation in 2019 was 2.83% compared to 4.83% in the previous year. Non-core inflation increased by 0.59%, principally due to the slight increase of 0.2% in low octane gasoline, compared to the 15.4% increase of the previous year. Core inflation rose to 3.59%.

The trade balance showed a surplus of US$5.820 billion compared to a surplus of US$13.618 billion the previous year. The hydrocarbons trade balance reached a deficit of US$21.222 billion, US$1.938billion less than in 2018 and the non-hydrocarbons trade balance increased its surplus by US$17.500 billion, ending at US$27.042 billion. In exports, the manufacturing sector, which is the one with the greatest weight, grew by 3.4%, while all the import sectors decreased, highlighting the drop in capital goods of 8.9%, a drop explained by the decrease in capex investment in the country.

The Public Trade Balance showed a deficit of $398.356 billion pesos – equivalent to 1.6% of the Gross Domestic Product; the budgetary revenue had a real increase of 1.6% in respect to the previous year; budgetary expenditures decreased by 0.1% in real terms, due to the cut-back in expenditures. The primary trade balance had a surplus of 1.1% of the GDP. During the year, 121.227 billion pesos (0.5% of the GDP) of the Budgetary Income Stabilization Fund was used to offset the lower tax revenues collected because of the slowdown of the Mexican economy.

The beginning of 2020 has been severely impacted by the COVID-19 pandemic, which began in China and subsequently spread to the rest of the world. This has caused great uncertainty and nervousness in the financial markets and has put the brakes on the global economy, while raising the fears of a recession. Against this backdrop, the dollar's value has grown considerably against all other currencies, and the price of petroleum has dropped to levels not seen in 18 years.



The Samalayuca-Sásabe Gas Pipeline

// GRUPO CARSO

During 2019 the consolidated sales reached a total of $102.478 billion pesos, representing a growth of 6.0% for the year. The operating income and the EBITDA were $11.453 and $14.481 billion pesos, increasing 3.8% and 0.3%, respectively. These results include income from the revaluation of investment property, while in 2018 we recognized the depreciation of exploration investments in Colombian oil fields.

In Grupo Sanborns sales grew by 3.0%. We continued to focus on profitability per square meter, and no combined Sears-Sanborns stores were opened. We continued with our strategy of the optimization of space and a wide range of merchandise, obtaining good results especially with white lines and furniture, thanks to our analysis of demand. During the year, Sears began the implementation of a new technological application for the management of inventory, which will improve the logistics of the bricks and mortar stores as well as of online sales. Promotora Musical continued its expansion plans, opening 17 new iShop stores, with which we reached a total of 91 sales points throughout the country. This format ended the year with a very positive trend in sales, based partly on the introduction of new telephone models. The Group's credit portfolio remained in a healthy condition, and we continued to remodel stores and to invest in the entire e-commerce and ClaroShop marketplace operation, from greater online sales promotions and forms of payment to information security, protection of data, and greater speed in deliveries. This year, additionally, we realized a strategic investment in 33.3% of the equity of Miniso Mexico, with the objective of diversifying into low-cost variety products, and thereby participate in the growth of this format.

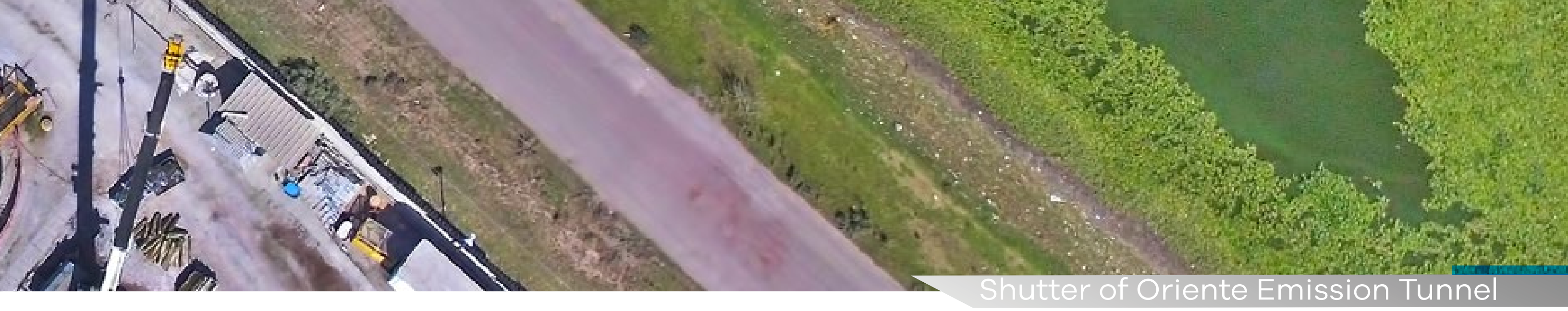
$102.478

billion pesos in sales by Grupo Carso in 2019

Grupo Condumex increased its sales by 2.6% in 2019, mainly from the greater volume of telecommunications cables for the domestic market and for exportation. It also had good performance for other industrial and electrical products for various industries. The first three quarters of the year saw an increase in the sale of harnesses and cables for the automotive industry. However, this division was indirectly affected by the General Motors (GM) strike in the United States in the months of September and October, which affected production in Mexico and reduced our sales towards the end of the year. But even in the face of these reverses, GM awarded us the "Supplier Quality Excellence Award" for our commitment to quality and service in our operations in Apaseo, Jaral de Progreso and San Felipe. The last-named plant has won this award for the last six consecutive years. We also continued to support innovation through the Carso Research and Development Center (CIDEC), introducing leading edge processes and products on a worldwide scale, such as the "MinLed" cable, with luminescent properties based on LEDS, that functions by electromagnetic induction to guarantee its operational continuity, and in which we hold a patent in the principal countries with a mining industry.

Carso Infraestructura y Construcción attained a growth of 26.0% in sales and 21.1% in EBITDA. This was mainly due to the facilities for the telecommunications sector and to the progress in the construction of the gas pipeline in Chihuahua. In this year, we concluded the Oriente Emission Tunnel, the huge hydraulic deep-drainage system of the Valley of Mexico, the construction of which began in 2008 and that was inaugurated in 2019. We also began the construction of the Las Varas-Vallarta highway and diversified our activities towards other countries in conjunction with our partner, FCC, with projects such as the highway sections I and II in Panama. We carried out the drilling of geothermal wells for the Federal Electricity Commission (CFE), as well as the drilling of oil wells and other associated services for various clients, and we were awarded –in an open international bidding process – a contract for the construction of two offshore platforms for PEMEX in the Gulf of Mexico.

In Carso Energy, the two gas pipelines in Texas, USA in which we have an unconsolidated 51.0% share, continued to increase their income, operating and maintaining their availability in conformance with requirements. The most significant event in Carso Energy was the negotiation of the contractual terms for



Shutter of Oriente Emission Tunnel

the Samalayuca - Sásabe gas pipeline with the CFE, which ended with favorable terms for both parties, allowing the Company to count upon a greater short-term liquidity for possible additional investments in the sector. The construction of the said pipeline was continued and we expect to see its completion in the second half of 2020. In the hydrocarbons operations in Colombia, sales decreased by 28.7%, due to the decreased production and sale of crude. In Mexico, however, the permitting and development plans for the exploration of blocks 12 and 13 were continued. In the clean energy sector, the time frame for geothermal concessions was expanded, and we continued with the development and business plan for those concessions. We also reached an agreement with Ideal for the acquisition of two Hydroelectric plants in Panama.

In several associated companies , such as Elementia; GMéxico Transportes; Trans-Pecos Pipeline LLC; Comanche Pipeline LLC and Inmuebles SROM, which are not consolidated, if the proportional sales and EBITDA of these companies were considered, $19.796 billion pesos in sales and $6.278 billion pesos in EBITDA would correspond to Carso.

The financial situation of Grupo Carso continues to be solid. The net cash flow from operations was $8.390 pesos billion and our 12 month net debt to EBITDA ratio was 0.19 times. The amount of resources utilized for investment in fixed assets was $3.683 billion pesos. In June and December of 2019, Grupo Carso paid a cash dividend of $0.94 pesos. The Series A-1 GCarso share remained at an almost constant price, changing by – 0.8% from $69.8 to $70.4 pesos to December 31, with a high market grade and forming a part of the Price & Quotations Index of the Mexican Stock Market.

MinLed Cable

In regard to sustainability, the Carlos Slim Foundation operates 96 programs and projects in 13 different areas, among them education; employment; health; sports; the environment, and culture, reaching millions of beneficiaries in Mexico and other Latin American countries.

Of particular importance to the Foundation is the "Mexico United" initiative, established for the purpose of addressing the damage caused by the September 2017 earthquakes. During that emergency, we and the companies of the Group and their volunteers responded immediately to the basic needs of thousands of people who had been affected, by distributing groceries, tents, blankets and sleeping pads, water purifiers and telecommunications. Ever since, we have continued with our construction and reconstruction efforts, with the resources obtained from the call for donations that we launched, in which for every peso received the Foundation contributed five more. We received a response from 217 thousand donors who placed their trust in us and contributed $412.4 million pesos, to which were added $2.0618 billion pesos by the Foundation. These resources have been used for the rebuilding of homes, for health and education infrastructure, for markets, and for the rescue of cultural patrimony. As we have mentioned, the actions taken and the application of these resources have been published, month by month and with total transparency in the Foundation's website.

At the present time, to face the health emergency caused by the COVID-19 pandemic, Grupo Carso and the Carlos Slim Foundation are realizing support activities for all the population, to which the Foundation will allocate $1.000 billion pesos, contemplating three initiatives: Health, Remote Education, and Carso COVID-19 Protocol for the protection of employees and clients.

In the name of the Board of Directors, I thank the shareholders, clients and providers for the confidence they have placed in us. Besides thanking them, I invite all our collaborators to continue forward and to utilize these uncertain times as a time in which to get to know each other, our families and our work, overcoming this juncture together, and making it possible for Grupo Carso to achieve its goals and to continue its contribution to the development of the country.

Sincerely,

Lic. Carlos Slim Domit
President of the Board of Directors

MANAGEMENT´S DISCUSSION AND ANALYSIS

TO THE BOARD OF DIRECTORS REGARDING THE RESULTS OF THE FISCAL YEAR OF 2019

The consolidated sales of Grupo Carso increased by 6.0% in 2019 to $102.478 billion pesos, that is, $5.838 billion pesos more than in 2018. The three principal subsidiaries of the Group contributed to this performance. Their growth rates were: Infraestructura y Construcción, 26.0%; Comercial and Industrial 3.0% and 2.6%, respectively.

The operating income rose from $11.032 billion in 2018 to $11.453 billion in 2019, an increase of 3.8%. This is explained mainly by the reevaluation of investment properties by $222 million pesos. In 2018, on the other hand, we recognized $373 million from the depreciation of exploration investments in the Colombian oil fields.

Accumulated EBITDA totaled $14.481 billion pesos, increasing by 0.3%. For the calculation of this indicator, the extraordinary items mentioned above were not considered, nor other items that do not imply a cash flow. The corresponding EBITDA margin was 14.1%, compared to 14.9% in the previous year.

The exchange rate variation during 2019, as well as the effects of hedging positions, explain why the comprehensive financing result (IFR) represents an expense of $1.097 billion, which is unfavorable in comparison to the 2018 IFR of $27 million.

The controlling net income was $7.547 billion pesos, decreasing by 17.7% against the income obtained in 2018.

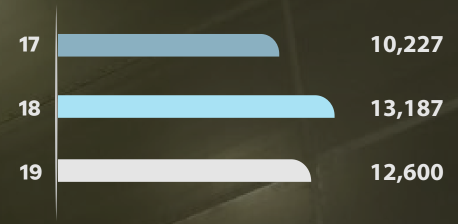
Total debt on December 31 was $12.600 billion pesos, composed basically of the financing for the Samalayuca-Sásabe gas pipeline and the stock market certificate issued in 2018, and it decreases by 4.4% compared to indebtedness at the close of the previous year.

Net indebtedness was $2.741 billion pesos, compared to a net debt of $4.269 billion pesos on 31 December of 2018. The amount of cash and cash equivalents totaled $9.859 billion compared to $8.918 billion on December 31, 2018.

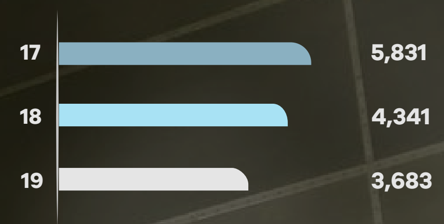
The financial situation of Grupo Carso continues to be healthy, with a twelve month net debt to EBITDA ratio of 0.19 times, compared to 0.30 in 2018. The Coverage Of Interest Index, measured as Interest Paid/EBITDA, was 0.08 times.

Currently, the Company has – since February 17 – an authorized dual bond notes program for $10.0 billion pesos, with an issue for $3.0 billion pesos on March 16, 2018 and one for $3.5 billion pesos on March 13, 2020, both of them with an expiration date of 3 years.

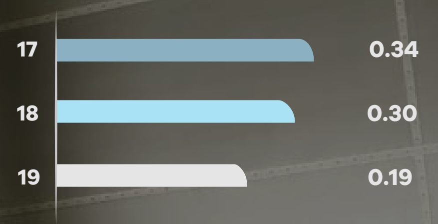
//Total Debt
(millions of pesos)



//Investments in Fixed Assets
(millions of pesos)



//Net Debt/EBITDA 12 months
(Times)



Armored room, Condumex Vallejo Plant, Mexico City

COMMERCIAL AND CONSUMER GOODS

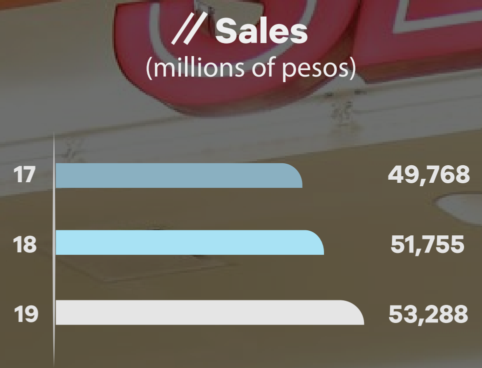
GRUPO SANBORNS

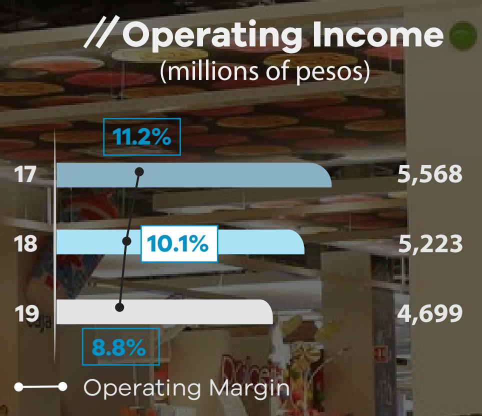
In 2019 the sales of the commercial and consumer goods division totaled $53.288 billion pesos, which is $1.533 billion pesos above 2018, an increase of 3.0%.

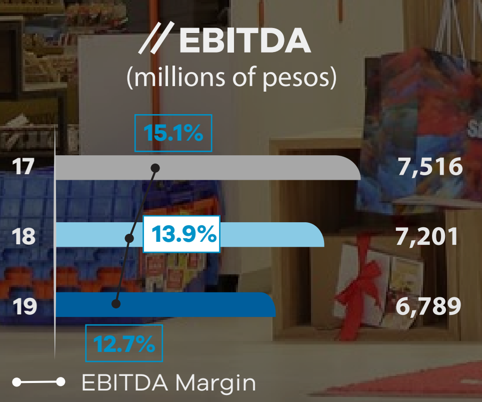
The income from sales on credit increased by 4.8%, for a total of $3.975 billion, against $3.794 billion recorded in 2018.

Operating income dropped from $5.223 billion in 2018 to $4.699 billion in 2019, a reduction of 10.0%. This was due to the greater weight of technology items, white line products, furniture and decorative items in the mix. Additionally, greater operating and administrative expenses were recorded, associated to wage and salary increases, the opening of iShop stores, improvements to technological platforms, an increase to unrecoverable accounts reserves, and higher electricity bills.

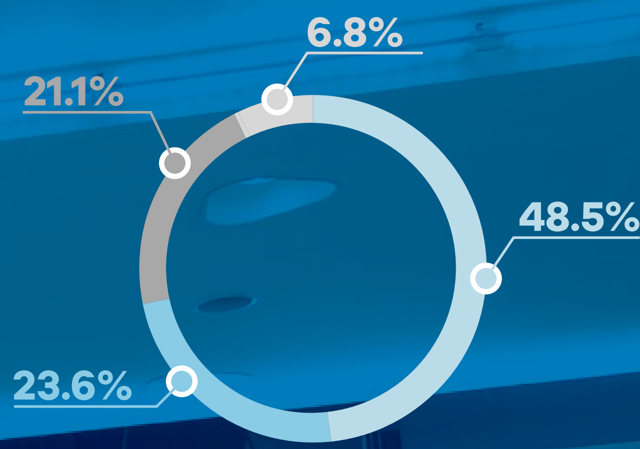
EBITDA decreased by 5.7% from $7.201 billion in 2018 to $6.789 billion pesos in 2019. The EBITDA margin was 12.7%.







// Sales per Format



- Sears: **48.5%**
- Sanborns: **23.6%**
- Promotora Musical: **21.1%**
- Others: **6.8%**

451

Units in Operation at the end of December

The controlling net income of Grupo Sanborns decreased by 20.9% to $2.949 billion pesos, compared to $3.730 billion pesos in 2018. This was due to the preceding results, as well as to the comprehensive Financing Results, which represented an expense of $377 million, greater than the $32 million expense of the previous year, which showed a profit when lease contracts were converted to national currency.

Grupo Sanborns investments of capital totaled $895 billion pesos, destined mainly to the opening of iShop stores and the remodeling of the Group's principal formats. On December 31 there were 451 stores in the various formats in operation, with a sales floor area of 1,234,254 square meters.

Sears Perisur

INDUSTRIAL AND MANUFACTURING DIVISION

GRUPO CONDUMEX

During 2019 Grupo Condumex sales increased by 2.6% to a total of $31.747 billion pesos, compared to $30.930 billion pesos recorded in the previous year. In Cables we saw a greater demand for telecommunications cables, both domestically as well as abroad, while the Construction Sector experienced a contraction. The Automotive Sector saw growth until the fourth quarter, when it began to feel the effects of the General Motors strike in the United States.

Operating income and EBITDA totaled $3.837 and $4.241 billion pesos, for a reduction of 5.5% and 3.7%, respectively, compared to the 2018 figures. Profitability was affected by variations in the price of copper, higher energy costs, and expenses related to the implementation of additional security measures in logistics and distribution.

In 2019 the net controlling income of Grupo Condumex decreased to the amount of $1.832 billion pesos, compared to $2.747 billion pesos in 2018.

Grupo Condumex's capital expenditures during the year totaled $450 million pesos, and they were realized mainly for the purpose of maintaining the Group's industrial plant in good condition and for technological updating.

Condumex Vallejo Plant, CDMX.

$

$31.747

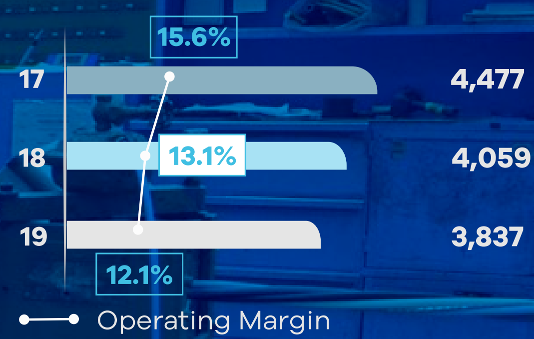
billion pesos in sales

// Sales

(millions of pesos)

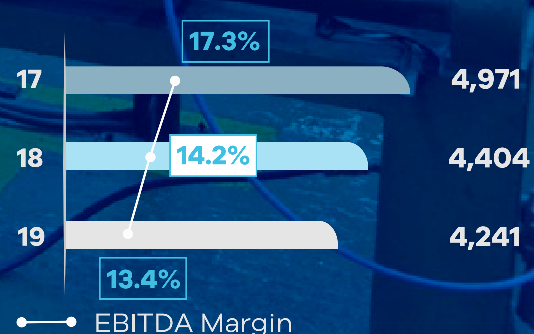
// Operating Income

(millions of pesos)



// EBITDA

(millions of pesos)



INFRASTRUCTURE AND CONSTRUCTION DIVISION

CARSO INFRASTRUCTURE AND CONSTRUCTION

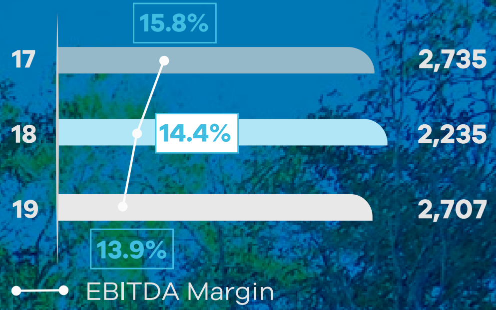
In 2019 the sales of Carso Infraestructura y Construcción increased by 26.0% to the amount of $19.538 billion pesos, compared to $15.504 billion pesos the previous year. This was due mainly to the increase in telecommunications projects, the progress in the construction of the Samalayuca-Sásabe gas pipeline and the construction of various highway projects, both in Mexico and abroad, as well as a greater activity in the drilling of geothermal wells and various works involving oil well services.

A greater profitability in the Fabrication and Services sector for the Chemical and Petroleum Industry, and Infrastructure and Construction in the Pipeline Installation industry was reflected in the operating income and EBITDA during the year, with increases of 28.4% and 21.1%, respectively.

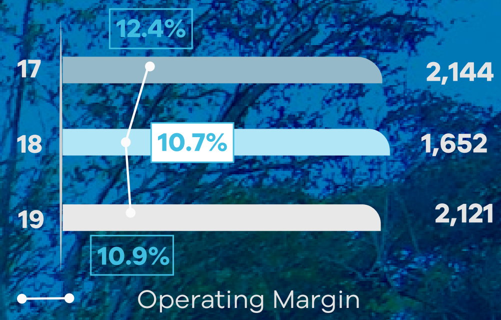
On the controlling net income level, there was an increase of 28.1%, from $1.215 billion pesos in 2018 to $1.557 billion pesos in 2019.

The projects in progress at the end of 2019 include the construction of the Las Varas-Vallarta, Mitla-Tehuantepec highways; the Las Playas corridor in Panama; various real estate projects; the installation services for Telecommunications; the construction of the Samalayuca-Sásabe gas pipeline; the Maloob E-I offshore platforms, and various services and equipment for the petroleum industry.

// EBITDA
(millions of pesos)



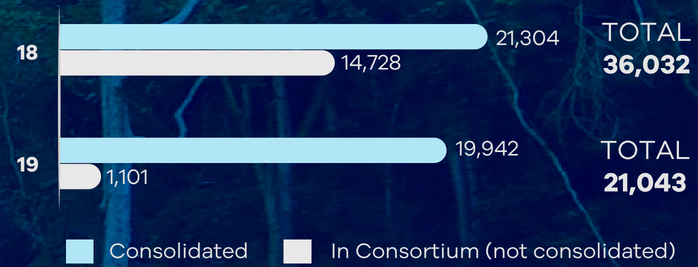
// Operating Income
(Millions of pesos)



> Carso Infraestructura y Construcción's backlog at the end of 2019 was for $19.942 billion, compared to $21.304 billion in the same period of the previous year.

The investments in fixed assets carried out by Carso Infraestructura y Construcción during 2019 were $360 million pesos.

// Annual Backlog*
(millions of pesos)



*Amounts of contracts for works pending construction.

There was an increase of 28.1% in the controlling net income

Tunnel in the Varas-Vallarta Highway

ENERGY DIVISION

CARSO ENERGY

Carso Energy's sales were $52 million pesos, a reduction of 28.7% due to lower income from the production and sale of oil by our company Tabasco Oil Company (TOC) in Colombia.

Certain expenses were recorded during the year for the various projects in progress in this division, such as hydrocarbons and geothermal works in Mexico, which explain the operating losses and accumulated EBITDA, which were $17 and $9 million pesos, much less than the losses of $507 and $37 million pesos the previous year, and which included the effect of the depreciation of the exploration investments in our fields in Colombia.

The net controlling income of Carso Energy was $633 million, decreasing by 61.3% compared to $1.638 billion pesos in 2018, when the deferred taxes for our operation of gas pipelines in Texas were recognized.

The Waha-Presidio and Waha-San Elizario gas pipelines, both of which are in Texas, U.S.A., and in which we hold a 51% share, reported income and profits during 2019, but they are not consolidated with us and therefore they are not reflected in the operating results of this division but rather in the results of associated companies.

The construction of the Samalayuca-Sásabe gas pipeline, located between the states of Chihuahua and Sonora, continues apace with our permitting of the rights of way, which as of this date is 90% complete. Carso has a 100% share of the project.

The exploration of the two geothermal energy fields in the states of Baja California and Guanajuato, in which Carso holds 70% of the capital was also continued during the year.

The capital expenditures by Carso Energy during 2019 were in the amount of $1.977 billion pesos.

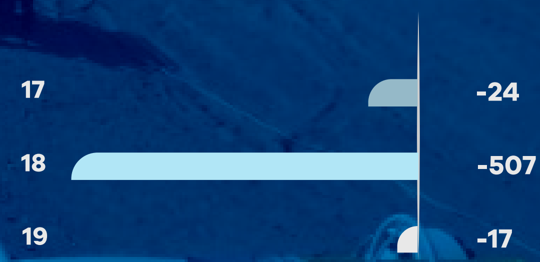
Regulation and measurement station, Samalayuca-Sásabe gas pipeline.

"Carso Energy allocated $1.977 billion pesos to capital expenditures in 2019"

// Sales
(Millions of pesos)

Note: Beginning in 2017, Carso Energy has not reported the income generated by the Jack-Up rig "Independencia I" but rather the income earned by the production and sale of oil through the Tabasco Oil Company. In 2018 Other Expenses in the amount of $373 million pesos in exploration investments in Colombia's oil fields were recorded.

// Operating income
(Millions of pesos)



// EBITDA
(Millions of pesos)

ASSOCIATED COMPANIES

The principal associated companies in which Grupo Carso has a share are: Elementia (36.5%), a company that manufactures various construction materials, such as cement, copper piping, metal sheets, etc.; GMéxico Transportes (15.14%), a railroad intermodal freight transportation company in Mexico; Trans-Pecos Pipeline, LLC (51%), owner and operator of the Waha-Presidio gas pipeline in Texas. U.S.A..; Comanche Pipeline, LLC (51%), owner and operator of the Waha-San Elizario gas pipeline in Texas, U.S.A., and Inmuebles SROM (14%), a real estate company, owner of commercial strips in Mexico. The Sales and EBITDA of these companies that would proportionately correspond to Grupo Carso are $19.796 and $6.278 billion pesos.

Sincerely,

Mr. Antonio Gómez García
Chief Executive Officer

Waha-Presidio gas pipeline

LOCATION AND FEATURES OF THE GAS PIPELINES

The Waha-Presidio and Waha-San Elizario gas pipelines, located in Texas, U.S.A., have been generating income from the transmission of gas to the Federal Electricity Commission (CFE) since 2017.

Waha-Presidio

- Share owned by Carso Energy: **51.0%**
- Length: 238 kilometers and a diameter of 42 inches.
- Income in USD from a 25 years contract for the transmission of gas.

Waha-San Elizario

- Share owned by Carso Energy: **51.0%**
- Length: 313 kms. and a diameter of 42 inches.
- Income in USD from a 25 year contract for the transmission of gas.

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

Samalayuca-Sásabe

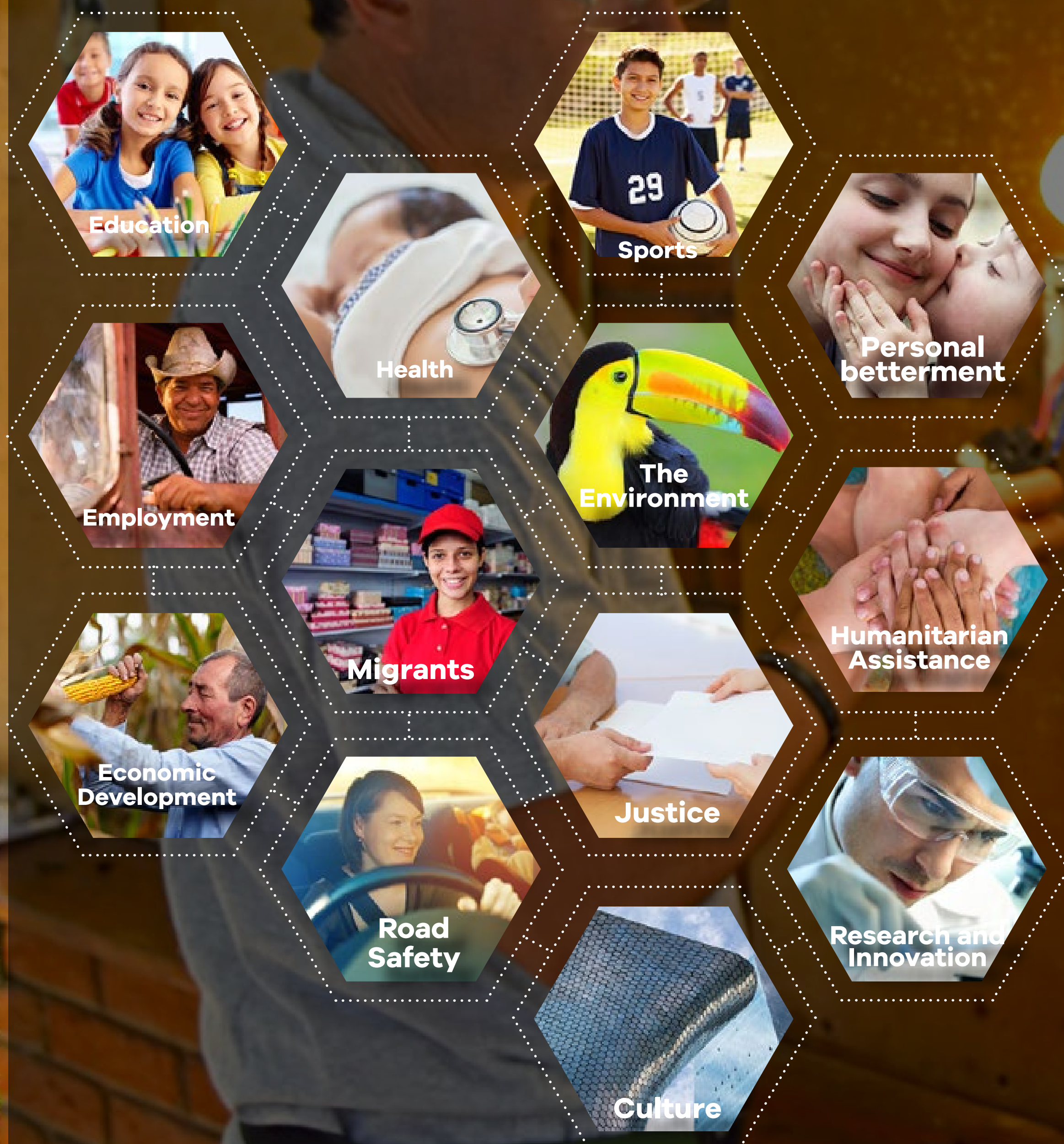
- Share owned by Carso Energy: 100.0% (Consolidated with Grupo Carso)
- 471 USD was offered as VPN
- Length 624 kms. and a diameter of 36 inches.
- Gas transmission contract.
- Income in USD for 25 years.
- Estimated initiation of operations: 2021.

Compression station, Waha, Texas.


Sásabe
San Elizario
Waha
Samalayuca
Presidio

SUSTAINABILITY ACTIVITIES

The Carlos Slim Foundation operates 96 sustainable programs and projects in 13 different areas, among them education, health, sports, the environment, and culture, reaching millions of beneficiaries in Mexico and other Latin American countries. www.fundacioncarlosslim.org/



The Carlos Slim Foundation and its more than **60 partners** have benefitted **millions** of people in Mexico and Latin America.

In addition to the Foundation activities, the Grupo Carso companies invested in education, health, infrastructure and community development by means of the following initiatives:

- Corporate Volunteers in Condumex work centers.
- Participation in annual campaigns for the prevention and control of disease, in collaboration with the Carlos Slim Health Institute.
- The Carso Training Centers for the general public.
- The Carso Research and Development Center (CIDEC).
- Academic involvement in technological innovation projects by Condumex and Carso Infraestructura y Construcción.
- Program for the redemption of real estate assets in Sanborns.
- Program for the hiring of disabled persons in Sanborns and Sears, through the Mexican Confederation of Organizations for Assistance to Disabled Persons (CONFE), the Multiple Assistance Center, (CAM), the YMCA, and DIF.
- Free courses in the Carlos Slim Foundation's "Train Yourself for a Job" platform, accessible to the general public, and with access to the jobs market, which includes recruiting procedures for Grupo Carso companies.
- Organ Donation Campaign on a national level, with all the collaborators and their families, through videos, talks and brochures, reaching 5,570 Sears collaborators in 46 locations and with 77 volunteers.

Free training for the general public in low voltage residential and commercial facilities.

ENVIRONMENTAL PERFORMANCE

Grupo Carso

Grupo Carso has a Corporate Policy of Protection of the Environment, revised and updated in 2018 for its application in the Group's subsidiaries and in those companies that operate under its name in the productive chain. Carso Infraestructura y Construcción, S.A de C.V. has expert personnel in all its projects ensuring compliance with the mitigation measures established by the environmental authorities. Energy-saving technologies for the use and care of resources are always used, and the implementation of the Management of Residues Plan is being continued. Additionally, environmental awareness campaigns are continuously carried out with the personnel in the various sectors.

Reforestation Campaign, 2019

Grupo Sanborns

One of Grupo Sanborns characteristics is its scrupulous compliance with the environmental standards to which it is subject. It takes great care in ensuring, In each of the units or establishments in which it operates, that all the corresponding authorizations have been obtained and that all the environmental requirements are being observed. It pays especial attention to matters concerning the control and management of residual waters, emissions into the atmosphere, and the management and final disposal of solid residues and dangerous materials when they must necessarily be generated in the operation of its business. Towards these effects, it normally contracts the services of specialized companies, duly authorized by the respective environmental or sanitary authorities. In this sector Grupo Sanborns' has a low environmental impact.

Water reused or treated
19,760 m³

Energy

Energy economized
14,753.00 kw/hours

LP Gas economized
285,081.11 Liters.

Natural gas economized
3,695.28 m³

Residues requiring special handling
Burnt cooking oil
4.65 Ton

Dangerous residues
Recycled batteries,
870 Ton

Emissions
Emissions avoided
1.762 Ton CO_2

CO_2

RESCUE OF FLORA AND FAUNA

In 2019, 5,350 individual specimens of flora and 17 of fauna were rescued and relocated. Of these, 14% and 35%, respectively, are under some form or other of protection, according to the NOM-059-SEMARNAT-2010 Standard. In the Las Varas-Vallarta Highway Project, 31,626 individual specimens of flora and 63 individual specimens of fauna, of which 41% are classified as under protective status – among them the rattlesnake – were rescued and relocated.

rattlesnake

REFORESTATION CAMPAIGNS

In coordination with the Secretaryship of Environmental Management and Ecology of San Luis Potosí (SRGAM), we participated in the 2019 reforestation campaign of Parque Tangamanga II, in which 296 trees of various species were planted. Also realized was the Annual Reforestation Campaign in the "Sierra de Guadalupe" Park in the municipality of Coacalco, State of Mexico, with the support and coordination of the Eastern Department.

200 trees planted, which will help in the capture of 2,400 kgms of CO_2

FOOTPRINT OF CONTAMINATING RESIDUES

As a part of the projects that were executed in 2019, the activities involving the separation, reutilization and recycling of dangerous residues requiring special handling were continued, thereby reducing the quantity of residues taken to the sanitary landfills and consequently limiting the extent of these basic sanitary sites. These actions are in compliance with the General Law for the Prevention and Integral Management of Residues (LGPGIR) and avoid the contamination of water supplies.

Residues Sector	Pipelines	Infrastructure	Autoparts	Cables Sector	Floors 2, 3 and 6
Special Handling Residues (RME)	10,343 kg	849,141 kg	2,163.43 ton	3,540.26 ton	5.26 ton
Recycling of Paper and Cardboard	540 kg	40 kg	891 ton	371 ton	4.18 ton
Recycling of Plastics (PET)	1,626 kg	28,303 kg	250 ton	703.28	0.59 ton
Dangerous Residues (RP)	53.26 ton	84.9 ton	33.11 ton	434 ton	NA
Recycling of used oil	22,860 kg	6,830 kg	25 ton	278 ton	NA

WATER

Infrastructure and Construction

In 2019, the **Carso Infraestructura y Construcción** projects, as well as the pipelines sector (pipelines and infrastructure) used a total volume of 6,857 m^3 of treated water, with a discharge of zero.

Condumex

The **Condumex** plants consumed a total of 362,674 m^3 of process water (88,682 m^3 by Autopartes and 273,992 m^3 by the Cables sector) with a total discharge of 62,281 m^3 (45,248 m^3 by the Cables sector and 17,033 m^3 by Autopartes).

Corporate Offices

In the corporate offices, monitor protectors were installed on the computer monitors on the 2nd, 3rd and 6th floors to commemorate World Water Day. This act was for the purpose of emphasizing the culture of care and economy of the said natural resource.

Conservation

By observing good conservation practices, 66.13 m^3 of water were saved in the corporate offices on the 2nd, 3rd and 6th floors.

CONSUMPTION OF ENERGY

Condumex

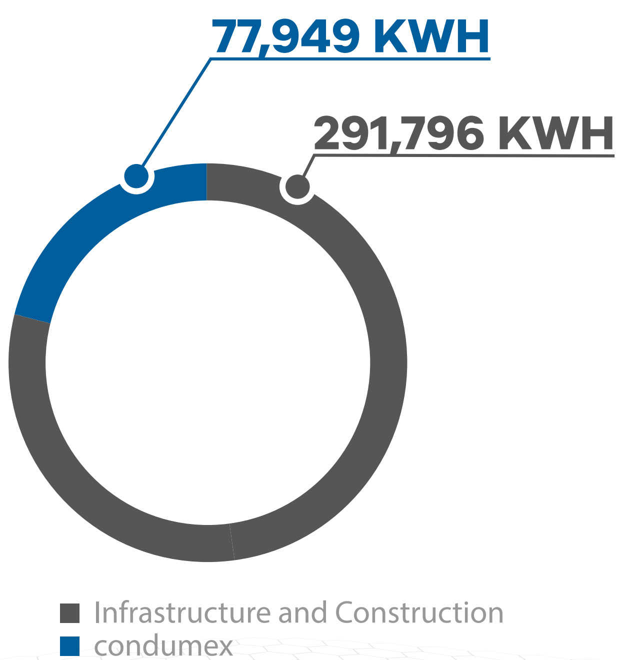
In 2019, a total of 52,571,219 kwH of electricity were used In the Condumex Autopartes and Cables sector.

Corporate Offices

Energy-saving light bulbs have been installed in the corporate offices.

Infrastructure and Construction

A consumption of 85,439 KwH of electricity has been recorded in the Las Varas-Vallarta project.



The Mexican Philanthropic Center (Cemefi) awarded the title of Socially Responsible Company (ESR) to Grupo Condumex for the 8th consecutive year, and to Carso Infraestructura y Construcción for the 9th consecutive year.

ISO Certifications

During 2019, the Cables Sector and Autopartes companies of the Condumex Group made it possible for 9 plants to obtain the third party certification in the ISO 14001:2015 Standard, and for 9 plants to obtain the corporate certification for its environmental management system, while 6 plants continue in the certification process. In the infrastructure and pipelines sectors, the environmental certifications of the International ISO 14001:2015 Standard continue in effect until August 02 and December 17 of 2021, respectively.

Grupo Condumex Plants

Standard	Area	Certified in 2019	In the Process of Updating
ISO 9001, e IATF16949	Quality Management System	28	2
TL 9000	Management systems for telecommunications	1	1
ISO IEC 17025	Management systems for laboratories and calibration	4	1
ISO14001*	**Environmental management system**	**19**	**6**
ISO 50001	Energy management system	3	1
ISO 27001	Data security management system	2	0
OSHAS 18001	Health and occupational safety management system	1	0
	Total	**58**	**11**

**In the total number of plants certified for Condumex, the CDIC was also considered, since, although it is not a plant, it is a workplace that also has a 14001:2015 certification.*

Carso Infraestructura y Construcción Sectors

Standard	Sphere	Certified in 2019	In Process or updating
ISO 9001	Quality management system	4	0
ISO14001	**Environmental management systems**	**3**	**0**
OSHAS 18001	Health and occupational safety management system	3	0
ASME S, U, U2	Design, fabrication, quality and safety for equipment subject to pressure	1	0
Certificación "R" por el National Board of Boiler and Pressure Vessel Inspectors.	Safety for equipment subject to pressure	1	0
	Total	**12**	**0**

Awareness campaigns for personnel and their families

In 2019, two permanent awareness campaigns were established, named "PILOTÓN" and "Recycling Against Cancer." 1,900 batteries of different types were collected, to thereby avoid the contamination of soil and water, along with 1.36 tons of plastic bottle caps, which were delivered to the "Alianza Anticancer, A.B.P" association. Voluntary support was also given to the organizations "Mexican Association for Assistance to Children with Cancer, I.A.P." (AMANC) and to the foundation "Fundación Cómplices al Rescate A.C.," by delivering to them 888.6 kilograms of plastic caps, PET, and aluminum.

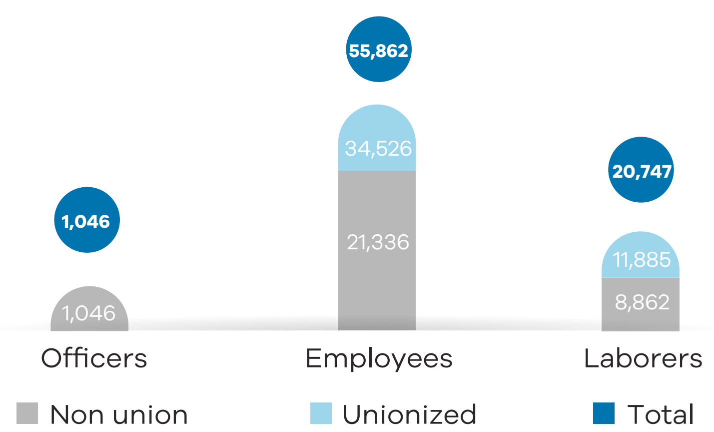
The drawing contest "Air without contamination," for children aged 5 to 10 years with a relationship of any kind with our employees was carried out, in observance of the International Day of the Environment, which was celebrated on June 5 of 2019.

Theatrical performance of the play Walevska with puppets.

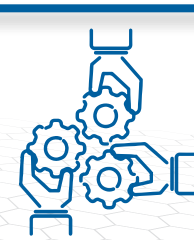
Work, Health and Safety Performance

Grupo Carso is a source of permanent and part-time employment for more than77 thousand people in Mexico, Latin America and Europe. In 2019, employment increased by 5.8% compared to the previous year. The Group's employees enjoy salaries and wages that are in accordance with the laws, the market, their performance and their level of responsibility within the area in which they work.

// Jobs created in 2019



Of the total of 215 high-level executives in Grupo Carso, 12% are women.



Following below are the Beneficial Programs realized in the three Grupo Carso divisions:

• Digital scholarships and scholarships for the children and direct family members of employees.

• Home Office program. Flexible hours for mothers and fathers; economic assistance for funeral expenses and paid leaves of absence.

• Self-managed Workplace Health and Safety Program in Grupo Condumex,

• Professionals in Training Program in Carso Infraestructura y Construcción and Condumex (PRODES),

• Disease prevention campaigns, with the collaboration of the Mexican Social Security Institute (IMSS) and the Secretaryship of Health (SSA)

• Civil Protection Programs with training in volunteer brigades

• Personal betterment programs through ASUME, CRESE and the Social Welfare Program.

• Courses through the "Train Yourself for a Job" platform of the Carlos Slim Foundation, for basic training of operational personnel.

• Training programs in sales and management abilities.

• Courses, talks and workshops delivered by the Carso Training Center.

Training Centers

For courses, talks and workshops we have the Carso Training Center and the Sears Training Center. There are also 97 class rooms in the operating units, as well as 47 Sanborns classrooms in the corporate offices, in the Viaduct Plant and in foreign locations such as Panama and El Salvador.

Technical, operational, professional development, safety and health courses

During 2019, 62,549 courses were held in Carso Infraestructura, Condumex, Sears, Sanborns, Promotora Musical, Dax and Saks Fifth Avenue, with 251,154 graduates. The training programs in the commercial areas focused on subjects such as communication, customer service, teamwork, and quality of service, from Director levels to operational levels. In CICSA, Condumex and the Central (Corporate) Sector, the courses were on technical training and entertainment, abilities, safety, and environmental matters for both permanent as well as temporary employees. Additionally, in Sanborns and Sears, an important Civil Protection program was carried out, which was attended by 4,663 employees.

Flexible Hours and Professional Development Programs

During 2019 in Carso Infraestructura and Condumex, 605 employees received the benefits of flexible hours and 98 benefitted from the Home Office program, an increase of 4.1% and 19.5%, respectively, over the previous year. No engineers were contracted under the Professionals in development Program.

Programs	Beneficiary Employees 2018	Beneficiary Employees 2019	Variation %
Employees with flexible hours 4 hourly options	584	605	4.1%
Employees with the Home Office option	82	98	19.5%

Graduates of the Sears training courses

Condumex safety and environmental training personnel.

Scholarships

699 Carso Digital Scholarships were awarded to children of the Group's employees and 714 Telmex Scholarships were awarded to employees or their children in 2019.

	2019
Digital scholarships – 2017-2018 call for eligible children of employees.	699
Telmex scholarships – 2018 call for eligible employees and their direct family members	714

The **ASUME** program (**Association for the Betterment of México**) had a scope of 280 groups, 3,477 collaborators and 239 facilitator graduates from Grupo Carso companies.

ASUME	GROUPS	PARTICIPANTS	FACILITATORS
Grupo Sanborns	280	3,279	239
CICSA and CONDUMEX	15	198	20
	295	**3,477**	**259**

In **the Social Welfare Program**, 3 fundamental aspects were addressed: Professional Development, Health, Culture and Recreation. In 2019, 60,369 persons were the beneficiaries of the various programs, including employees of Grupo Carso and their families, 18,697 more than in the previous year.

	2017	2018	2019
Beneficiaries	34,499	41,672	60,369

The "Management of Human Quality and Social Responsibility" (CRESE) system was continued in the Company, with the certification of three new units and the recertification of 30 units in Sears (stores, credit centers, technical services and logistics), for a total of 111 certified units, an increase of 12% in respect to the previous year. In Sanborns, 21 units were incorporated in 2019 with the classification of Outstanding Company, having carried out 40 Health Campaigns, with 2,463 beneficiaries.

The use of the "Train Yourself for a Job" platform of the Carlos Slim Foundation was continued, for the basic training of operational and middle management personnel. During the year 550 Grupo Carso employees were trained in various occupations. 3,160 new Sears employees were hired and they too were trained in the said platform.

No Discrimination

In the selection and hiring of personnel, no discriminatory practices or conduct are allowed or tolerated in Grupo Carso, and the same policy is observed in benefits granted, working conditions, training and promotions, which are all based on competence and experience. Our code of ethics promotes the elimination of all discriminatory acts or actions, and the adherence to a policy of fairness and equal opportunity for all is established in the Principles of Conduct in the Work Place.

Inclusiveness in Hiring Practices

We promote the incorporation of persons without regard to age, gender, sexual preference, civil status, religion and intellectual capacity, establishing support for our position in agreements with various public and private institutions.

Permanent Inclusion Programs

Institutions with which we have worked on a continuous basis:

- Multiple Attention Centers (CAM)
- Mexican Confederation of Organizations for Aiding Persons with a Mental Disability (CONFE)
- Integral Development of the Family (DIF)
- Best Buddies
- National Institute of Women of Mexico City (INMUJERES)
- National Institute of Older Citizens (INAPAM)

Improvements 2019

Activity	Benefits
Yammer (internal communication network)	Greater scope of communication with all employees in regard to: – Vacant positions – Dissemination of social welfare activities – ASUME Program – The Carlos Slim Foundation
Updating of the Code of Ethics.	Disseminate, in all the work centers of Grupo Condumex and Cicsa, the importance of the values, principles, ethical guidelines and conduct by which our Company is defined.
Use of the Office 365 platform.	Prioritize remote communication with the work teams, shortening the time for transfers, reworking, etc., to thereby promote the greater efficiency and efficacy.

Grupo Condumex and Carso Infraestructura y Construcción provide people with disabilities the opportunity to develop as a member of society by means of a competitive and well-paid job.

Anti-Corruption Practices

We have a Culture of Legality program in which courses are held for the prevention of abuse of confidence, theft and corruption. Drop boxes have also been established for the anonymous denunciation of such instances.

For more information and details regarding sustainable activities, see the sustainable activities section of the Grupo Carso S.A.B. de C.V. website at:
https://grupocarso.com.mx/sustentabilidad/

THE BOARD OF DIRECTORS

Board Members	Position*
Carlos Slim Helú	COB – Carso Infraestructura y Construcción COB – Minera Frisco Honorary Life COB – Grupo Carso – Teléfonos de México – América Móvil
Carlos Slim Domit	COB – Grupo Carso COB – Grupo Sanborns COB – América Móvil COB – Teléfonos de México
Antonio Cosío Ariño	CEO – Cía. Industrial de Tepeji del Río
Arturo Elías Ayub	Director of Strategic Alliances, Communication and Institutional Relations– Teléfonos de México CEO – Fundación Telmex
Claudio X. González Laporte	COB – Kimberly Clark de México
José Humberto Gutiérrez Olvera Zubizarreta	Business Consultant
Daniel Hajj Aboumrad	CEO – América Móvil
David Ibarra Muñoz	CEO –David Ibarra Muñoz Firm
Rafael Moisés Kalach Mizrahi	COB and CEO – Grupo Kaltex
José Kuri Harfush	COB – Janel
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
Marco Antonio Slim Domit	COB – Grupo Financiero Inbursa COB – Inversora Bursátil COB – Seguros Inbursa COB – Impulsora del Desarrollo y el Empleo en América Latina

* 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.V. were listed in the Mexican Stock Exchange.
*** Based on information from the board members. Independent director in accordance with the definition of the Mexican Securities Market Law.

SEARS Perisur, CDMX.

Years as Board Member**	Type of Member***
Nineteen	Patrimonial Related
Twenty-Nine	Patrimonial Related
Twenty-Nine	Independent
Twenty-Two	Related
Twenty-Seven	Independent
Twenty-Nine	Independent
Twenty-Five	Related
Eighteen	Independent
Twenty-Six	Independent
Thirty	Independent
Twenty-Four	Patrimonial Related
Twenty-Nine	Patrimonial Related

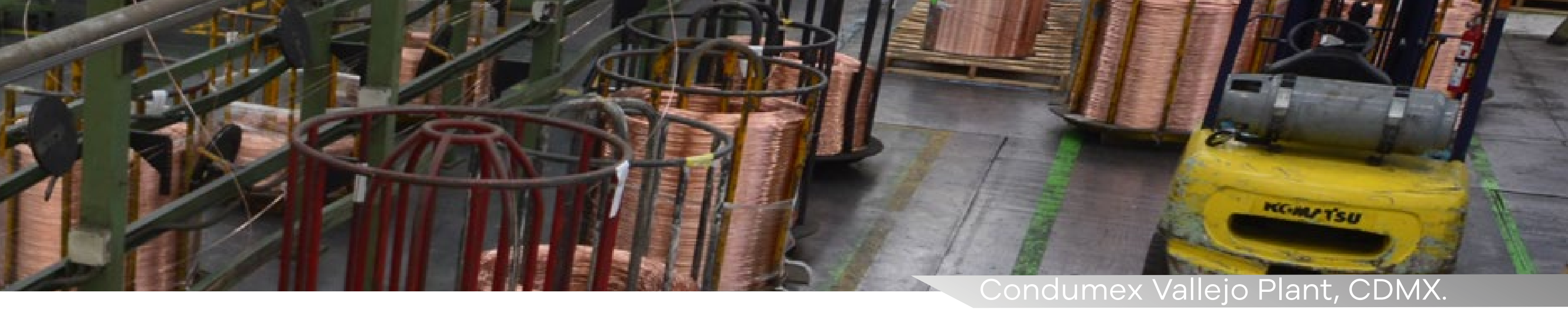
COB: Chairman of the Board.
CEO: Chief Executive Officer.

Alternate Board Members	Position*
Julio Gutiérrez Trujillo	Business Consultant
Antonio Cosío Pando	General Manager – Cía. Industrial de Tepeji del Río
Alfonso Salem Slim	Vice Chairman – Impulsora del Desarrollo y el Empleo en América Latina COB –Inmuebles Carso
Antonio Gómez García	CEO – Grupo Carso CEO – Carso Infraestructura y Construcción COB and CEO – Grupo Condumex
Fernando G. Chico Pardo	CEO – Promecap COB – Grupo Aeroportuario del Sureste
Alejandro Aboumrad Gabriel	COB – Grupo Proa

Treasurer	Position*
Arturo Spínola García	CFO and Administration Director – Carso Infraestructura y Construcción and Grupo Condumex

Secretary of the Board	Position*
Alejandro Archundia Becerra	General Manager Corporate Legal – Grupo Condumex

* 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.V. were listed in the Mexican Stock Exchange.
*** Based on information from the board members. Independent director in accordance with the definition of the Mexican Securities Market Law.



Condumex Vallejo Plant, CDMX.

Years as Board Member**	Type of Member***
Fifteen	Independent
Eighteen	Independent
Nineteen	Patrimonial Related
Sixteen	Related
Thirty	Independent
Twenty-Nine	Independent

Years as Board Member**	Type of Member***
Six	

Years as Board Member**	Type of Member***
Seven	

COB: Chairman of the Board.
CEO: Chief Executive Officer.

Corporate Practices and Auditing of Grupo Carso, S.A.B. de C.V.

Mr. José Kuri Harfush
President
Mr. Antonio Cosío Ariño
Mr. Rafael Moisés Kalach Mizrahi

Annual Report

To the Board of Directors:

In my capacity as president of the Corporate Practices and Auditing Committee of Grupo Carso, S.A.B. de C.V. (the "Committee"), I wish to deliver the following annual report of activities that were carried out during the fiscal year of 2019.

Functions of the Corporate Practices and of Evaluation and Compensation Committee.

The Chief Executive Officer of Grupo Carso, S.A.B. de C.V. (the "Company") and the Directors of the juridical persons controlled by the Company, met their responsibilities and achieved the objectives that were assigned to them in a satisfactory manner.

The operations with related parties that were submitted for consideration to the Committee were approved. Among the most significant of those operation, each of which represents more than 1% of the Company's consolidated assets and that were sequentially executed are the following:

"Teléfonos de México, S.A.B. de C.V., for the concept of long-distance fiber optics links and the customization of telephony sites, the sale of copper and fiber optic telephone wire, telephone installation services and the sale of telephony equipment, dining hall services, commissions for the sale of scrap metal, salvaging and replacement of automobiles for fleets; Claro, S.A. for the concept of manufacturing and installation of radio bases, the installation of fiber optic and the design of networks, including the sale of copper and fiber optic telephone cable; and Aptiv Services US LLC and other companies of Aptiv Group, for the concept of sale of harnesses and cables, and automotive engineering services."

All the operations with related parties were carried out at market prices, and were reviewed by the accounting firm of Galaz, Yamazaki, Ruiz Urquiza, S.C., (the "Office"), the juridical person who carried out the audit of the financial statements of Grupo Carso, S.A.B. de C.V. y Subsidiaries, at December 31, 2019 as well as the majority of its subsidiary companies and a summary of said operations has been consigned in a note of said financial statements.

The Chief Executive Officer of the Company does not receive any compensation for the performance of his functions as such. The Company does not have employees, and, in regard to the integral compensation of the relevant directors of the companies controlled by the Company, we have verified that it was in compliance with the policies that were approved by the Board of Directors to that effect.

The Company's Board of Directors did not grant any waiver for any director, relevant manager or person with commanding power to take advantage of – for their own benefit or that of third parties – business opportunities that corresponded to the Company or to juridical persons that the Company controls or in which it has significant influence. On its part, the Committee also did not grant any waiver for the transactions referred to in subparagraph c) Fraction III, Article 28 of the Securities Market Act.

Auditing Functions

We submitted to the consideration of the Board of Directors of the Company the ratification of Galaz, Yamazaki, Ruiz Urquiza, S.C. to carry out the external audit (the "Audit") of the Financial Statements of Grupo Carso S.A.B. de C.V. and Subsidiaries at December 31, 2019 as well as the majority of its subsidiary companies, and approval of the amount of the remuneration for that service, having taken into account that the resources proposed by the Office for the execution of the auditing program were reasonable, given the scope of the said audit, the nature and complexity of the Company's operations and its structure, and we also reviewed the terms of the audit engagement.

Likewise, we submitted to the consideration of the Board of Directors that the Office provided to some subsidiaries of the group services other than the Audit, as well as their fees for said services, of which we concluded that the provision of them did not affect the independence of the Office nor of the Independent External Auditor. These services They fulfilled what was expected and refer to:

i) meeting the requirements of the tax authorities related to audits for tax purposes practiced by the Independent External Auditor;

ii) reviews related to requests for the tax authorities to return the Value Added Tax (VAT), which must be confirmed by the auditor in his opinion for tax purposes, therefore not affecting their independence and becoming a complementary work related to the opinion mentioned;

iii) reviews related to certifications requested by customs authorities, which do not imply counseling as they are specifically based on the review of documents and rules about declaring compliance or not of the company in question.

We evaluated compliance by the Firm and the Independent External Auditor, of the personal, professional and independence requirements referred to in article 6 of the Provisions of general character applicable to entities and issuers supervised by the National Banking and Securities Commission that contract external audit services of basic financial statements (the "Circular of External Auditors ") and we considered that both the Firm as well as the Independent External Auditor complied satisfactorily with those requirements.

We did not find it necessary to implement any measure in order to guarantee the independence of the Office and of the Independent External Auditor, as well as of the staff who participated in the audit.

We received the declaration by the Office regarding the compliance with the quality control standard for the Audit that was provided, as referred to in section II of Article 20 of the Circular of External Auditors.

We carried out a careful monitoring of the Auditing activities carried out by the Office and kept the Company's Board of Directors informed in that regard. We also monitored the activities of the Independent External Auditor, who kept us informed of its activities and the progress of the Audit.

As a result of having reviewed the opinion and the financial statements of Grupo Carso, S.A.B. de C.V. and Subsidiaries as of 31 December 2019, there were no relevant adjustments to the audited figures or qualifications to be disclosed in such statements.

As a result of the revision of the Independent External Auditor's communication of observations, established in section I of Article 15 of the Circular of External Auditors (the "Letter of Observations") about the sustantive procedures, the internal control evaluation and relevant matters, provided to the Company by the Independent External Auditor, we found various remarks about the Issuer of the securities and some of its subsidiaries. In that respect the management of the Company informed us that a Plan of Action is being prepared with preventive and corrective measures, and the the compliance deadline to address those remarks, indicated in the applicable legal provisions.

We had no knowledge of any breach of the accounting and recording policies and guidelines by the Company, or by the juridical persons it controls, and therefore no preventive or corrective measures were implemented in that respect.

The performance of the Office and the Independent External Auditor was as expected and the objectives that were set at the time of its hiring, also, the quality of the opinion of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries as of December 31, 2019 was satisfactory.

The internal control system and internal auditing of Grupo Carso, S.A.B. de C.V. and of the juridical persons it controls is satisfactory and complies with the guidelines approved by the Board of Directors, as can be gathered from the information provided to the Committee by the Company's Board of Directors and the opinion of the external auditors.

According to what was reported to us by the Company's Board of Directors and what we were told in the meetings we held with the external and internal auditors without the presence of Company officers, and to the extent of our knowledge, there were no relevant remarks by shareholders, board members, relevant directors, employees or any third parties in respect to the accounting, internal control or any matter related to the internal or external auditing, or denunciations by said persons in regard to irregular procedures in the administration of the Company or the juridical persons it controls.

During the reporting period, we ascertained that due compliance was accorded to the agreements adopted by the shareholders' assemblies and the Company's Board of Directors. Also, and in accordance with the information that was provided to us by the Board of Directors, we verified that the Company has controls that allow it to determine whether it is in compliance with the provisions that are applicable to it in regard to the stock market, and that its legal department is reviewing that compliance at least once a year, having found no adverse remark in that regard, and no change in the Company's legal situation.

In respect to the financial information that the Company prepares and submits to the Mexican Stock Market (Bolsa Mexicana de Valores, S.A.B. de C.V.) and to the National Banking and Securities Commission, we ascertained that the said information is elaborated under the same principles, criteria and accounting practices with which the annual report is elaborated.

Financing and Planning Functions

During the fiscal year of 2019, the Company and some of the juridical persons it controls made some important investments. In that respect, we made sure that its financing was carried out in a manner that was in keeping with the Company's medium- and long-term strategy plan. Additionally, we periodically verify that the Company's strategic position is in accordance with that plan. We also reviewed and evaluated the budget for the fiscal year of 2019, along with the financial forecasts that were taken into account for its elaboration, which included the Company's principal investments and financing transactions that we considered viable and in keeping with the Company's strategic vision and its investing and financing policies.

For the elaboration of this report, the Corporate Practices and Auditing Committee relied on the information that was provided to it by the Chief Executive Officer of the Corporation, the relevant directors of the juridical persons it controls, and the external auditor.

Mexico City, March 30, 2020

President
Mr. José Kuri Harfush

Consolidated Financial Statements

Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Carso, S.A.B. de C.V.

(In thousands of Mexican pesos)

Opinion

We have audited the accompanying consolidated financial statements of Grupo Carso, S.A.B. de C.V. and its subsidiaries (the "Entity" or "Grupo Carso"), which comprise the consolidated statements of financial position as of December 31, 2019, 2018 and 2017, and the related consolidated statements of income and other comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies.

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. as of December 31, 2019, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board.

Basis for opinion

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

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of 2019 period. These matters were addressed 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.

Implementation of the new IFRS 16 "Leases", see Notes 9, 10 and 31

As mentioned in Notes 9, 10 and 31 to the consolidated financial statements, the Entity has adopted the new provisions of IFRS 16 –Leases, which introduces significant changes to Grupo Carso lessee accounting by removing the distinction between operating, and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases. Grupo Carso elected to use the full retrospective method of adoption application, reformulating the comparative information. As of December 31, 2019, the right-of-use asset is $5,634,158 and the lease liability is $6,730,204, respectively. IFRS 16 initially recognized these assets and liabilities at the present value of the future rental payments; this required Grupo Carso's Management use of significant judgments, assumptions and estimates. The use of these assumptions by Grupo Carso's Management, mainly related to the determination of the leases term and the discount rates used, required a high degree of judgment and significant increase in the audit efforts, the incorporation of our IFRS and in capital markets specialists.

Our audit procedures addressing implementation of IFRS 16 related risks included, among others:

i) We reviewed the design and implementation and operational effectiveness of the Entity's internal controls over contracts implemented in 2019.
ii) We selected a random sample from the portfolio of contracts and reviewed their appropriate accounting in accordance with IFRS 16; evaluated the determination of forcible contract terms and the feasibility of their extension and together with our capital marking specialists we challenged the discount rates used by Grupo Carso's Management.
iii) We independently calculated the mathematical accuracy of the model used for the recording and we reviewed the significant assumptions used on it together with our IFRS and capital markets specialists.
iv) With the assistance of our IFRS specialists, we evaluated the adequacy of the notes to the consolidated financial statements required by the Standard.

Revenue recognition for pipeline installation, see Note 24

The Entity recognizes income from pipeline installation using the cost-to-cost method, based on the proportion of cost incurred for work performed to date relative to the estimated total contract costs. This process requires Grupo Carso's Management to estimate the profit margin for project type according to its complexity and duration. This work by project type is governed by contracts involving several components such as materials used, indirect costs and labor used, specified in statements of work that must be reviewed and controlled by a project supervisor, and upon execution they are authorized by the client through their own supervision of the project or installation executed, depending on the cost amount and progress identified by project, it is turned to the client for billing approval according to the margin agreed by project type. Given the complexity of the work, volume, assumptions, and judgments used, auditing this item requires a significant audit effort.

Our audit procedures included, among others:

i) We reviewed the design and implementation and operational effectiveness of the Entity's internal controls related to pipeline installation revenues, identifying the allocation of costs and the authorization of the client of the work performed.

ii) A selection was made according to random sampling and performed the following over the selected samples:

   a. Reviewed the allocation of materials, work order and its approval by the assigned supervisor.
   b. We carried out a review to make sure the correct allocation of labor costs according to the work order and that these were approved by the assigned supervisor.
   c. We carried out a review to make sure that the client approved the work carried out correctly.
   d. We also conducted interviews with the personnel assigned to the project to observe how they allocate inputs and labor and how they obtain client approvals.
   e. We carried out detailed tests on the costs incurred selected through statistical sampling; we reviewed the supporting documentation, its validity and the correct mapping to the appropriate cost center, we reviewed the agreed-upon price catalogs and the approval of the costs incurred by the client.

iii) We reviewed that the master contract was in force as of December 31, 2019 and that the relevant clauses outlined the process for project work communication and authorization.

iv) We performed detail testing, using statistical sampling, on the executed work occurrence and cut-off assertions.

Emphasis of matters - Adoption of IFRS 16

As mentioned in Note 31 to the consolidated financial statements, on January 1, 2019 the Entity adopted IFRS 16 - "Leases", which establishes new or modified requirements regarding the accounting of leases and introduces significant changes to accounting of the lessee, eliminating the distinction between an operating and finance lease and requiring the recognition of an asset for rights of use and a liability for a lease on the commencement date of all leases, except those that are considered short-term and leases of low value assets. The Entity has applied IFRS 16 using the retrospective approach, reformulating the comparative information.

Other matter

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

Additional information other than the consolidated financial statements and the independent auditors' report

The Entity's Administration is responsible for the other additional information. The other information includes, i) the information that will be incorporated in the Annual Report that the Entity is required to prepare pursuant to Article 33 Section I, subsection b) of Title Four, Chapter One of the General Provisions Applicable to Issuers and Other Participants of the Stock Market in Mexico and the Instructions accompanying such provisions (the Provisions). The Annual Report is expected to be available for our reading after the date of this audit report; and ii) other additional information, which is a measure not required by IFRS, and has been incorporated for the purpose of evaluating the performance of each of the operating segments, in relation to their Profit before Financing, Taxes, Depreciation and Amortization (EBITDA) of the Entity, this information is presented in Note 30.

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

In relation to our audit of the consolidated financial statements, our responsibility will be to read the Annual Report, when it is available, and when we do so, consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or that appears to contain a material error. When we read the Annual Report, we will issue the legend about the reading of the annual report, required in Article 33 Section I, subsection b) number 1.2. of the Provisions. Also, and in relation to our audit of the consolidated financial statements, our responsibility is to read and recalculate the other information, which is the measure not required by IFRS and in doing so consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or that appears to contain a material error. If based on the work we have done, we conclude that there is a material error in the other information; we would report such fact. We have nothing to report on this matter.

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 the internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, 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.

Independent 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, 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 2019 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. Abel García Santaella

Mexico City, Mexico
March 29, 2020

Grupo Carso, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2019, 2018 and 2017 (Restated) and January 1, 2017 (Restated)

(In thousands of Mexican pesos)

Assets	Notes	2019	2018 (Restated)	2017 (Restated)	January 1, 2017 (Restated)
Current assets:					
Cash and cash equivalents	4	$ 8,157,905	$ 7,767,473	$ 4,331,365	$ 4,857,917
Investments in securities	5	1,701,400	1,150,223	777,387	1,498,719
Accounts receivable	6	23,927,274	20,304,208	21,764,238	20,843,931
Due from related parties	23	4,954,593	4,707,977	4,090,590	3,682,581
Recoverable taxes	7	3,518,324	3,434,541	2,766,644	3,369,019
Inventories, net	8	17,652,566	17,764,614	16,509,661	15,766,892
Prepaid expenses		1,205,357	711,584	698,926	723,039
Derivative financial instruments	13	7,928	2,546	24,101	10,898
Total current assets		61,125,347	55,843,166	50,962,912	50,752,996
Non-current assets:					
Long-term accounts receivable		1,247,322	1,298,978	1,425,061	1,301,204
Real estate inventories		993,454	937,489	911,977	873,262
Property, machinery and equipment	14	36,535,171	35,620,311	33,402,553	30,175,511
Right of use assets	9	5,634,158	6,059,684	6,014,201	6,904,586
Investment property	15	3,233,907	3,068,498	2,812,198	2,668,495
Investment in associates and joint ventures	16	34,882,564	34,760,628	24,892,481	19,819,417
Employee retirement benefits	21	226,361	562,981	634,276	517,681
Derivative financial instruments	13	16,479	478,895	301,195	359,532
Intangible assets	17	1,470,388	1,219,978	762,212	663,438
Deferred income tax asset	27	4,627,641	3,919,730	2,766,155	2,048,472
Other assets	18	461,133	451,686	345,931	376,341
Total non-current assets		89,328,578	88,378,858	74,268,240	65,707,939
Total assets		$ 150,453,925	$ 144,222,024	$ 125,231,152	$ 116,460,935

Liabilities

	Notes	2019	2018 (Restated)	2017 (Restated)	January 1, 2017 (Restated)
Current liabilities:					
Loans payable to financial institutions and other	19	$ 325,632	$ 434,031	$ 2,662,952	$ 6,721,179
Current portion of long-term debt	19	91,911	82,871	15,478	5,000,000
Current lease obligation	10	1,369,319	1,375,573	1,291,575	1,210,374
Trade accounts payable		10,884,731	11,278,375	9,911,843	9,346,930
Due to related parties	23	626,849	1,391,370	1,890,909	2,368,778
Other accounts payable and accrued liabilities		8,220,283	6,564,310	6,863,128	6,353,423
Provisions	20	3,721,185	3,260,535	3,488,389	3,269,303
Direct employee benefits		1,000,130	960,648	988,203	1,003,831
Derivative financial instruments	13	260	8,870	305	69,281
Advances from customers		3,648,082	1,157,085	238,131	125,581
Total current liabilities		29,888,382	26,513,668	27,350,913	35,468,680
Non-current liabilities:					
Long-term debt	19	12,182,750	12,669,891	7,548,311	-
Lease obligation	10	5,360,885	5,748,808	6,072,511	5,694,212
Deferred income taxes	27	5,108,502	4,962,615	2,152,685	1,827,890
Other long-term liabilities		1,456,792	1,772,204	1,555,929	1,486,303
Employee retirement benefits	21	1,204,563	168,758	397,486	391,543
Derivative financial instruments	13	607,491	-	202,524	12,143
Total non-current liabilities		25,920,983	25,322,276	17,929,446	9,412,091
Total liabilities		55,809,365	51,835,944	45,280,359	44,880,771
Stockholders' equity	22				
Capital stock		2,534,392	2,534,812	2,534,882	2,530,929
Net stock issuance premium		2,392,896	2,392,896	2,392,896	879,092
Retained earnings		78,277,075	72,976,607	66,067,978	58,640,821
Accumulated other comprehensive income		3,105,000	6,104,230	853,421	1,421,137
Controlling interest		86,309,363	84,008,545	71,849,177	63,471,979
Non-controlling interest		8,335,197	8,377,535	8,101,616	8,108,185
Total consolidated stockholders' equity	22	94,644,560	92,386,080	79,950,793	71,580,164
Total liabilities and stockholders' equity		$ 150,453,925	$ 144,222,024	$ 125,231,152	$ 116,460,935

See accompanying notes to consolidated financial statements.

Grupo Carso, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Income and Other Comprehensive Income

As of December 31, 2019, 2018 and 2017 (Restated)

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

	Notes	2019	2018 (Restated)	2017 (Restated)
Net income	24	$ 102,477,596	$ 96,639,833	$ 93,592,613
Cost of net income	25	73,337,713	67,980,272	64,572,737
Gross operating income		29,139,883	28,659,561	29,019,876
Sales expenses				
Administrative expenses	25	13,106,785	12,608,993	12,178,117
Statutory employee profit sharing	25	4,694,445	4,698,683	4,766,921
Other (income) expenses, net		259,875	266,293	321,594
Interest expense	26	(374,448)	53,366	(394,994)
Interest income		1,185,672	1,094,294	1,092,565
Foreign exchange gain		(743,397)	(585,814)	(324,892)
Foreign exchange loss		(944,813)	(2,176,632)	(1,820,046)
Effects of valuation of derivative financial instruments		1,172,371	1,930,745	2,178,446
Gain on disposal and acquisition of shares		426,908	(289,436)	1,836
of associates		-	-	(1,246,031)
Share of results of associates and joint ventures	16	(978,063)	(787,689)	(2,507,468)
Income before income taxes		11,334,548	11,846,758	14,773,828
Income taxes	27	2,928,598	1,473,481	3,334,662
Consolidated net income for the year		$ 8,405,950	$ 10,373,277	$ 11,439,166
Other comprehensive income, net of income tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		$ (347,438)	$ (248,055)	$ (83,769)
Valuation of derivative financial instruments		(417,849)	166,857	(124,501)
(Loss) gain in valuation of equity financial instruments		(358,551)	5,677,751	-

(Continue)

	Notes	2019	2018 (Restated)	2017 (Restated)
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of net defined benefits liability		(980,514)	142,955	75,096
Share of other comprehensive income		(1,324)	(56,804)	(946,052)
Share of associates and joint ventures' other comprehensive income		(1,094,885)	(403,767)	367,404
Total other comprehensive income		(3,200,561)	5,278,937	(711,822)
Consolidated comprehensive income of the year		$ 5,205,389	$ 15,652,214	$ 10,727,344
Consolidated net income attributable to:				
Controlling interest		$ 7,547,361	$ 9,170,294	$ 10,024,662
Non-controlling interest		858,589	1,202,983	1,414,504
		$ 8,405,950	$ 10,373,277	$ 11,439,166
Basic earnings per common share attributable to controlling interest:				
Continuing operations		$ 3,309	$ 4,019	$ 4.420
Weighted average number of shares ('000)		2,280,862	2,281,595	2,267,779
Consolidated comprehensive income attributable to:				
Controlling interest		$ 4,548,131	$ 14,421,103	$ 9,456,946
Non-controlling interest		657,258	1,231,111	1,270,398
		$ 5,205,389	$ 15,652,214	$ 10,727,344

(Concluded)

See accompanying notes to consolidated financial statements.

Grupo Carso, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2019, 2018 and 2017 (Restated)

(In thousands of Mexican pesos)

	Capital stock	Net stock issuance premium	Retained earnings	Other comprehensive income: Translation effects of foreign operations	Other comprehensive income: Valuation of derivative financial instruments
Consolidated 2017 beginning balances (restated)	$ 2,530,929	$ 879,092	$ 58,640,821	$ 957,816	$ (68,405)
Repurchase of own shares	(1,262)	-	(407,484)	-	-
Cash dividends	5,215	1,513,804	(2,038,984)	-	-
Dividends to non-controlling interest	-	-	-	-	-
Decrease due to repurchase of subsidiary shares	-	-	(121,273)	-	-
Acquisition of non-controlling interest of subsidiaries	-	-	(29,764)	-	-
Balances before comprehensive income	2,534,882	2,392,896	56,043,316	957,816	(68,405)
Consolidated comprehensive income of the year	-	-	10,024,662	(79,326)	(115,497)
Consolidated balances as of December 31, 2017 (Restated)	2,534,882	2,392,896	66,067,978	878,490	(183,902)
Repurchase of own shares	(70)	-	(19,710)	-	-
Cash dividends declared	-	-	(2,099,025)	-	-
Dividends declared to non-controlling interest	-	-	-	-	-
Decrease in repurchase of shares of subsidiary	-	-	(75,742)	-	-
Acquisition of non-controlling interest of subsidiaries	-	-	(67,188)	-	-
Balances before comprehensive income	2,534,812	2,392,896	63,806,313	878,490	(183,902)
Consolidated comprehensive income of the year	-	-	9,170,294	(242,849)	155,550
Consolidated balances as of December 31, 2018 (restated)	2,534,812	2,392,896	72,976,607	635,641	(28,352)
Repurchase of own shares	(420)	-	(106,800)	-	-
Cash dividends declared	-	-	(2,143,741)	-	-
Dividends declared to non-controlling interest	-	-	-	-	-
Decrease of non-controlling interest of subsidiaries	-	-	(23,424)	-	-
Acquisition of non-controlling interest of subsidiaries	-	-	27,072	-	-
Balances before comprehensive income	2,534,392	2,392,896	70,729,714	635,641	(28,352)
Consolidated comprehensive income of the year	-	-	7,547,361	(331,518)	(389,032)
Consolidated balances as of December 31, 2019	$ 2,534,392	$ 2,392,896	$ 78,277,075	$ 304,123	$ (417,384)

See accompanying notes to consolidated financial statements.

Other comprehensive income						
Actuarial gain (losses)	Gain in valuation of financial instruments of capital	Share in the ownership in other comprehensive results	Share of other comprehensive income of associates	Total controlling interest	Non-controlling interest	Total stockholders' equity
$ (549,086)	$ -	$ -	$ 1,080,812	$ 63,471,979	$ 8,108,185	$ 71,580,164
-	-	-	-	(408,746)	-	(408,746)
-	-	-	-	(519,965)	-	(519,965)
-	-	-	-	-	(1,010,716)	(1,010,716)
-	-	-	-	(121,273)	(302,790)	(424,063)
-	-	-	-	(29,764)	36,539	6,775
(549,086)	-	-	1,080,812	62,392,231	6,831,218	69,223,449
74,211	-	(812,864)	365,760	9,456,946	1,270,398	10,727,344
(474,875)	-	(812,864)	1,446,572	71,849,177	8,101,616	79,950,793
-	-	-	-	(19,780)	-	(19,780)
-	-	-	-	(2,099,025)	-	(2,099,025)
-	-	-	-	-	(691,879)	(691,879)
-	-	-	-	(75,742)	(225,225)	(300,967)
-	-	-	-	(67,188)	(38,088)	(105,276)
(474,875)	-	(812,864)	1,446,572	69,587,442	7,146,424	76,733,866
131,517	5,677,437	(53,982)	(416,864)	14,421,103	1,231,111	15,652,214
(343,358)	5,677,437	(866,846)	1,029,708	84,008,545	8,377,535	92,386,080
-	-	-	-	(107,220)	-	(107,220)
-	-	-	-	(2,143,741)	-	(2,143,741)
-	-	-	-	-	(701,941)	(701,941)
-	-	-	-	(23,424)	(58,391)	(81,815)
-	-	-	-	27,072	60,752	87,824
(343,358)	5,677,437	(866,846)	1,029,708	81,761,232	7,677,955	89,439,187
(881,796)	(357,991)	(1,511)	(1,037,382)	4,548,131	657,242	5,205,373
$ (1,225,154)	$ 5,319,446	$ (868,357)	$ (7,674)	$ 86,309,363	$ 8,335,197	$ 94,644,560

Grupo Carso, S.A.B. de C.V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2019, 2018 and 2017 (restated)
(In thousands of Mexican pesos)

	2019	2018 (restated)	2017 (restated)
Cash flows from operating activities:			
Consolidated net income for the year	$ 8,405,950	$ 10,373,277	$ 11,439,166
Adjustments not requiring (providing) cash:			
Income tax recognized in earnings	2,928,598	1,473,481	3,334,662
Depreciation and amortization	3,280,935	3,155,491	3,152,378
(Gain) loss on sale of property, machinery and equipment and others assets	(12,071)	(13,908)	3,164
Derecognition of property, machinery and equipment and intangible assets	567	2,761	-
Impairment of property, plant and equipment	(68,887)	10,375	30,228
Impairment of exploration capitalized expense	-	372,850	-
Impairment of concession	-	84,659	-
Fair value gain on investment property	(225,440)	(221,908)	(115,955)
Fair value gain on brand revaluation	-	-	-
Share of results of associates and join ventures	(978,063)	(787,689)	(2,507,468)
Fair value gain on derivative financial instruments	(21,222)	(9,414)	(9,414)
Interest income	(4,717,989)	(4,379,795)	(3,934,351)
Interest expense	1,185,672	1,094,294	1,092,565
Gain on disposal of shares of associates	-	-	(391,892)
Equity dilution effect	-	-	(854,139)
Dividends received from associates measured at fair value	(745,028)	(558,772)	-
Other items	(745,497)	(132,756)	367,855
	8,287,525	10,462,946	11,606,799
Items related to operating activities:			
(Increase) decrease in:			
Accounts receivable	(3,065,774)	827,027	(463,061)
Interest income	3,970,601	3,775,271	3,588,215
Other accounts receivable	(491,067)	653,389	351,460
Due from related parties	(246,616)	(617,387)	(408,009)
Recoverable taxes	(314,377)	(499,706)	(461,989)
Inventories	112,048	(1,254,953)	(742,769)
Prepaid expenses	(493,773)	(12,658)	24,113
Long-term accounts receivable	51,656	126,083	10,143
Real estate inventories	(55,965)	(25,512)	(38,715)
Other assets	(321,151)	(374,902)	(235,324)
Increase (decrease) in:			
Trade accounts payable	(393,644)	1,366,532	564,913
Due to related parties	(764,521)	(499,539)	(477,869)
Other accounts payable and accrued liabilities	392,849	(288,881)	278,929
Provisions	460,650	(227,854)	219,086
Direct employee benefits	39,482	(27,555)	(15,628)
Advances from customers	2,490,997	918,954	112,550
Other long-term liabilities	(315,412)	216,275	69,626
Employee retirement benefits	391,911	(14,478)	(35,556)
Income taxes paid	(1,997,182)	(3,776,476)	(2,976,019)
Derivative financial instruments	652,059	(149,448)	75,837
Net cash flows provided by operating activities	8,390,296	10,577,128	11,046,732

(Continue)

	2019	2018 (restated)	2017 (restated)
Cash flows from investing activities:			
Acquisition of securities	(4,688,627)	(2,279,153)	(3,403,884)
Proceeds on disposal of held-to-maturity securities	4,137,450	1,906,317	4,125,216
Purchase of property, machinery and equipment	(3,682,850)	(4,340,943)	(5,831,354)
Proceeds on disposal of property, machinery and equipment	96,155	77,515	203,340
Other assets	(305,274)	(872,187)	(100,131)
Interest received	743,470	584,138	327,413
Dividends received	1,375,570	1,189,887	465,125
Derivative financial instruments	8,675	(28,137)	(28,137)
Acquisitions of investment properties	(2,276)	(62,890)	-
Acquisition of subsidiaries, associates and joint ventures shares	(1,308,515)	(1,300,552)	(1,520,694)
Net cash flows used in investing activities	(3,626,222)	(5,126,005)	(5,763,106)
Cash flows from financing activities:			
Proceeds from loans and borrowings	1,887,210	7,754,302	29,503,548
Payment of borrowings and long-term debt	(2,473,710)	(4,794,250)	(30,997,986)
Interest paid	(1,087,761)	(1,119,061)	(1,091,629)
Repayment of lease liabilities	(851,115)	(759,141)	(881,078)
Dividends paid	(2,845,682)	(2,790,904)	(1,530,681)
Repurchase of own shares	(107,220)	(19,780)	(408,746)
Repurchase of subsidiary shares	(81,815)	(300,967)	(424,063)
Derivative financial instruments	(1,446)	3,752	3,752
Decrease (acquisition) of non-controlling interest	87,824	(105,276)	33,112
Net cash flows used in financing activities	(5,473,715)	(2,131,325)	(5,793,771)
Effects of exchange rate changes on cash and cash equivalents	1,100,073	116,310	(16,407)
Net increase (decrease) in cash and cash equivalents	390,432	3,436,108	(526,552)
Cash and cash equivalents at beginning of the year	7,767,473	4,331,365	4,857,917
Cash and cash equivalents at end of the year	$ 8,157,905	$ 7,767,473	$ 4,331,365

(Concluded)

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2019, 2018 and 2017 (restated)
(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

1. Activities

Grupo Carso, S.A.B. de C.V. and Subsidiaries (the Entity or Grupo Carso) is a holding entity incorporated for a 99 years duration that maintains investments in a group of companies that operate in the Industrial, Retail, Infrastructure and Construction and Energy sectors. Grupo Carso is domiciled in Lago Zúrich 245, sixth floor, Colonia Ampliación Granada, Mexico City, Zip Code 11529.

2. Significant events

a. On October 2019, PEMEX Exploración y Producción awarded the consortium made up of subsidiary Operadora Cicsa, S.A. de C.V. (Operadora CICSA) and by Permaducto, S.A. de C.V. a contract for the engineering, procurement and construction of two units of marine infrastructure called MALOOB-E and MALOOB-I, to be installed in the Campeche sound, Gulf of Mexico, to be carried out in 550 days, expiring on May 2, 2021, by an amount of $1,438,672 and US$69,505, both amounts correspond to the participation of Operadora CICSA, as of December 31, 2019, work has started and progress is approximately 5%.

b. During July 2019, Grupo Sanborns acquired 33.2719% of the shares of Miniso BF Holding, S. de R.L. de C.V. (Miniso), obtaining significant influence. Currently, Miniso has 100 stores in Mexico.

c. On January 26, 2017, the subsidiary Constructora Terminal Valle de México, S.A. de C.V. (CTVM) was constituted, whose corporate purpose is the fulfillment of a Public Work contract at unitary price to for the "Construction of the terminal building of the New International Airport of Mexico City". The initial contribution of Carso Infraestructura y Construcción, S.A. de C.V. (CICSA, subsidiary of Grupo Carso) was $1.4, which represented 14.29% of its shares. This as a result of the awarding and subsequent execution of the contract by Grupo Aeroportuario de la Ciudad de México, S.A. de C.V. to the consortium formed by its subsidiary Operadora Cicsa, S.A. de C.V. and the companies ICA Constructora de Infraestructura, S.A. de C.V., Constructora y Edificadora GIA + A, S.A. de C.V., Promotora y Desarrolladora Mexicana, S.A. de C.V., Promotora y Desarrolladora Mexicana de Infraestructura, S.A. de C.V., La Peninsular Compañía Constructora, S.A. de C.V., Operadora y Administración Técnica, S.A. de C.V., Acciona Construcción, S.A. (formerly Acciona Infraestructuras, S.A.), Acciona Infraestructuras de México, S.A. de C.V., FCC Construcción, S.A., and FCC Industrial e Infraestructuras Energéticas, S.A.U. On January 11, 2019, CTVM notified Operadora CICSA of the temporary partial suspension of the 60-day notice prior to proceeding with the early cancellation of the contract. On July 26, 2019, an agreement was signed for the definitive termination of said contract, which concludes its participation in this project, recouping the construction, engineering works and materials acquired by CTVM during its development.

d. On July 12, 2017, as a result of its participation in the tender CNH-R02-L03/2017 of Blocks in terrestrial areas convened by the Comision Nacional de Hidrocarburos (CNH), it was awarded to the subsidiary Carso Oil and Gas, S.A. de C.V., the blocks identified as Contract Area 12 and 13, located in the southeast of Mexico, for the exploration and exploitation of hydrocarbons. Area 12 was obtained with a value for additional royalty of 45%, an additional investment factor of 1.5 and a jump-off payment of US$6,182. The minimum investment commitment according to the call is US$12,911. Area 13 was obtained with a value for additional royalty of 40%, an additional investment factor of 1.5 and a jump-off payment of US$13,170. The minimum contractual commitment of investment according to the call is US$7,385. The commencement of these projects was subject to the signing of the corresponding licensing and authorization contracts.

e. On November 9, 2017, GMéxico Transportes, S.A.B. de C.V. (FM Rail Holding, S.A. de C.V. until April 29, 2017, an associated entity of Grupo Carso), made a global public offering of nominative, single series, common shares. As a result of this offer, the Entity and Sinca Inbursa, S.A. de C.V. offered through a public offering, 88,336,734 shares, of which, as of December 31, 2018, 19,829,888 shares of the Entity were sold for $624,641, which generated a gain on disposal of shares of associates for $391,892. Likewise, the public offer generated a gain on the investment in shares of such associate of $854,139. Both effects were recorded in the consolidated statements of income and other comprehensive income under the caption "Gain on disposal of shares of associates" for a total amount of $1,246,031.

f. The Entity's stockholders decided to reactivate the operations of the subsidiary Tabasco Oil Company, LLC (TOC) in July 2017. The TOC operations, a direct subsidiary of Carso Energy, S.A. de C.V. (Carso Energy), were suspended from February 2015 until July 2017, due to the fall of the international oil prices. Also, as of the end of the year 2018 the Entity recorded an impairment in the exploration capitalized expenses of the subsidiary for $372,850.

g. Furthermore, during 2017 the Entity, through Carso Energy, made common stock contributions to its subsidiary TOC for US$5,750, equivalent to $106,601, maintaining its participation to 93.54% of TOC's voting rights shares at the close of 2017.

3. Consolidated subsidiaries

The ownership percentages over the capital stock of its subsidiaries as of December 31 2019, 2018 and 2017 are shown below:

Subsidiary	Country of incorporation and operations	Activity	Ownership % December 31,		
			2019	2018	2017
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, such as: highway construction and maintenance, water systems, water treatment plants and dams; duct line installations for the telecommunications and gas sectors, including fiber-optic networks and gas pipelines, among others; oil well drilling and services related to the industry; 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, U.S., Central America, South America and Spain	Manufacture and sale of goods, mainly cable to construction, automotive, energy and telecommunications markets; manufacture of autoparts, mainly for the OEM industry, manufacture and sale of copper and aluminum products; 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 mainly through the following commercial brands: Sanborns, Sears, Saks Fifth Avenue, Mix-up, Claro Shop and iShop.	86.21	86.06	85.49
Carso Energy, S.A. de C.V. and subsidiaries	Mexico, US and Colombia	Holding of shares of companies in the exploration and production of oil, gas and other hydrocarbons as well as electricity and gas transportation sectors.	95.90	93.80	93.60

4. Cash and cash equivalents

	2019	2018	2017
Cash	$ 6,424,772	$ 5,004,407	$ 2,934,767
Cash equivalents:			
Demand deposits	758,856	505,983	30,876
Banking paper	635,308	558,557	265,694
Government paper	108,987	130,796	833,299
Certificates of deposit	26,829	19,460	11,833
Demand deposits in U.S. dollars	201,361	1,546,330	253,073
Other	1,792	1,940	1,823
	$ 8,157,905	$ 7,767,473	$ 4,331,365

5. Investments in securities

	2019	2018	2017
Banking paper	$ 181,586	$ 85,265	$ 70,013
Demand deposits in U.S. dollar	708,164	895,871	541,870
Government paper	811,650	169,087	165,504
	$ 1,701,400	$ 1,150,223	$ 777,387

Investments in securities were classified as fair value through profit and loss.

6. Accounts receivables, net

	2019	2018	2017
Clients	$ 19,945,322	$ 17,636,380	$ 17,471,824
Allowance for doubtful accounts	(764,505)	(994,094)	(610,340)
	19,180,817	16,642,286	16,861,484
Unbilled work completed	3,474,149	2,942,915	3,530,358
Sundry debtors	742,321	346,963	523,244
Other	529,987	372,044	849,152
	$ 23,927,274	$ 20,304,208	$ 21,764,238

a. *Impairment of the value of financial assets*

Under IFRS 9, provisions for losses will be measured using the following basis:

Simplified Model. - The expected loss for the entire instrument's life is recognized if they contain a significant finance component, instead of the three stages.

The Entity measures the estimated losses from trade accounts receivable and work completed, always for an amount equal to the expected credit losses during their lifetime. Additionally, the Entity considers reasonable and sustainable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Entity's historical experience and an informed credit evaluation in relation to the future.

b. ***Measurement of expected credit losses***

Expected credit losses are the result of multiplying an exposure amount by a probability of default and the severity of the loss.

Expected credit losses are not discounted using the effective interest rate of the financial asset, since accounts receivable are generally short-term and do not charge interest. It is worth mentioning that the maximum period considered when estimating expected credit losses is the maximum contractual period during which the Entity is exposed to credit risk.

c. ***Financial assets with credit impairment***

The Entity considers as evidence that a financial asset has a credit impairment when it includes the following observable data:

- Significant financial difficulties observed in the backlog groups of the portfolios;
- Various terms of default and identifying default for more than 1 day or more than 30 days for the portfolio of all the Companies.
- The restructuring of accounts or advances by the Entity in terms that it would not consider otherwise;
- It is becoming likely that a segment of the portfolio will go bankrupt or entering another form of financial reorganization.

Presentation of expected credit losses estimate in the consolidated statements of financial position.

Loss estimates for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. While in the case of debt instruments at fair value with changes in other comprehensive income, the loss estimate is recorded in profit and loss and is recognized in other comprehensive income.

d. ***Impairment***

The gross carrying amount of a financial asset is written off (partially or fully) to the extent that there is no realistic possibility of recovery. This is generally the case when the Entity determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to pay the amounts subject to impairment. However, the financial assets that are written off could be subject to legal actions in order to comply with the Entity's procedures for the recovery of the owed amounts.

e. ***Riesgo de crédito***

Credit risk is the risk that one of the counterparties of the financial instrument will cause a financial loss to the other Company for breaching an obligation. The Entity is subject to credit risk mainly for financial instruments related to cash and temporary investments, loans and accounts receivable and derivative financial instruments. In order to minimize credit risk in the areas of cash, temporary investments and derivative financial instruments, the Entity only engages with solvent parties with a recognized reputation and high credit quality.

In order to manage credit risk, in the case of loans and accounts receivable from consumers, the Entity considers that the risk is limited. The Entity recognizes a bad-debts provision under the expected credit losses model in compliance with IFRS 9.

As of December 31, 2019, 2018 and 2017, the maximum exposure to credit risk for trade and other receivable accounts by category and / or subsidiaries was as follows:

Category	Book value Dec 2019	Dec 2018	January 1, 2018
Null	$ 8,974,759	$ 5,649,507	$ 5,951,789
Low	6,692,654	6,323,647	6,142,398
Moderate 1	2,261,349	2,315,976	2,244,345
Moderate 2	896,482	1,531,401	1,462,957
High 1	484,947	811,892	737,904
High 2	134,271	200,994	180,968
Critical	500,860	802,963	751,463
	$ 19,945,322	$ 17,636,380	$ 17,471,824

As of December 31, 2019, the book value of the Entity's most significant Portfolio corresponds to the Null segment, which was $8,974,759, and as of December 31, 2018 corresponds to the Low segment, which was $6,323,647 thousand pesos, which is equivalent to 45.00% and 35.86% of the total portfolio, respectively, and 0.01% and 30.30% of the registered reserve ($764,505 thousand pesos in 2019 and $994,094 thousand pesos in 2018). And as for the reserve, the most significant segment is the Critical with an amount of $355,115 and a percentage of the total reserve of 46.45% in 2019 and an amount of $504,222 and a percentage of the total reserve of 50.72% in 2018.

The following is a summary of the Entity's exposure to the credit risk of commercial debtors and work completed.

Concept	2019 No credit impaired	With credit impairment
Costumers	$ 8,051,567	$ 3,842,362
Total gross carrying amount	$ 9,270,726	$ 10,674,596
Estimate for credit losses	$ 92	$ 764,413

However, in various cases it has been corroborated the macroeconomic variables do not represent significance in the portfolios behavior, so it is concluded that the current model is appropriate for the entity's portfolio and line of business. However, constant reviews are performed in order to adapt the model to any endogenous and exogenous changes prompting a calibration.

The Entity uses the estimated factors previously described to make the estimate for expected credit loss.

The model used to determine the client's credit risks for each business unit of the Group identifies each account receivable individually as for the level of indebtedness, the ability to pay, the amount of payment to the principal, the maturity and the payment behavior to establish the corresponding risk level and the discount factor for depletion of the financial assets associated with granting of credit.

The following table provides information on credit risk exposure and expected credit losses for business debtors and individual client work completed as of December 31, 2019, 2018 and January 1, 2018.

Concept	Book value 2019	2018	January 1, 2018
Null	$ 8,974,759	$ 5,649,507	$ 5,951,789
Low	6,692,654	6,323,647	6,142,398
Moderate 1	2,261,349	2,315,976	2,244,345
Moderate 2	896,482	1,531,401	1,462,957
High 1	484,947	811,892	737,904
High 2	134,271	200,994	180,968
Critical	500,860	802,963	751,463
Total	$ 19,945,322	$ 17,636,380	$ 17,471,824

	Dec 2019	Expected credit reverse Dec 2018	January 1, 2018
	$ 92	$ 147	$ -
	96,592	301,181	110,984
	95,523	46,435	64,944
	90,058	50,955	56,033
	87,090	58,975	50,687
	40,035	32,179	23,658
	355,115	504,222	304,034
	$ 764,505	$ 994,094	$ 610,340

	2018		January 1, 2018	
	No credit impaired	With credit impairment	No credit impaired	With credit impairment
	$ 5,183,808	$ 4,285,479	$ 4,717,246	$ 4,297,603
	$ 5,801,620	$ 11,834,760	$ 5,987,741	$ 11,484,083
	$ 147	$ 993,947	$ -	$ 610,340

	Expected credit reverse			Discount factor		
	2019	2018	January 1, 2018	2019	2018	January 1, 2018
	$ 92	$ 147	$ -	0.00%	0.00%	0.00%
	96,592	301,181	110,984	2.03%	2.62%	2.75%
	95,523	46,435	64,944	4.22%	1.28%	1.77%
	90,058	50,955	56,033	10.05%	3.33%	3.83%
	87,090	58,975	50,687	17.96%	7.26%	6.87%
	40,035	32,179	23,658	29.82%	16.01%	13.07%
	355,115	504,222	304,034	70.71%	62.67%	55.13%
	$ 764,505	$ 994,094	$ 610,340	6.03%	6.74%	6.23%

Probabilities of default are based on actual credit loss experience during recent years. These rates are scale factored to reflect the differences between economic conditions during the period in which historical data is collected, current conditions and the Entity's view of economic conditions during the expected life of the receivable accounts.

Activity in credit losses reserve related to sales debtors and contract assets.

The movement in the credit losses reserve related to sales debtors and other accounts receivable during the year was as follows. The comparative amounts represent the estimation account for impairment losses under IAS 39.

Concept		2018
Balance at January 1 according to IAS 39	$	6,806,483
Adjustment in initial application of IFRS 9		111,095
Balance at January 1 according to IFRS 9 Standard		6,917,578
Amounts written off		961,964
Net remeasurement of loss estimate		942,954
Balance as of December 31, 2018 (restated)		6,898,568
Amounts written off		881,041
Net remeasurement of loss estimate		864,417
Balance as of December 31, 2019	$	6,881,944

The credit losses reserve in the comparative of IAS 39 and IFRS 9 presents a cumulative decrease of $19,010 as of December 31, 2018, and a decrease of $16,624, resulting from a decrease in exposure amounts.

7. Recoverable taxes

		2019		2018		2017
Recoverable value-added tax	$	2,621,580	$	2,310,703	$	1,799,191
Recoverable income tax (ISR)		630,068		860,611		692,471
Other recoverable taxes		266,676		263,227		274,982
	$	3,518,324	$	3,434,541	$	2,766,644

8. Inventories

		2019		2018		2017
Raw materials and auxiliary materials	$	3,032,930	$	3,230,685	$	3,998,446
Production-in-process		758,265		698,468		463,254
Finished goods		845,882		837,268		548,816
Merchandise in stores		12,184,641		12,016,272		10,456,210
Land and housing construction in progress		66,200		155,028		207,865
		16,887,918		16,937,721		15,674,591
Merchandise in-transit		520,888		584,252		605,673
Replacement parts and other inventories		243,760		242,641		229,397
	$	17,652,566	$	17,764,614	$	16,509,661

9. Lease right of use assets

The Entity leases various properties. The average lease term in the commercial sector is 15 years, 8 years for the industrial sector, 4 years for the infrastructure and construction sector for both 2019 and 2018, and 5 years in the Energy sector during 2019.

The Entity has the option to purchase certain manufacturing equipment for a nominal amount at the end of the lease period. The Entity's obligations are guaranteed by the lessor's title to the assets leased in such leases.

The expired contracts in 2019 were replaced by new lease arrangements with identical underlying assets. This resulted in the addition of rights-of-use assets of $560,106 and $967,386 in 2019 and 2018, respectively.

The maturity analysis of the lease liabilities is presented in Note 10.

Right of use assets	Property
Cost	
Balance at January 1, 2017 – Restated	$ 6,994,161
Additions	-
Balance as of December 31, 2017 – Restated	6,994,161
Additions	1,810,318
Disposals	(827,038)
Balance as of December 31, 2018 – Restated	7,977,441
Additions	1,005,872
Disposals	(445,765)
Balance as of December 31, 2019	$ 8,537,548

Right of use assets	Property
Depreciation:	
Balance at January 1, 2017 – Restated	$ (89,575)
Charge for the year	(890,385)
Balance as of December 31, 2017 – Restated	(979,960)
Charge for the year	(937,796)
Balance as of December 31, 2018 – Restated	(1,917,757)
Charge for the year	(1,003,187)
Disposals	17,554
Balance as of December 31, 2019	$ (2,903,390)
Net cost:	
Balance as of December 31, 2019	$ 5,634,158
Balance as of December 31, 2018 - Restated	$ 6,059,684
Balance as of December 31, 2017 - Restated	$ 6,014,201

Amounts recognized in the consolidated statement income	2019	2018 (Restated)
Depreciation expense on rights-of-use assets	$ 1,003,187	$ 937,796
Interest expense on lease liabilities	563,954	187,905
Expense relating to short-term leases	25,662	22,885
Expense relating to leases of low-value assets	7,609	7,281
Expense related to variable lease payments not included in the measurement of lease liabilities	70,325	81,501

The Entity has commitments of $1,338,863 and $1,327,604 as of December 31, 2019 and 2018, respectively, for short-term leases, and the total cash outflows for these leases amounts to $851,115 and $759,141 for 2019 and 2018, respectively.

10. Lease liabilities

	2019		2018 (Restated)	
Maturity analysis:				
Year 1	$	1,863,754	$	1,941,403
Year 2		1,406,392		1,456,380
Year 3		1,199,091		1,193,503
Year 4		1,096,715		1,152,924
Year 5		959,040		1,062,788
Later		3,162,014		3,540,961
		9,687,006		10,347,959
Less: Unearned interest		(2,956,802)		(3,223,578)
	$	6,730,204	$	7,124,381
Analyzed as:				
Non-current	$	5,360,885	$	5,748,808
Current		1,369,319		1,375,573
	$	6,730,204	$	7,124,381

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Corporate Treasury function.

11. Financial risk management

The Entity's Corporate Treasury function offers services to the businesses, coordinates access to national and international financial markets, supervises and manages the financial risks related to the Entity's operations through internal risk reports, which analyze exposures by grade and magnitude of risks. These risks include market risk (including exchange rate risk, interest rate risk at fair value, and price risk), credit risk, liquidity risk, and cash flow interest rate risk.

The Entity has exposure to market, operating and financial risks derived from the use of financial instruments such as interest rate, credit, liquidity and exchange risk, which are managed centrally by the corporate treasury. The Entity seeks to minimize its exposure to these risks by using derivative financial instruments hedges. The use of derivative financial instruments is governed by the Entity's policies, approved by the Board of Directors, which establish the principles for contracting them. Compliance with these policies and exposure limits are reviewed by internal audit on an ongoing basis.

The financial instrument classes and amounts at December 31, 2019, 2018 and 2017, are summarized below:

	2019		2018		2017	
Financial assets						
Cash and cash equivalents	$	8,157,905	$	7,767,473	$	4,331,365
At amortized cost:						
• Investments in securities		1,701,400		1,150,223		777,387
• Accounts receivable in the short and long-term		25,174,596		21,603,186		23,189,299
• Due from related parties		4,954,593		4,707,977		4,090,590
Measured at fair value:						
• Derivative financial instruments		24,407		481,441		325,296

	2019	2018	2017
Financial liabilities			
At amortized cost:			
• Loans with financial institutions and long-term debt	$ 12,600,293	$ 13,186,793	$ 10,226,741
• Trade accounts payables	10,884,731	11,278,375	9,911,843
• Due to related parties	606,681	943,838	674,392
• Other payables	2,847,466	2,635,716	2,766,388
• Lease liabilities	6,730,204	7,124,381	7,364,086
Measured at fair value:			
• Derivative financial instruments	607,751	8,870	202,829

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

a. ***Capital risk management*** - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its 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.

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 or decreased by 100 basis points in each reporting period and all other variables had remained constant, the pretax profit of 2019, 2018 and 2017 would have increased or decreased by approximately $107,873, $90,092 and $103,230, respectively.

c. ***Exchange risk management -***

i. The functional currency of the entity is primarily the Mexican peso and accordingly, it is exposed to the Mexican peso currency risk against the U.S. dollar in connection with commercial and financing operations. In some cases, these operations represent a natural hedge; while in other cases operations are hedged contracting currency forwards. 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		
	2019	2018	2017	2019	2018	2017
U.S. Dollar (US)	US$ 669,122	US$ 637,719	US$ 518,967	US$ 354,145	US$ 384,359	US$ 278,397
Euro (EU)	4,698	4,763	7,585	12,512	13,582	14,706
Brazilian realis (RA)	84,944	70,815	57,245	232,698	232,031	197,444
Colombian peso	30,053,623	82,163,447	16,427,021	35,414,836	64,396,916	27,826,936
Peruvian Sol	63,653	49,533	34,175	92,390	75,612	69,196

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		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
US	US$ -	US$ -	US$ -	US$ 66,912	US$ 10,988	US$ (51,897)	US$ 35,415	US$ 34,885	US$ 27,840
EU	(144)	29	(925)	470	476	(759)	1,251	1,358	1,471
RA		-	-	8,494	7,082	(5,725)	23,270	23,303	19,744
Colombian peso		-	-	3,005,362	8,216,345	(1,642,702)	3,541,484	6,439,692	2,782,694
Peruvian New Sol		-	-	6,365	4,953	(3,418)	9,239	7,561	6,920

(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		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Euro purchase									
More than 12 months	$ 21.3049	$ 22.7568	$ 21.3278	$ 6,000	$1,500	$ 10,000	$ 2,061	$ (412)	$ 13,211

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 insurance contracts over the collection 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 commercial sector, as they are diluted among 1,927,824 customers, which individually do not represent a concentration of risk; neither and in the industrial and infrastructure and construction sector, although the credit concentration risk may be higher. 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 6).

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 loans payable to credit institutions include fixed and variable interest rate instruments 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, these are presented at fair value. The Entity expects to meet its obligations with cash flows from operations and resources received at the maturity of financial assets.

As of December 31, 2019	Weighted average effective interest rate	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and others	MX 8.582% US 5.027%	$ 417,543	$ 3,000,000	$ 9,182,750	$ 12,600,293
Trade accounts payables		10,884,731	-	-	10,884,731
Due to related parties		606,681	-	-	606,681
Other accounts payable and accrued liabilities		2,847,466	-	-	2,847,466
Lease liabilities		1,059,269	1,984,827	3,686,108	6,730,204
Derivative financial instruments		260	-	607,491	607,751
Total		$ 15,815,950	$ 4,984,827	$ 13,476,349	$ 34,277,126

As of December 31, 2018 (Restated)	Weighted average effective interest rate	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and others	MX 8.233% US 3.553%	$ 516,902	$ -	$ 12,669,891	$ 13,186,793
Trade accounts payables		11,278,375	-	-	11,278,375
Due to related parties		943,838	-	-	943,838
Other accounts payable and accrued liabilities		2,635,716	-	-	2,635,716
Lease liabilities		1,375,573	2,012,083	3,736,725	7,124,381
Derivative financial instruments		8,870	-	-	8,870
Total		$ 16,759,274	$ 2,012,083	$ 16,406,616	$ 35,177,973

As of December 31, 2017 (restated)	Weighted average effective interest rate	1 year	Between 1 and 3 years	More than 3 years	Total
Loans with financial institutions and others	MX 7.29% US 3.31%	$ 2,678,430	$ -	$ 7,548,311	$ 10,226,741
Trade accounts payables		9,911,843	-	-	9,911,843
Due to related parties		674,392	-	-	674,392
Other accounts payable and accrued liabilities		2,766,388	-	-	2,766,388
Lease liabilities		1,291,575	2,125,379	3,947,132	7,364,086
Derivative financial instruments		305	-	202,524	202,829
Total		$ 17,322,933	$ 2,125,379	$ 11,697,967	$ 31,146,279

f. ***Market risk*** - The Entity has commodity contracts to cover 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.

12. Fair value of financial instruments

The following table combines information about:

- Classes of financial instruments based on their nature and characteristics;
- The carrying amounts of financial instruments;
- Fair values of financial instruments (except financial instruments when the book value approaches its fair value); and
- Levels of fair value hierarchy of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets, for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (it is that is, derivatives of prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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 fair value
	31/12/19	31/12/18	31/12/17				
1) Foreign currency forward contracts (see Note 13) (i)	Liabilities - $2,061	Liabilities - $412	Assets - $21,148	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 - $585,405	Assets - $472,982	Assets- $101,319	Level 2	Discounted cash flows.	N/A	N/A

(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 derived from these quoted prices. During the years ended December 31, 2019, 2018 and 2017 there were no transfers between levels, both years corresponded to Level 2.

b. <u>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)</u>

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 transaction. 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 is recorded at amortized cost and includes fixed and variable interest generating debt related to market indicators.

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

The fair value of interest rate swaps is calculated as the present value of future estimated net cash flows. 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 class and their estimated fair values are as follows:

	December 31, 2019		December 31, 2018		December 31, 2017	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:						
Cash and equivalent cash	$ 8,157,905	$ 8,157,905	$ 7,767,473	$ 7,767,473	$ 4,331,365	$ 4,331,365
Instruments available-for-sale:						
Fixed-term securities	1,701,400	1,701,400	1,150,223	1,150,223	777,387	777,387
Loans and receivables:						
Accounts receivable in the short and long term	25,174,596	25,173,902	21,603,186	21,064,607	23,189,299	22,989,646
Due to related parties	4,954,593	4,954,593	4,707,977	4,707,977	4,090,589	4,090,589
Accounts and loans payable:						
Loans payable to financial institutions including current portion of long-term debt and others	(9,600,293)	(9,600,293)	(10,186,793)	(10,537,085)	(10,226,741)	(10,226,741)
Debt securities	(3,000,000)	(2,991,000)	(3,000,000)	(3,125,474)	-	-
Trade accounts payable	(10,884,731)	(10,884,731)	(11,278,375)	(11,278,375)	(9,911,843)	(9,911,843)
Due to related parties	(606,681)	(606,681)	(943,838)	(943,838)	(674,392)	(674,392)
Lease liabilities	(6,730,204)	(6,730,204)	(7,124,381)	(7,124,381)	(7,364,086)	(7,364,086)
Other accounts payable and accrued liabilities	(2,847,466)	(2,847,466)	(2,635,716)	(2,635,716)	(2,766,388)	(2,766,388)
Total	$ 6,319,119	$ 6,327,425	$ 59,756	$ (954,589)	$ 1,445,190	$ 1,245,537

The fair values shown at December 31, 2019, 2018 and 2017, except for the receivables form 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. Derivative financial instruments

The purpose of contracting derivative financial instruments is: (i) to partially cover the financial risks exposures of 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 or finance hedge is based on current market conditions, the expectation of market conditions at a given date, and the domestic and international economic context of the economic indicators that influence the Entity's operations.

The transactions on currency and interest rate forwards and swaps are summarized below:

Instrument	Designated as	Notional Amount ('000)	Notional Unit	Maturity	Valuation as of December 31, 2019 Asset (liability)	Net income of the year	Income of prior year	(Gain) loss on settlement
Dollar forwards	Purchase	340,000	US	During 2019	$ -	$ -	$ -	$ 34,471
Dollar forwards	Purchase	340,000	US	During 2019	-	-	-	6,342
LIBOR swaps to fixed rate	Purchase	50,000	US	February 2030 and February 2035	(50,367)	94,718	(44,351)	(1,416)
TIIE swaps to fixed rate	Purchase	3,650,000	MX	April 2022 and April 2027	16,479	365,556	(382,035)	(72,828)
Total at December 31, 2019					$ (33,888)	$ 460,274	$ (426,386)	$ (33,431)
Total at December 31, 2018					$ 426,386	$ (130,557)	$ (295,829)	$ (61,396)
Total at December 31, 2017					$ 309,133	$ 50,400	$ (359,533)	$ (34,948)

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

Instrument	Notional Amount (´000)	Notional Unit	Maturity	Valuation as of December 31, 2019 Asset (liability)	Valuation as of December 31, 2019 Comprehensive income	(Gain) loss on settlement
Euro forwards purchase	6,000	Thousand Euros	January to December 2020	$ 2,061	$ (1,442)	$ 1,446
Total at December 31, 2019				$ 2,061	$ (1,442)	$ 1,446
Total at December 31, 2018				$ (412)	$ 288	$ (9,659)
Total at December 31, 2017				$ 13,211	$ (9,248)	$ 3,752

Transactions on interest rate swaps are summarized below:

Instrument	Notional Amount (´000)	Notional Unit	Maturity	Valuation as of December 31, 2019 Asset (liability)	Valuation as of December 31, 2019 Comprehensive income	(Gain) loss on settlement
LIBOR swaps to fixed rate	396,870	US	January 2035	$ (557,124)	$ 463,499	$ 7,961
Total at December 31, 2019				$ (557,124)	$ 463,499	$ 7,961
Total at December 31, 2018				$ 52,509	$ (36,756)	$ 39,635
Total at December 31, 2017				$ (207,524)	$ 141,767	$ 202,524

The transactions opened and settled with hedge metals swaps are summarized below:

Instrument	Notional Amount (´000)	Notional Unit	Maturity	Valuation as of December 31, 2019 Asset (liability)	Valuation as of December 31, 2019 Comprehensive income	(Gain) loss on settlement Cost of sales
Copper Swaps purchase	1,026	Tons	January to December 2020	$ 5,574	$ (4,509)	$ -
Copper Swaps purchase	2,438	Tons	January to March 2019	-	-	16,317
Aluminum Swaps purchase	75	Tons	January to March 2019	33	(23)	-
Aluminum Swaps purchase	794	Tons	January to June 2018	-	-	(7,642)
Total at December 31, 2019				$ 5,607	$ (4,532)	$ 8,675
Total at December 31, 2018				$ (5,913)	$ 4,140	$ 16,468
Total at December 31, 2017				$ 2,647	$ (2,045)	$ (28,137)

14. Property, machinery and equipment

The reconciliation between the carrying amount at the beginning and end of the year 2019, 2018 and 2017 is as follows:

	Balances as of December 31, 2018	Additions	Retirements / disposals	Transfers	Exchange differences on translation	Balances as of December 31, 2019
Investment:						
Land	$ 3,760,683	$ 5,594	$ (235)	$ (12,772)	$ (2,097)	$ 3,751,173
Buildings and leasehold improvements	16,116,388	287,670	(76,692)	15,583	(16,850)	16,326,099
Machinery and equipment	20,348,503	319,924	(307,073)	289,553	(94,022)	20,556,885
Furniture and equipment	6,571,969	324,081	(32,374)	192	26,104	6,889,972
Computers	2,113,119	46,177	(43,768)	78,295	(39,494)	2,154,329
Vehicles	1,019,981	63,094	(106,369)	186,550	5,760	1,169,016
Construction in progress	12,370,900	2,636,310	-	(598,789)	(579,241)	13,829,180
Total investment	62,301,543	3,682,850	(566,511)	(41,388)	(699,840)	64,676,654
Accumulated depreciation:						
Buildings and leasehold improvements	(7,586,653)	(524,492)	46,894	(5,624)	22,051	(8,047,824)
Machinery and equipment	(12,327,906)	(759,838)	271,598	6,373	73,750	(12,736,023)
Furniture and equipment	(4,079,333)	(473,722)	29,156	229	(19,931)	(4,543,601)
Computers	(1,716,011)	(162,402)	39,873	595	30,360	(1,807,585)
Vehicles	(687,589)	(107,823)	66,824	(2,826)	(1,079)	(732,493)
Total accumulated depreciation	(26,397,492)	(2,028,277)	454,345	(1,253)	105,151	(27,867,526)
Impairment:						
Land	(26,814)	10,317	-	-	-	(16,497)
Buildings and leasehold improvements	(85,830)	(7,620)	-	-	-	(93,450)
Machinery and equipment	(162,613)	1,272	-	2,694	2,985	(155,662)
Furniture and equipment	(1,004)	(8)	-	-	-	(1,012)
Computers	(963)	143	-	-	-	(820)
Vehicles	(6,516)	-	-	-	-	(6,516)
Accumulated impairment losses	(283,740)	4,104	-	2,694	2,985	(273,957)
Net investment	$ 35,620,311	$ 1,658,677	$ (112,166)	$ (39,947)	$ (591,704)	$ 36,535,171

	Balances as of December 31, 2017	Additions	Retirements / disposals	Transfers	Exchange differences on translation	Balances as of December 31, 2018
Investment:						
Land	$ 3,762,189	$ 3,268	$ -	$ (2,226)	$ (2,548)	$ 3,760,683
Buildings and leasehold improvements	15,111,504	1,193,596	(188,162)	37,614	(38,164)	16,116,388
Machinery and equipment	20,114,491	324,476	(197,651)	197,785	(90,598)	20,348,503
Furniture and equipment	6,059,399	623,968	(102,820)	(675)	(7,903)	6,571,969
Computers	2,018,268	103,242	(43,763)	35,598	(226)	2,113,119
Vehicles	1,004,035	49,069	(88,144)	65,405	(10,384)	1,019,981
Construction in progress	10,622,015	2,043,324	(1,863)	(342,353)	49,777	12,370,900
Total investment	58,691,901	4,340,943	(622,403)	(8,852)	(100,046)	62,301,543
Accumulated depreciation:						
Buildings and leasehold improvements	(7,183,909)	(491,461)	85,000	(13,272)	16,989	(7,586,653)
Machinery and equipment	(11,900,604)	(749,038)	184,785	54,946	82,005	(12,327,906)
Furniture and equipment	(3,666,128)	(508,827)	83,748	7,453	4,421	(4,079,333)
Computers	(1,606,878)	(150,885)	35,971	3,774	2,007	(1,716,011)
Vehicles	(658,277)	(104,104)	70,121	(19,461)	24,132	(687,589)
Total accumulated depreciation	(25,015,796)	(2,004,315)	459,625	33,440	129,554	(26,397,492)
Impairment:						
Land	(26,814)	-	-	-	-	(26,814)
Buildings and leasehold improvements	(101,666)	15,836	-	-	-	(85,830)
Machinery and equipment	(131,236)	(31,564)	-	-	187	(162,613)
Furniture and equipment	(6,779)	5,775	-	-	-	(1,004)
Computers	(541)	(422)	-	-	-	(963)
Vehicles	(6,516)	-	-	-	-	(6,516)
Accumulated impairment losses	(273,552)	(10,375)	-	-	187	(283,740)
Net investment	$ 33,402,553	$ 2,326,253	$ (162,778)	$ 24,588	$ 29,695	$ 35,620,311

	Balances as of December 31, 2016	Additions	Retirements / disposals	Transfers	Exchange differences on translation	Balances as of December 31, 2017
Investment:						
Land	$ 3,757,238	$ 92,466	$ (78,863)	$ (8,487)	$ (165)	$ 3,762,189
Buildings and leasehold improvements	14,860,410	326,166	(82,807)	3,821	3,914	15,111,504
Machinery and equipment	19,831,886	243,056	(249,507)	351,733	(62,677)	20,114,491
Furniture and equipment	5,812,630	311,938	(58,854)	1,322	(7,637)	6,059,399
Computers	1,873,211	133,353	(16,949)	23,498	5,155	2,018,268
Vehicles	987,854	55,773	(75,338)	34,768	978	1,004,035
Construction in progress	6,769,344	4,668,602	(77,060)	(469,841)	(269,030)	10,622,015
Total investment	53,892,573	5,831,354	(639,378)	(63,186)	(329,462)	58,691,901
Accumulated depreciation:						
Buildings and leasehold improvements	(6,757,489)	(477,036)	60,750	(316)	(9,818)	$ (7,183,909)
Machinery and equipment	(11,409,556)	(759,783)	228,488	(4,160)	44,407	(11,900,604)
Furniture and equipment	(3,211,631)	(524,678)	56,511	3,128	10,542	(3,666,128)
Computers	(1,488,223)	(135,932)	16,039	(1,284)	2,522	(1,606,878)
Vehicles	(606,361)	(122,432)	51,109	(886)	20,293	(658,277)
Total accumulated depreciation	(23,473,260)	(2,019,861)	412,897	(3,518)	67,946	(25,015,796)
Impairment:						
Land	(26,814)	-	-	-	-	(26,814)
Buildings and leasehold improvements	(80,104)	(21,562)	-	-	-	(101,666)
Machinery and equipment	(128,920)	(2,794)	-	-	478	(131,236)
Furniture and equipment	(907)	(5,872)	-	-	-	(6,779)
Computers	(541)	-	-	-	-	(541)
Vehicles	(6,516)	-	-	-	-	(6,516)
Accumulated impairment losses	(243,802)	(30,228)	-	-	478	(273,552)
Net investment	$ 30,175,511	$ 3,781,265	$ (226,481)	$ (66,704)	$ (261,038)	$ 33,402,553

Total transfers during 2018 and 2017 to investment properties were $46,027 and $27,748, respectively, and $2,615 to other assets in 2017.

15. Investment properties

	2019	2018	2017
Fair value of investment properties	$ 3,233,907	$ 3,068,498	$ 2,812,198

The changes in investment properties are as follows:

	2019	2018	2017
Balance at beginning of year	$ 3,068,498	$ 2,812,198	$ 2,668,495
Additions	2,276	62,890	-
Transferred from property, machinery and equipment	(62,307)	(28,498)	27,748
Gain on property revaluation	225,440	221,908	115,955
Balance at end of year	$ 3,233,907	$ 3,068,498	$ 2,812,198

Additions and transfers are primarily composed of land located in Baja California, land and industrial buildings in Estado de Mexico, Queretaro and Guanajuato.

All of Grupo Carso's investment properties are held under total ownership.

Grupo Carso obtains valuations performed by independent experts with the qualifications and relevant experience in the locations and categories of investment properties maintained.

Valuation considers several techniques under the following approaches:

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 $231,852, $231,370 and $218,734 for the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019, 2018 and 2017 the occupancy rate of shopping centers is of 85%, 92% and 95%, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income and constitute approximately 40%, 37% and 34%, of rental income for years ended December 31, 2019, 2018 and 2017, 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, 2019, 2018 and 2017 are as follows:

	2019		2018		2017	
	Level 3	Fair value	Level 3	Fair value	Level 3	Fair value
Shops located in Mexico City	$ 2,507,271	$ 2,507,271	$ 2,415,553	$ 2,415,553	$ 2,323,901	$ 2,323,901
Land located in Baja California	639,879	639,879	566,543	566,543	488,297	488,297
Land and buildings	86,757	86,757	86,402	86,402	-	-
Total	$ 3,233,907	$ 3,233,907	$ 3,068,498	$ 3,068,498	$ 2,812,198	$ 2,812,198

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 7.5% - 9.1%, 7.4% - 8.9% and 7.0% - 8.9% in 2019, 2018 and 2017, respectively.	A slight increase in the capitalization rate used would result in a significant decrease in fair value, and vice versa. A variation of minus 50 basis points would result in an increase in its fair value of $167,151 and an increase of 50 points would result in a decrease in its fair value of $147,487.
		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 $368, $346 and $330 Mexican pesos per square meter (sqm) per month in 2019, 2018 and 2017, 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 associates and joint ventures

a. The main associated and joint-venture entities and their activities are the following:

Associated	Ownership percentage 2019	2018	2017	Location	Activity
Elementia, S. A. de C. V. (Elementia)	36.47	36.47	36.17	Mexico	Manufacture and sale of high technology products for the cement, concrete, polyethylene, styrene, copper and aluminum production industries.
Infraestructura y Transportes México, S.A. de C.V. (ITM)	16.75	16.75	16.75	Mexico	Holding of shares.

Associated	Ownership percentage 2019	2018	2017	Location	Activity
Inmuebles SROM, S.A. de C.V.	14.00	14.00	14.00	Mexico	Real estate leasing.
Miniso BF Holding S.R.L. de C.V.	33.27	-	-	Mexico	Operation of multi-category stores of low-cost products, under the model of specialized franchises
Grupo Telvista, S.A. de C.V.	10.00	10.00	10.00	Mexico	Specializes in providing customer care solutions and provides English and Spanish contact center outsourcing.
Infraestructura y Saneamiento Atotonilco, S.A. de C.V. (joint venture)	42.5	42.50	42.50	Mexico	Construction of wastewater treatment plant.
Constructora MT de Oaxaca, S.A. de C.V. (joint venture)	40.00	40.00	40.00	Mexico	Highway construction.
Trans-Pecos Pipeline, LLC (joint venture)	51.00	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	51.00	United States	Design, development, construction and operation of a new natural gas transportation pipeline.

Entities at fair value	Ownership percentage 2019	2018	2017	Location	Activity
GMéxico Transportes, S.A. de C.V. (FM Rail Holding, S.A. de C.V. until April 29, 2017).	15.14	15.14	15.14	Mexico	Railway transportation.
Cuprum, S.A.P.I. de C.V. (Cuprum)	10.00	10.00	10.00	Mexico	Manufacture of aluminum products.

b. The recognition of the equity method on the main associates and joint-venture and other entities was as follows:

	2019				
	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia (1)	$ 20,896,256	$ (1,637,069)	36.47	$ 8,174,128	$ (622,006)
ITM (2)	12,119,926	3,222,759	16.75	2,030,088	539,813
Inmuebles SROM, S.A. de C.V.	17,959,703	1,207,231	14.00	2,441,613	169,012
Miniso BF Holding, S. de R.L de C.V.	826,940	(245,777)	33.27	1,081,485	(52,187)
Grupo Telvista, S.A. de C.V. (6)	2,332,713	55,739	10.00	233,271	5,574
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	133,803	(6,880)	42.50	(51,051)	(2,924)
Constructora MT de Oaxaca, S.A. de C.V.	412,820	9,007	40.00	2,489	(161,251)
Trans-Pecos Pipeline, LLC (4)	5,847,584	865,432	51.00	2,982,268	440,826
Comanche Trail Pipeline, LLC (5)	3,402,854	729,402	51.00	1,735,456	372,540
Other Associates				239,657	288,666
Total investment in associated entities				18,869,404	978,063
Other investments				2,040	-
Total investment in associated entities				18,871,444	978,063
Entities at fair value				**Fair value**	
GMéxico Transportes, S.A. de C.V. (FM Rail Holding, S.A. de C.V. until April 29, 2018 (2)			15.14	15,589,735	-
Cuprum (3)			10.00	421,385	-
				16,011,120	-
Total investment in associated entities and joint ventures				$ 34,882,564	$ 978,063

	2018				
	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia (1)	$ 23,207,555	$ (223,557)	36.47	$ 9,017,067	$ 82,914
ITM (2)	8,897,167	(982,561)	16.75	1,490,275	(164,580)
Inmuebles SROM, S.A. de C.V.	16,232,859	1,258,235	14.00	2,272,600	187,088
Grupo Telvista, S.A. de C.V.	2,357,049	(12,489)	10.00	235,705	(1,249)
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	140,682	(124,445)	42.50	(48,127)	(52,889)
Constructora MT de Oaxaca, S.A. de C.V.	409,349	(591)	40.00	163,740	(236)
Trans-Pecos Pipeline, LLC	6,071,716	771,950	51.00	3,096,575	372,814
Comanche Trail Pipeline, LLC	1,842,697	608,525	51.00	1,842,697	327,512
Other Associates (4)				159,239	36,315
Total investment in associated entities				18,229,771	787,689
Other investments				2,041	-
Total investment in associated entities				18,231,812	787,689
Entities at fair value				**Fair value**	
GMéxico Transportes, S.A. de C.V. (FM Rail Holding, S.A. de C.V. until April 29, 2018 (2)			15.14	15,912,581	-
Cuprum (3)			10.00	616,235	-
				16,528,816	-
Total investment in associated entities and joint ventures				$ 34,760,628	$ 787,689

	2017				
	Stockholders' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia (1)	$ 22,110,350	$ 975,711	36.17	$ 8,552,565	$ 350,413
GMéxico Transportes, S.A. de C.V. (FM Rail Holding, S.A. de C.V. until April 29, 2017 (2)	50,312,564	5,966,937	15.14	7,617,659	980,036
ITM (2)	9,879,729	1,779,063	16.75	1,654,855	297,993
Inmuebles SROM, S.A. de C.V.	14,896,516	1,116,431	10.00	2,085,512	173,293
Grupo Telvista, S.A. de C.V.	2,375,079	141,247	42.50	237,508	14,125
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	265,127	(80,044)	40.00	4,762	(34,019)
Constructora MT de Oaxaca, S.A. de C.V.	409,940	851,312	40.00	163,976	341
Cuprum (3)	4,269,761	305,812	10.00	472,068	30,581
Trans-Pecos Pipeline, LLC	3,828,800	586,200	51.00	1,952,675	298,959
Comanche Trail Pipeline, LLC	2,998,500	617,700	51.00	1,529,257	315,003
Other Associates (4)				619,604	80,743
Total investment in associated entities				24,890,441	2,507,468
Other investments				2,040	-
Total investment in associated entities and joint ventures				$ 24,892,481	$ 2,507,468

(1) The investment in shares includes goodwill of $554,284 and in 2019 a loss for $220,933, which is recognized as other comprehensive income in the consolidated statement of income.

(2) The investment in shares includes a fair value complement of $403,464. 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) As of December 31, 2019, the investment in shares includes a dividend payment of $140,973 and a loss of $414,160, which is recognized as other comprehensive income in the consolidated statement of income.

(5) As of December 31, 2019, the investment in shares includes a dividend payment of $131,544 and a loss of $348,237, which is recognized as other comprehensive income in the consolidated statement of income.

(6) As of December 31, 2019, the investment in shares includes a dividend payment of $31,844 and a profit of $23,836, which is recognized as other comprehensive income in the consolidated statement of income.

c. At the end of 2017, La Sinca Inbursa, S.A. de C.V. sold its shareholding and that caused the Entity to own 15.14% of GMéxico's shares only, the Entity no longer exerts a significant influence because its related party Sinca Inbursa, S.A. de C.V. He sold his share, although he still has a counselor.

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

17. Intangible assets

	Amortization period	Balances as of December 31, 2018	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2019
Cost:						
Trademark	Indefinite	$ 16,496	$ 356	$ -	$ -	$ 16,852
Exploration and evaluation	Indefinite	1,997,922	305,274	-	(26,274)	2,276,922
Computer programs	5.83	36,550	39,932	-	-	76,482
Licenses and franchises	Indefinite	38,142	-	-	-	38,142
Industrial property rights	10	313,211	-	-	-	313,211
Intangible assets in progress	15	85,644	2,189	-	-	87,833
Other intangible assets	Indefinite	106,285	-	-	-	106,285
Total cost		2,594,250	347,751	-	(26,274)	2,915,727
Accumulated amortization:						
Trademark		(6,195)	(1,976)	-	-	(8,171)
Exploration and evaluation		(31,188)	(2,107)	-	-	(33,295)
Computer programs		(8,675)	(7,894)	-	-	(16,569)
Licenses and franchises		(3,910)	(1,065)	-	-	(4,975)
Industrial property rights		(277,347)	(35,864)	-	-	(313,211)
Intangible assets in progress		(5,622)	(13,596)	-	-	(19,218)
Other intangible assets		-	(8,565)	-	-	(8,565)
Total amortization		(332,937)	(71,067)	-	-	(404,004)
Impairment Adjustments						
Exploration and evaluation		(1,041,335)	-	-	-	(1,041,335)
Net cost		$ 1,219,978	$ 276,684	$ -	$ (26,274)	$ 1,470,388

	Amortization period	Balances as of December 31, 2017	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2018
Cost:						
Trademark	Indefinite	$ 16,631	$ 143	$ -	$ (278)	$ 16,496
Exploration and evaluation	Indefinite	1,128,667	872,187	-	(2,932)	1,997,922
Computer programs	5.83	19,735	16,815	-	-	36,550
Licenses and franchises	Indefinite	38,142		-	-	38,142
Industrial property rights	10	397,869	(84,658)	-	-	313,211
Intangible assets in progress	15	85,289	355	-	-	85,644
Other intangible assets	Indefinite	22,724	83,561	-	-	106,285
Total cost		1,709,057	888,403	-	(3,210)	2,594,250
Accumulated amortization:						
Trademark		(4,794)	(1,401)	-	-	(6,195)
Exploration and evaluation		(21,348)	(9,840)	-	-	(31,188)
Computer programs		(3,471)	(5,204)	-	-	(8,675)
Licenses and franchises		(1,024)	(2,886)	-	-	(3,910)
Industrial property rights		(240,525)	(36,822)	-	-	(277,347)
Intangible assets in progress		(362)	(5,260)	-	-	(5,622)
Total amortization		(271,524)	(61,413)	-	-	(332,937)
Impairment Adjustments						
Exploration and evaluation		(675,321)	(372,850)	-	6,836	(1,041,335)
Net cost		$ 762,212	$ 454,140	$ -	$ 3,626	$ 1,219,978

	Amortization period	Balances as of January 1, 2017	Additions	Retirements / disposals / transfers	Translation effect	Balances as of December 31, 2017
Cost:						
Trademark	Indefinite	$ 19,746	$ 32	$ (3,147)	$ -	$ 16,631
Exploration and evaluation	Indefinite	1,082,940	100,131	(9,346)	(45,058)	1,128,667
Computer programs	5.83	10,304	9,431	-	-	19,735
Licenses and franchises	Indefinite	38,142	-	-	-	38,142
Industrial property rights	10	397,869	-	-	-	397,869
Intangible assets in progress	15	41,878	43,411	-	-	85,289
Other intangible assets	Indefinite	2,592	20,132	-	-	22,724
Total cost		1,593,471	173,137	(12,493)	(45,058)	1,709,057
Accumulated amortization:						
Trademark		(6,281)	(1,660)	3,147	-	(4,794)
Exploration and evaluation		(18,049)	(3,890)	-	591	(21,348)
Computer programs		-	(3,471)	-	-	(3,471)
Licenses and franchises		-	(1,024)	-	-	(1,024)
Industrial property rights		(198,594)	(41,931)	-	-	(240,525)
Intangible assets in progress		-	(362)	-	-	(362)
Total amortization		(222,924)	(52,338)	3,147	591	(271,524)
Impairment Adjustments						
Exploration and evaluation		(707,109)	-	-	31,788	(675,321)
Net cost		$ 663,438	$ 120,799	$ (9,346)	$ (12,679)	$ 762,212

18. Others assets

Other assets were as follows:

	Amortization period	2019	2018	2017
Insurance and sureties	(a)	$ 667,646	$ 583,828	$ 507,670
Collaborative commission agreement		159,604	159,604	159,604
Guarantee deposits		66,464	33,353	36,451
Installation costs		327,187	282,844	165,406
Prepaid expenses		21,113	21,114	12,113
Others		252,605	226,025	167,802
		1,494,619	1,306,768	1,049,046
Accumulated amortization		(1,033,486)	(855,082)	(703,115)
		$ 461,133	$ 451,686	$ 345,931

(a) CICSA's insurance and sureties has an useful life according to contracted projects which on average have a term between 2 and 3 years.

The amortization recorded in income was $178,404, $151,967 and $189,794 in 2019, 2018 and 2017, respectively, of which $125,061, $136,009 and $169,587 is recognized as part of cost of net income, respectively.

19. Current and long-term debt

Debt is as follows:

	2019	2018	2017
Current debt:			
Commercial loans in Mexican pesos, entered in January and October 2018 at a variable rate of TIIE + 0.85% and maturities on December 2018 and January 2019, respectively.	$ -	$ 261,678	$ -
Commercial loans in Mexican pesos, entered in September and October 2018 at a variable rate of TIIE + 1.50% and maturity on April 2019.	-	20,000	-
Commercial loans in Colombian pesos, entered into during the second semester 2018 at an interest rate of 6.27% and maturity on February 2019.	-	126,067	-
Unsecured loans for $1,500 at a fixed rate of 7.59% and for $1,000 million pesos at a fixed rate of 7.41% with maturities on January 18, 2018; for $30 million at a fixed rate of 8.89% and maturity on Mar 15, 2018 and for $108 million at a variable rate of TIIE + 0.85% and maturity on March 31, 2018 (1-year credit agreements).	-	-	2,638,521
Commercial loans entered into during the fourth quarter of 2019 at a fixed rate of 6.66% and 6.69% with maturities in February 2020.	215,879	-	-
Commercial loans entered into during the fourth quarter of 2019 at a fixed rate of 6.10% plus 28-day TIIE with maturities in February and March 2020.	50,068	-	-
Commercial loans entered into during the fourth quarter of 2019 at a fixed rate of 1.50% plus 28-day TIIE with maturities in March 2020.	30,000	-	-
Other loans	29,685	26,286	24,431
	325,632	434,031	2,662,952
Add current portion of long-term debt	91,911	82,871	15,478
Current portion	$ 417,543	$ 516,902	$ 2,678,430
Long-term debt:			
Syndicated Loan for US$496,000, with variable interest rate of LIBOR + 2.5 and due in January 2035.	$ 9,274,661	$ 9,752,762	$ 7,563,789

	2019	2018	2017
Debt securities issued in Mexican pesos with monthly maturities from March 2018 with interest rate of TIIE + 0.23 and final maturity in March 2021.	3,000,000	3,000,000	-
	12,274,661	12,752,762	7,563,789
Less - current portion	(91,911)	(82,871)	(15,478)
Long-term debt	$ 12,182,750	$ 12,669,891	$ 7,548,311

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2019, 2018 and 2017 were at a weighted average of 6.56%, 8.70% and 7.56%, respectively. The London InterBank Offered Rate (LIBOR) was 1.05%, 1.05% and 2.5%, and the equilibrium interbank interest rate (TIIE) was 7.6969%, 8.4091% and 7.5028% as of December 31, 2019, 2018 and 2017, respectively.

The Entity's debt covenants from these loans are obligations to perform as: i) to provide audited consolidated financial statements within 120 days after the end of the year, ii) to provide internal consolidated financial statements within 60 days after the close of the three first quarters of the year, iii) keep their legal existence and ongoing business and iv) comply with applicable laws, environmental regulations and maintain their permits, licenses and the like.

The Entity's obligations not to perform associated to these loans are: i) not to modify the prevailing line of business, ii) not incur or assume or accept any lien on its properties or assets, except as allowed, iii) not dispose of all or substantially all of its assets, except as permitted and iv) not merging, dissolving, liquidating or splitting, except as permitted

20. Provisions

	2019					
	Opening balance	Additions	Provision applied	Reclassifications	Reversals	Closing balance
Contractor costs	$ 2,273,902	$ 19,597,719	$ (19,003,955)	$ -	$ -	$ 2,867,666
Construction costs and other extraordinary items	323,269	669,315	(685,405)	-	(6,220)	300,959
Environmental costs and plant closure	163,224	40,443	(13,743)	-	-	189,924
Employment relationships	113,537	76,051	(97,051)	-	-	92,537
Others	386,603	205,694	(135,116)	-	(187,082)	270,099
	$ 3,260,535	$ 20,589,222	$ (19,935,270)	$ -	$ (193,302)	$ 3,721,185

	2018					
	Opening balance	Additions	Provision applied	Reclassifications	Reversals	Closing balance
Contractor costs	$ 2,533,532	$ 9,808,913	$ (10,068,543)	$ -	$ -	$ 2,273,902
Construction costs and other extraordinary items	500,286	1,052,016	(1,228,920)	-	(113)	323,269
Environmental costs and plant closure	121,487	50,684	(8,947)	-	-	163,224
Employment relationships	86,297	137,690	(110,450)	-	-	113,537
Others	246,787	375,140	(166,302)	-	(69,022)	386,603
	$ 3,488,389	$ 11,424,443	$ (11,583,162)	$ -	$ (69,135)	$ 3,260,535

	2017					
	Opening balance	Additions	Provision applied	Reclassifications	Reversals	Closing balance
Contractor costs	$ 2,518,722	$ 10,814,799	$ (10,436,700)	$ -	$ (363,289)	$ 2,533,532
Construction costs and other extraordinary items	296,624	768,268	(536,458)	-	(28,148)	500,286
Environmental costs and plant closure	162,960	-	(41,473)	-	-	121,487
Employment relationships	60,964	75,956	(50,623)	-	-	86,297
Others	230,033	272,291	(255,537)	-	-	246,787
	$ 3,269,303	$ 11,931,314	$ (11,320,791)	$ -	$ (391,437)	$ 3,488,389

21. Retirement and other employee benefits

The Entity has plans for retirement, death or total disability payments for non-unionized employees in most of its subsidiaries. The defined benefit plans are administered by a legally separate fund of the Entity. The board of directors of the pension fund is comprised of an equal number of representatives of both employer and former employees. The board of directors 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 directors 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) at the 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 reported as of December 31, 2019 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:

	2019	2018	2017
Discount rate	7.36%	8.54%	7.71%
Expected rate of salary increase	5.08%	5.40%	4.79%
Expected return on plan assets	7.31%	8.54%	7.71%
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.

	2019	2018	2017
Present value of defined benefit obligation	$ (5,698,979)	$ (3,908,938)	$ (4,090,648)
Fair value of plan assets	4,720,777	4,303,161	4,327,438
Present value of unfunded defined benefit obligation	$ (978,202)	$ 394,223	$ 236,790
Balances included in the consolidated statements of financial position are as follows:			
Defined retirement employee benefits liabilities	$ (1,204,563)	$ (168,758)	$ (397,486)
Defined retirement employee benefits assets	226,361	562,981	634,276
	$ (978,202)	$ 394,223	$ 236,790
Contributions to plan assets	$ 217,266	$ 147,767	$ 181,274

The expense for the year amounts $224,542, $183,850 and $183,257 in 2019, 2018 and 2017, respectively, and have been included in profit or loss as cost of net income and administration and sales expenses.

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

Net period cost comprises the following:

	2019	2018	2017
Service costs	$ 197,333	$ 196,400	$ 174,495
Interest cost	364,858	302,762	269,611
Interest income	(397,754)	(331,797)	(280,456)
Past service cost	63,034	18,876	2,786
Effect of any reduction or early liquidation (other than a restructuring or discontinued operation)	(2,929)	(2,391)	16,821
Net period cost	$ 224,542	$ 183,850	$ 183,257

Components of defined benefit costs recognized in other comprehensive income

	2019	2018	2017
Actuarial (loss) gains - net	$ (1,331,398)	$ 189,477	$ 107,280

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 non-current assets or liabilities in the accompanying consolidated statements of financial position.

Changes in the present value of the defined benefit obligation:

	2019	2018	2017
Opening defined benefit obligation	$ (3,908,938)	$ (4,090,648)	$ (3,565,979)
Service costs	(197,333)	(196,400)	(174,495)
Past service cost	(63,034)	(18,876)	(2,786)
Interest cost	(364,858)	(302,762)	(269,611)
Actuarial (losses) gains - net	(1,172,653)	567,236	(216,426)
Benefits paid	144,764	143,410	151,479
Effect of any reduction or early liquidation (other than a restructuring or discontinued operation)	(136,927)	(10,898)	(12,830)
Present value of the defined benefit obligation	$ (5,698,979)	$ (3,908,938)	$ (4,090,648)

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

	2019	2018	2017
Opening fair value of plan assets	$ 4,303,161	$ 4,327,438	$ 3,692,017
Expected yield on plan assets	397,754	331,797	280,456
Reclassifications	662	(771)	6,884
Actuarial (losses) gain - net	(38,234)	(303,251)	367,358
Contributions to plan	217,266	147,767	181,274
Benefits paid	(144,764)	(143,410)	(151,479)
Assets distributed on settlements	(15,068)	(56,409)	(49,072)
Closing fair value of plan assets	$ 4,720,777	$ 4,303,161	$ 4,327,438

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses 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 $387,558 (increase of $337,604).

If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by $407,216 (decrease by $361,973).

If the life expectancy increases (decreases) by one year for both men and women, the defined benefit obligation would increase by $148,800 (decrease by $137,874).

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 50% equity instruments and 50% debt instruments.

The average duration of the benefit obligation as of December 31, 2019, 2018 and 2017 is 10.81, 11.71 and 11.56 years, respectively.

The Entity expects to make a contribution of $217,266 to the defined benefit plans during 2019.

The main categories of plan assets are:

				Fair value of plan assets		
	2019	2018	2017	2019	2018	2017
	%	%	%			
Equity instruments	48	50	50	$ 2,316,402	$ 2,069,611	$ 2,151,792
Debt instruments	52	50	50	$ 2,467,228	$ 2,210,390	$ 2,166,075
Weighted average expected return				$ 379,381	$ 340,935	$ 101,883

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:

	2019	2018	2017
Short-term benefits	$ 151,255	$ 137,539	$ 129,657
Defined benefit plans	1,952	1,690	2,476
Other long-term benefits	384,049	295,570	297,735

22. Stockholders' equity

a. The historical amount of issued and paid-in common stock of Grupo Carso as of December 31, 2019, 2018 and 2017 is as follows:

	Number of shares			Amount		
	2019	2018	2017	2019	2018	2017
Series A1	2,745,000,000	2,745,000,000	2,745,000,000	$ 644,313	$ 644,313	$ 644,313
Treasury shares repurchased	(465,351,256)	(463,561,326)	(463,264,391)	(109,227)	(108,807)	(108,737)
Historic capital stock	2,279,648,744	2,281,438,674	2,281,735,609	$ 535,086	$ 535,506	$ 535,576

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

Pursuant to a General Ordinary Stockholders' Meeting on April 29, 2019, a dividend distribution of $0.94 (ninety-four cents) per share was approved; payable in two exhibitions of $0.47 (forty-seven cents) per share each, on June 28 and December 20, 2019 against vouchers No. 40 and 41, respectively, on the outstanding shares at the time of payment. Total payment was $2,143,741.

Pursuant to a General Ordinary Stockholders' Meeting on April 26, 2018, a dividend distribution of $0.92 (ninety-two cents) per share was approved, payable in two exhibitions of $0.46 (forty-six cents) per share each, on June 29 and December 21, 2018 against vouchers No. 38 and 39, respectively, of the outstanding shares at the time of payment. Total payment was $2,099,025.

Pursuant to a General Ordinary Stockholders' Meeting on April 27, 2017, a dividend distribution of $0.90 (ninety cents) per share was approved, payable in two exhibitions of $0.45 (forty-five cents) per share each, on June 30 and November 30, 2017 against vouchers No. 36 and 37, respectively, of the outstanding shares at the time of payment. Total payment was $519,965.

b. Retained earnings include the legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to a 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, 2019, 2018 and 2017, the legal reserve, of the Entity was $381,635.

c. 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.

d. There is an additional 10% ISR on dividends paid to individuals and foreign residents. The ISR is withheld and considered a final payment by the shareholder. Double-taxation treaties may apply for foreign shareholders. This tax is applicable as the distribution of profits generated from 2014 and onwards.

23. Balances and transactions with related parties

Related-party receivable and payable balances are as follows:

	2019	2018	2017
Receivable-			
Teléfonos de México, S.A.B. de C.V.	$ 1,363,538	$ 1,093,219	$ 665,740
Minera Tayahua, S.A. de C.V.	710,444	727,365	320,482
Delphi Packard Electric Systems, Inc.	535,768	759,742	681,622
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.	356,762	167,118	127,093
Teléfonos del Noroeste, S.A. de C.V.	194,256	46,711	26,658
América Móvil Perú, S.A.C.	188,899	259,821	133,891
Telmex Colombia, S.A.	157,086	162,126	71,401
Miniso BF Holding, S. de R.L. de C.V.	153,793	-	-
Claro, S.A.	141,592	371,997	172,988
Infraestructura y Saneamiento de Atotonilco, S.A. de C.V.	105,124	105,124	213,525
Radiomóvil Dipsa, S.A. de C.V.	104,038	69,829	82,759
Compañía Dominicana de Teléfonos, S.A.	81,924	70,864	59,989
Compañía de Telecomunicaciones de el Salvador, S.A. de C.V.	67,023	14,136	13,057
Constructora de Inmuebles PLCO, S.A. de C.V.	61,934	33,303	54,991
Minera Real de Ángeles, S.A. de C.V.	51,275	64,526	63,668

	2019	2018	2017
Telecomunicaciones de Guatemala, S.A.	49,948	27,795	44,863
Operadora de Sites Mexicanos, S.A. de C.V.	49,504	78,581	78,067
Delco Electronic Systems	46,819	79,674	66,208
Concesionaria autopista Guadalajara-Tepic, S.A. de C.V.	42,547	43,118	218,399
Consorcio Ecuatoriano de Telecomunicaciones, S.A.	42,399	48,440	21,217
Comunicación Celular, S.A. de C.V.	38,277	46	4,779
Empresa Nicaragüense de Telecomunicaciones, S.A.	36,374	23,819	55,082
Servicios de Comunicaciones de Honduras, S.A. de C.V.	30,984	17,637	27,786
CRS Morelos, S.A. de C.V.	29,983	19,727	6,359
Compañía de Teléfonos y Bienes Raíces, S.A. de C.V.	27,952	44,967	31,847
Trituradora y Procesadora de Materiales Santa Anita, S.A. de C.V.	25,333	53	-
Viakable, S.A. de C.V.	23,907	18,378	-
AMX Argentina, S.A.	20,384	1,389	-
Uninet, S.A. de C.V.	17,683	19,542	22,311
Fundación Carlos Slim, A.C.	16,292	21,454	19,090
Consorcio Red Uno, S.A. de C.V.	14,584	14,849	25,574
GBS Elementia, S.A. de C.V.	14,430	-	-
Claro Panamá, S.A.	13,409	6,725	-
Constructora MT Oaxaca. S.A. de C.V.	13,128	13,173	16,207
Servicios Minera Real de Ángeles, S.A. de C.V.	12,589	-	-
Fideicomiso / 1815 Desarrollo Tlalnepantla	11,038	33,321	14,392
Makobil, S. de R.L. de C.V.	10,335	-	-
Telesites Costa Rica, S.A.	3,225	11,200	46,517
Puerto Rico Telephone Company, Inc.	5,959	43,732	122,948
Constructora Terminal del Valle de México, S.A. de C.V.	-	73,024	426
Claro comunicaciones, S.A	5,959	28,011	-
Consorcio Cargi - Propen, S.A. de C.V.	619	12,211	27,198
Telecomunicaciones de Puerto Rico, Inc.	-	-	386,137
Claro CR Telecomunicaciones, S.A.	8,303	3,818	22,286
Conductores Monterrey, S.A. de C.V.	-	-	19,329
Inmobiliaria Aluder, S.A. de C.V.	-	-	13,867
Renta de Equipo, S.A. de C.V.	-	3,302	11,509
Concesionaria ETRAM Cuatro Caminos, S.A. de C.V.	-	2	7,937
Concesionaria de Autopistas y Libramientos del Pacífico Norte, S.A. de C.V.	-	-	6,336
Alquiladora de Casas, S.A. de C.V.	2,012	1,414	410
Autopista Arco Norte, S.A. de C.V.	-	9,184	5,956
Acolman, S.A. de C.V.	104	17	1,277
Hubard y Bourlon, S.A. de C.V.	-	-	1,993
Otros	67,057	63,493	76,419
	$ 4,954,593	$ 4,707,977	$ 4,090,590

	2019	2018	2017
Payable-			
Radiomóvil Dipsa, S.A. de C.V.	$ 239,910	$ 483,584	$ 266,896
Sears Brands Management	82,437	83,476	79,936
Inmose, S.A. de C.V.	42,364	47,659	31,368
Delphi Packard Electric Systems, Inc.	34,721	74,853	140,295
Inmuebles Desarrollados Eclo, S.A. de C.V.	28,679	1,290	6,433
JM Distribuidores, S.A.	21,782	-	-
SELMEC Equipos Industriales, S.A. de C.V.	19,231	4,450	5,475
Consorcio Red Uno, S.A. de C.V.	17,423	7,325	5,709
Inmuebles SROM, S.A. de C.V.	17,022	42,139	14,301
América Móvil Perú, S.A.C.	16,680	51,423	12,772
Aptiv Services US, LLC	13,738	16,602	
Emprendedora Administrativa, S.A. de C.V.	13,460	-	-
Aptiv Electrical Centers (Shangai) Co., LTD	11,487	1,155	-
Constructora de Inmuebles PLCO, S.A. de C.V.	19	117,731	120,695
Constructora Terminal Valle de México, S.A. de C.V.	-	94,292	92,033
Teléfonos de México, S.A.B. de C.V.	-	91,614	104,642
Centro Histórico de la Ciudad de México, S.A. de C.V.	-	65,013	65,050
AMX Contenido, S.A. de C.V.	2,097	61,125	-
Seguros Inbursa, S.A.	1,943	14,140	1,098
Promotora del Desarrollo de América Latina, S.A. de C.V.	-	1,234	586,700
Fideicomiso / 1815 Desarrollo Tlalnepantla	-	7,523	70,549
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.	-	1,155	64,265
Empresa Nicaragüense de Telecomunicaciones, S.A. de C.V.	-	3,582	25,458
Compañía de Teléfonos y Bienes Raíces, S.A. de C.V.	-	4,600	21,213
Inversora Bursátil, S.A. de C.V.	90	1,913	18,969
Operadora de Sites Mexicanos, S.A. de C.V.	-	-	14,915
Anuncios en Directorios, S.A. de C.V.	4,452	1,061	11,701
Conglomerado de Medios Internacionales, S.A. de C.V.	-	-	11,301
Otras	59,314	112,431	119,135
	$ 626,849	$ 1,391,370	$ 1,890,909

a. Borrowings from financial institutions includes balances with Banco Inbursa, S.A. of $30,000, $20,000 and $30,000 as of December 31, 2019, 2018 and 2017, respectively; which accrue interest at a variable rate based on general market conditions (9.20%, 11.91% and 8.89%, respectively; as of December 31, 2019, 2018 and 2017).

b. Due to related parties includes advances from customers of $20,168, $447,532 and $1,216,517 as of December 31, 2019, 2018 and 2017, respectively.

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

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

	2019	2018	2017
Sales	$ 21,332,764	$ 19,164,054	$ 18,415,026
Interest income	17,355	26,377	59,364
Purchases	(1,170,401)	(1,286,578)	(734,164)
Prepaid insurance	(303,643)	(317,931)	(265,571)
Lease expenses	(670,417)	(653,508)	(610,109)
Services rendered	12,229	(218,044)	(321,489)
Other expenses, net	(386,893)	(349,018)	(301,896)
Purchases, sale of fixed assets	(23,037)	6,476	(13,568)

e. Transactions with associates and joint ventures, carried out in the ordinary course of business, were as follows:

	2019	2018	2017
Sales	$ 1,011,702	$ 1,259,713	$ 1,132,340
Services acquired	(32,810)	(23,936)	(17,672)
Purchases	(30,928)	(42,626)	(28,931)
Expense from the lease of real property	(3,607)	(4,243)	(2,482)
Insurance	(8,500)	(8,989)	-
Other income, net	(20,853)	(23,393)	(29,050)
Purchases of fixed assets	(3,965)	-	(6,168)

24. Net income

	2019	2018	2017
Net sales:			
Sale of goods	$ 74,864,974	$ 74,105,884	$ 70,870,876
Construction	17,025,295	13,069,007	14,438,912
Interests	3,974,592	3,793,981	3,609,459
Services	4,682,397	3,923,231	3,375,680
Rentals	1,035,600	1,024,271	1,135,012
Dividends	745,028	558,772	-
Others	149,710	164,687	162,674
Total	$ 102,477,596	$ 96,639,833	$ 93,592,613

25. Cost and expenses analyzed by nature

Concept	Cost of sales	Sales expenses	Administrative	Total
	2019			
Wages and salaries	$ 5,028,137	$ 4,309,409	$ 1,963,418	$ 11,300,964
Employee benefits	550,649	2,084,248	343,884	2,978,781
Raw materials	21,111,140	-	-	21,111,140
Manufacturing expenses	3,679,940	-	-	3,679,940
Finished products	41,164,124	-	-	41,164,124
Depreciation	779,250	1,150,414	98,613	2,028,277
Amortization	205,020	17,660	26,791	249,471
Depreciation of right-of-use assets	161,761	841,426	-	1,003,187
Advertising	-	546,438	-	546,438
Insurance	53,075	122,190	62,839	238,104
Freight	-	423,671	-	423,671
Allowance for doubtful accounts	7,137	4,678	850,191	862,006
Royalties	-	257,234	3,001	260,235
Fees	1,324	41,651	74,573	117,548
Maintenance	183,463	772,730	127,841	1,084,034
Plant costs	-	5,112	485,661	490,773
Security services	17,565	91,218	48,592	157,375
Lease	290,935	2,893	6,666	300,494
Telephone	56	61,340	44,548	105,944
Electricity	8,168	694,092	7,884	710,144
Credit card fees	-	571,048	27,282	598,330
Other	95,969	1,109,333	522,661	1,727,963
Total	$ 73,337,713	$ 13,106,785	$ 4,694,445	$ 91,138,943

Concept	Cost of sales	Distribution and selling	Administrative	Total
	2018			
Wages and salaries	$ 4,266,173	$ 4,151,297	$ 1,832,480	$ 10,249,950
Employee benefits	440,965	1,921,363	346,269	2,708,597
Raw materials	20,438,966	-	-	20,438,966
Manufacturing expenses	3,610,578	-	-	3,610,578
Finished products	37,657,087	-	-	37,657,087
Depreciation	755,950	1,137,651	110,714	2,004,315
Amortization	178,756	16,416	18,208	213,380
Depreciation of right-of-use assets	135,257	802,539	-	937,796
Advertising	-	489,483	-	489,483
Insurance	50,617	105,068	58,120	213,805
Freight	-	428,833	-	428,833
Allowance for doubtful accounts	3,472	2,899	926,541	932,912
Royalties	-	257,104	3,000	260,104
Fees	1,840	52,282	164,026	218,148
Maintenance	125,419	725,202	52,275	902,896
Plant costs	-	1,582	257,424	259,006
Security services	16,917	75,934	32,956	125,807
Lease	167,777	1,497	126,543	295,817
Telephone	56	54,541	45,443	100,040
Electricity	7,566	641,130	7,195	655,891
Credit card fees	-	538,219	29,062	567,281
Other	122,876	1,205,953	688,427	2,017,256
Total	$ 67,980,272	$ 12,608,993	$ 4,698,683	$ 85,287,948

Concept	2017			
	Cost of sales	Distribution and selling	Administrative	Total
Wages and salaries	$ 3,821,571	$ 4,004,636	$ 1,761,107	$ 9,587,314
Employee benefits	397,865	1,860,299	340,255	2,598,419
Raw materials	18,420,089	-	-	18,420,089
Manufacturing expenses	3,325,729	-	-	3,325,729
Finished products	36,778,717	-	-	36,778,717
Depreciation	798,726	1,087,409	133,726	2,019,861
Amortization	212,268	19,004	10,860	242,132
Depreciation of right-of-use assets	116,333	774,052	-	890,385
Advertising	-	463,652	-	463,652
Insurance	52,959	81,112	50,274	184,345
Freight	-	333,817	4,925	338,742
Allowance for doubtful accounts	3,731	5,023	758,389	767,143
Royalties	-	254,525	3,123	257,648
Fees	1,203	36,470	341,672	379,345
Maintenance	371,577	656,874	106,968	1,135,419
Plant costs	-	7,131	497,681	504,812
Security services	16,792	76,972	33,079	126,843
Lease	147,941	51,660	140,686	340,287
Telephone	-	76,466	54,534	131,000
Electricity	6,023	609,139	7,551	622,713
Credit card fees	-	386,192	7,592	393,784
Other	101,213	1,393,684	514,499	2,009,396
Total	$ 64,572,737	$ 12,178,117	$ 4,766,921	$ 81,517,775

26. Other income - net

	2019	2018	2017
Sales of materials and waste	$ (12,113)	$ (15,542)	$ (15,513)
(Gain) loss on sale of fixed asset	(12,071)	(13,908)	3,164
Gain on investment property revaluation	(225,440)	(221,908)	(115,955)
Liabilities and provisions cancellation	(218,119)	(334,250)	(274,249)
Impairment of capitalized exploration expenses	-	372,850	-
Impairment of concession	-	84,659	-
Impairment of property, machinery and equipment	(68,887)	10,375	30,228
Environmental remediation	41,229	-	-
Other, net	120,953	171,090	(22,669)
	$ (374,448)	$ 53,366	$ (394,994)

27. Income taxes

The Entity is subject to ISR. Under the ISR Law, the rate for 2019, 2018 and 2017 was 30% and will continue for the years thereafter. The applicable ISR rates in the countries where the Entity's main foreign subsidiaries operate are: United States of North America with rates 21%, 21% and 35%, for 2019, 2018 and 2017, respectively, and Brazil with the 25% rate, applicable for the three years. The Entity with only its Mexican subsidiaries incurred ISR on a consolidated basis until 2013. As the ISR Law applicable as of December 31, 2013 was superseded (2014 Law), the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax calculated as of that date over a 10-year period beginning in 2014, as illustrated below.

At the same time the tax consolidation regime was repealed by the 2014 Law, 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 regime, so determined income tax for the year 2019, 2018 and 2017 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 regime 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, allowing under certain circumstances, the amount of such tax paid in the 10 years immediately prior to the ISR is first payment may be recovered in accordance with applicable tax provisions.

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

	2019	2018	2017
ISR:			
Current	$ 2,876,663	$ 3,096,876	$ 3,331,827
Current from prior periods	51,935	(1,623,395)	2,835
	$ 2,928,598	$ 1,473,481	$ 3,334,662

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

	2019	2018	2017
ISR deferred (asset) liability:			
Property, plant and equipment	$ 2,379,184	$ 2,416,594	$ 2,116,849
Inventories	(624,142)	(470,759)	(379,372)
Advances from customers	(559,194)	(478,852)	(717,621)
Investment in associates	3,244,632	3,342,265	256,242
Natural gas and metals swaps and forwards	(164,938)	142,617	36,965
Revenues and costs by percentage-of-completion method	192,588	251,362	353,719
Allowances for assets and reserves for liabilities	(1,209,390)	(751,007)	(684,484)
Other, net	54,940	(168,473)	(543,954)
Deferred ISR on temporary differences	3,313,680	4,283,747	438,344
Effect of tax loss carry-forwards	(2,905,266)	(3,600,732)	(1,637,024)
Deferred assets valuation reserve	69,841	357,322	582,779
Deferred ISR payment (long-term CUFINRE)	2,606	2,548	2,431
	480,861	1,042,885	(613,470)
Total deferred tax asset	4,627,641	3,919,730	2,766,155
Total deferred tax liability	$ 5,108,502	$ 4,962,615	$ 2,152,685

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

	2019	2018	2017
Opening balance	$ 1,042,885	$ (613,470)	$ (220,582)
Income tax applied to income	51,935	(1,623,395)	2,835
Recognized in other comprehensive income	(613,959)	3,279,750	(395,723)
Closing balance	$ 480,861	$ 1,042,885	$ (613,470)

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

	2019 %	2018 %	2017 %
Statutory rate	30	30	30
Add (deduct) the effect of permanent differences -			
Non-deductible expenses	2	2	1
Effects of inflation	(1)	(1)	(2)
Gain on sale of shares	-	(1)	-
Effect of tax loss carry-forwards of subsidiaries	(2)	(18)	-
Share in income of associated companies	(2)	(2)	(6)
Others	(1)	2	-
Effective rate	26	12	23

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, 2019 are as follows:

Year of expiration	Tax loss carryforwards
2020	$ 77,647
2021	530,493
2022 and thereafter	4,222,172
	4,830,312
Foreign subsidiaries tax loss carryforwards without expiration term	7,327,563
Total	$ 12,157,875

f. Tax consolidation:

The income tax liability at December 31, 2019 from the effects of benefits and tax deconsolidation is recorded in other accounts payable and accrued liabilities (the current portion) and the remainder in other long-term liabilities shall be paid in the following years:

Year	
2020	$ 110,768
2021	88,997
2022	57,724
2023	40,184
	$ 297,673

g. Tax integration regime

ISR liability derived from the tax integration regime will be paid within a period of four years; at December 31, 2019, 2018 and 2017, this liability was $1,251,180, $1,466,975 and $1,148,775, respectively.

28. Commitments

I. *Retail sector:*

a. As of December 31, 2019, 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 $1,330,770.

b. 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.

c. 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. In November 2019, GSM in consortium with Bronco Drilling Mx, S.A. de C.V. (Bronco), KB Tel, S.A. de C.V. and Petroservicios Integrales México, S.A. de C.V. A contract was signed with Pemex for integral and integrated works for interventions to oil wells of PEP's assets, for a maximum amount of US$88,063, the works began in January 2020.

b. In October 2019, PEP awarded a contract to the consortium between Operadora and the company Permaducto, S.A. de CV, for the Engineering, procurement and construction contract for two units of marine infrastructure called MALOOB-E AND MALOOB-I, to be installed in the Campeche Sound, Gulf of Mexico, to be carried out in 550 days, expiring on May 2, 2021 , for an amount of $1,438,672 and US$69,505, both amounts correspond to Operadora's participation, as of December 31, 2019, work has started and progress is approximately 5%.

c. In November 2018, Operadora signed a contract to carry out the construction of Section 2 of the Autopista las Varas - Puerto Vallarta, Type A2 of high specifications Starting at KM 107 +560 ending KM 135 + 600 in the state of Nayarit. The amount of this agreement amounts to $2,895,910, as of December 31, 2019, it has an advance of 35.5%.

d. In June 2018, the review process of the evaluation commission was concluded, the Ministry of Public Works of the Republic of Panama awarded, for being the best technical and economic proposal, the consortium formed by its subsidiary Operadora Cicsa, S.A. de C.V. and by FCC Construcción, SA, a contract for the "Expansion to six lanes - beach corridor (Section 2: Santa Cruz - San Carlos)", in the province of Panamá Oeste, for an amount of B$349,995 thousand balboas, equivalent to $7,120,817. The participation of Operadora Cicsa, S.A. de C.V. in the consortium it is 49%. As of December 31, 2019, the work on the project has not started since the notification of the order to proceed established in the contract has not yet been received. The results, assets and liabilities, will be recognized as a joint operation based on the participation in the consortium.

e. The Ministry of Public Works of the Republic of Panama awarded the "FCC Consortium-Beach Corridor I", made up of FCC Construcción, SA and Operadora, the execution of the project "Expansion To Six (6) Lanes-Corridor of the beaches, Section 1: La Chorrera - Santa Cruz", in the province of Panamá Oeste, in Panama. Operadora's participation in the Consortium is equivalent to 49% of the participation. The amount of the contract amounts to B$543,022, thousands of balboas, equivalent to $10,368,618, in December 2018, work began on the project. The results, assets and liabilities, are recognized as a joint operation based on the participation in the consortium, as of December 31, 2019, there is an approximate advance of 4.6%.

f. In February 2018, CTVM awarded a contract in favor of Operadora, in technical support in the development of workshop engineering, supply, manufacture, transportation and assembly of metal structure (weighing 14,460.20 tons of steel) for the first stage of zone D of the Terminal building for the project called Construction of the Terminal Building of the New International Airport of Mexico City for an amount of $630,701, as of December 31, 2018, there are advances of 18.32%. On January 11, 2019, CTVM notified Operadora of the temporary partial suspension of the contract for approximately 60 days prior to the early cancellation of the contract, on February 21, 2019, CTVM issued an official statement informing the early termination of The works with effect from March 18, 2019, on August 30, 2019, the settlement of the contract was signed 034-CPU-NAICM-CTVM-PM-2018, agreeing on this date the termination of the contractual relations derived from the same.

g. In December 2017, the Ministry of Transport and Infrastructure of the Republic of Nicaragua awarded the consortium made up of Operadora and FCC Construcción, SA, a contract for the execution of works for the project "Improvement of the Chinamos Road - El Ayote, Sections I and II, the amount of the contracts amounts to C$487,495 and C$504,488.6 thousand córdobas, respectively. Operadora's participation in the consortium is 50%. As of December 31, 2019, approximately 94% progress is made in both projects. The results, assets and liabilities, are recognized as a joint operation based on the participation in the consortium.

h. In September 2017, La Constructora Terminal Valle de México, S.A. de C.V., awarded a contract in favor of Operadora CICSA for the assembly of the 21 decks superstructures for the project called Construction of the Terminal Building of the New International Airport of Mexico City for an amount of $412,634. On January 11, 2019, CTVM notified Operadora of the temporary partial suspension of the contract for approximately 60 days prior to the early cancellation of the contract, on February 21, 2019, CTVM issued an official statement informing the early termination of works with effects from March 18, 2019, the advance to that date was 82%. On August 30, 2019, the settlement of the contract 016-CPU-NAICM-CTVM-PM-2017 was signed, agreeing on this date the termination of the contractual relations derived from it.

i. In August 2017, La Constructora Terminal Valle de México, S.A. de CV, awarded a contract in favor of Operadora CICSA for the development of the workshop engineering, manufacturing and assembly of the structures of 11 fountain bases for the project called Construction of the Terminal Building of the New Mexico City International Airport for an amount of $89,478. On January 11, 2019, CTVM notified Operadora of the temporary partial suspension of the contract for approximately 60 days prior to the early cancellation of the contract, on February 21, 2019, CTVM issued an official statement informing the early termination of works with effects from March 18, 2019, the advance to that date was 93%. On August 30, 2019, the settlement of contract 004A-CPU-NAICM-CTVM-PM-2017 was signed, agreeing on this date the termination of the contractual relations derived from it.

j. In September 2016, Operadora announced the award of a contract for the construction of one of the Air Runways of the New Mexico City Airport through the CARGI - PROPEN consortium with a 25% stake in the design, planning, construction execution, operation, maintenance, supervision and building of the preload system, the construction will be 5 kilometers long for a contracted amount of $7,359,204 and completion date in September 2018, in January 2018, an amending agreement was signed extending the term of execution ending in May 2019 and increasing the amount of the contract remaining at $8,328,778. In January 2019, Grupo Aeroportuario Mexicano de la Ciudad de México, S.A. de C.V. and public servant designated to order suspensions, notified the partial suspension of works of the contract related to the works related to the contract. As of December 31, 2019, a settlement agreement was reached.

k. On January 25, 2016, Cafig Constructores, S.A. de C.V., a subsidiary company of Operadora with a 45% equity interest in the construction of the Samalayuca - Sásabe Gas Pipeline (the "Gas Pipeline") between the states of Chihuahua and Sonora for the transportation service of natural gas.

l. The Pipeline will be 36 "in diameter, with a total length of 614,127 kilometers and the capacity to transport natural gas for up to the maximum daily amount of Four hundred and seventy-two million cubic feet per day (472 MMPCD). As of December 31, 2019, there is an approximate progress of 89% and the scheduled date for the completion of the project is August 2020.

m. In December 2015, Operadora signed a contract to carry out the expansion works of the highway sections consisting of the construction of civil works and equipment for the "C" body of the Toluca - Atlacomulco highway, including Libramiento Mavoro and Atlacomulco, the amount of this contract amounts to $2,396,143, the project has been suspended since 2017, due to blockades of residents when it had a percentage of progress of only approximately 1%.

n. In November 2014, PEP issued a ruling in favor of GSM for a contract for comprehensive work on control fluids, solids separation and waste management to be used in oil wells in the southern region for US$62,128, operations began in the second half of February 2015, during 2017, PEP decided to suspend the contract, however, during the second half of 2018, it was reactivated to continue with the works until September 2019, during the first quarter of 2019, the service is carried out in marine wells, being the first time that we provide this service in the marine region, as of December 31, 2019, there is an advance of 62.3%, PEP is preparing an amending agreement to extend the term to July 2020.

o. In May 2014, PEP awarded a directional drilling contract in oil wells to GSM for US$88,786, to be carried out in 882 days, work began in June 2014 and as of December 31, 2018, there is an advance of 39%, By agreement between Pemex and Conagua, water wells have been drilled with this contract in Mexico City, to date 5 water wells have been drilled, the contract execution period was extended to December 31, 2018, at the beginning December 2018, an amending agreement number 7 was issued extending the term of execution of the works until September 30, 2019, to December 31, 2019, there is an advance of 66%, PEP has requested to extend the term to July 2020.

p. In May 2010, the Federal Government through S.C.T. signed a concession title with the company Autovía Mitla Tehuantepec, S.A. de C.V., to build, exploit, operate, preserve, maintain, modernize and expand the federal highway Mitla-entronque Tehuantepec II 169 km long. For the construction of this road, the specific purpose company Constructora MT de Oaxaca, S.A. de C.V. (MT) was incorporated in December 2010, of which Operadora owns 40%. MT signed a contract in September 2011 with the concessionaire for the construction of this highway with a value of $ 9,318,200. As of December 31, 2019, there are advances of approximately 68%, the work is stopped due to social problems and in June 2019, the concessionaire informed of the early termination of the contract.

q. Operadora announced in December 2009, that it signed with the state-owned decentralized public body the Highway System, Airports, Related and Auxiliary Services of the State of Mexico (SAASCAEM) a construction contract at unit prices to build the modernization of the Tenango Highway- Ixtapan de la Sal, from Km 1 + 100 to Km 32 + 630, in the State of Mexico. The works consist of the expansion of 2 to 4 lanes, including dirt roads, drainage works, structures, asphalt pavement, construction and adaptation of junctions with a total length of 31.6 km. The amount of the work is for approximately $ 492,162. As of December 31, 2019, there is an advance of approximately 88% and there is a suspension derived from a shelter by residents of a section of the project.

r. In November 2008, CICSA, through a consortium formed with other companies, signed the contract for the construction of the Emisor Oriente Tunnel, with which the drainage capacity in the Valley of Mexico will be recovered and the normal development of the maintaining deep drainage, which will prevent flooding during the rainy season. The National Water Commission, the Government of Mexico City and the Government of the State of Mexico through the 1928 Trust, in view of the need for such works and considering the technical capacity and experience of the Mexican companies that make up the consortium, led carry out a direct award in accordance with the law on public works and related services, to assign said project to the company called Constructora Mexicana de Infraestructura Subterránea, SA de C.V. (COMISSA), whose shareholders are: CICSA that participates with 40% of the capital, 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 based on unit prices, lump sum and a determined time, which must be completed in September 2012, however, with subsequent authorizations on the completion date of the work spread. The contract contemplates the construction of a tunnel of 7 meters in diameter, with a length of approximately 62 kilometers and a capacity of 150 m3 per second. The amount of this contract amounted to $ 9,595,581, and to date it has been authorized to increase it by up to $20,167,949. As of December 31, 2019, the works have been completed and the settlement process has begun.

The following reported figures include works carried out directly by CICSA and by Operadora CICSA, which among its main projects has:

As of December 31, 2019 and 2018, the Entity has entered into contracts and work orders with related parties in Mexico and Latin America for total amounts of $7,240,302 and $5,092,875 and US$231,333 and US$205,446, respectively. The contracts include professional services for the construction and modernization of copper wire networks (pairs) and outside-plant fiber optics, as well as the construction of ducts and installation of fiber optics, public works and other undertakings. Most of the projects contracted are expected to conclude during 2020.

The following contracts and / or projects are in the process of settlement:

Year contracted	Projects	Subsidiary Contracted	Contract Amount		Sector
2014 - 2019	Nuevo Veracruz	Operadora	$	1,088,000	Civil construction
2019	Hotel GT Four Season	HYB	$	250,000	Civil construction
2019	Integral drilling of oil wells	GSM	$	73,868	Manufacturing and services
2018	Drilling Equipment Leasing	Bronco	$	84,596	Manufacturing and services
2018	Hotel San Jerónimo Mexico City	Operadora	$	120,000	Civil construction
2017	Hotel in the state of Guanajuato	Operadora	$	184,000	Civil construction
2016	Construction Building	Operadora	$	478,000	Civil construction
2015	Ford NASA	Operadora	$	825,000	Civil construction
2015	Hydraulic Pumping	GSM	US	13,399	Manufacturing and services
2014	Road construction Libramiento Tepic	Operadora	$	1,629,491	Infrastructure
2014	Expansion of Atlacomulco Piedras Negras and Piedras Negras road sections - Mexico Queretaro Highway Entrollment)	Operadora	$	1,495,000	Infrastructure
2013	Brisamar road to the connection with Cayaco - Puerto Marqués	Acatunel	$	1,938,043	Infrastructure
2012	Road construction Libramiento Sur Guadalajara	Operadora	$	7,863,881	Infrastructure
2010	Atotonilco Wastewater Treatment Plant	El Realito	$	2,004,000	Infrastructure

29. Contingencies

I. *Retail sector:*

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

The estimated settlement amount of these proceedings as of December 31, 2019 is $428,485, for which the Entity has recognized a provision of $129,731, which is included in other liabilities in the consolidated statements of financial position. During 2019, the Entity made payments related to these matters of approximately $40,835. 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:***

The Entity maintains commercial, tax and labor proceedings. These proceedings are generated in the normal course of business and are common in the industries in which the businesses participate, and even when it is possible that some unfavorable failures occur for the Entity, the administration considers that such allegations would not have an adverse material impact in its consolidated financial situation.

a. Certain subsidiaries are currently engaged in legal proceedings with the competent authorities for different reasons, primarily taxes and for the collection of non-current accounts receivable. The Entity's officers and attorneys consider most of these proceedings will resolve favorably. However, any unfavorable verdict will not substantially affect the Entity's financial position or results of operations.

b. At December 31, 2019, 2018 and 2017, the Entity has contracted sureties, mainly on behalf of their clients, for $2,010,080 and US$58,907, $7,219,048 and US$97,871 and $16,533,931 and US$1,339, respectively, which were the liability amounts in those periods.

c. 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 geography. The balances with subsidiaries are presented in the column of Holding, others and eliminations.

a. Condensed analytical information by operating segment:

Statements of financial position	2019 Retail	Industrial	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Current assets:						
Cash and cash equivalents	$ 1,690,176	$ 1,463,813	$ 1,313,535	$ 2,674,400	$ 1,015,981	$ 8,157,905
Accounts and loans receivable, net	11,857,040	4,284,840	9,613,850	7,481	(1,835,937)	23,927,274
Inventories	12,549,667	4,276,991	824,789	1,787	(668)	17,652,566
Total current assets	27,769,966	14,602,948	16,394,168	3,139,409	(781,144)	61,125,347
Property, machinery and equipment, net	14,102,299	3,625,629	5,262,476	13,349,365	195,402	36,535,171
Right-of-use assets	5,158,750	554,642	208,949	23,211	(311,394)	5,634,158
Other assets - net	164,306	235,423	55,867	-	5,537	461,133
Total assets	$ 56,692,075	$ 29,375,817	$ 23,649,931	$ 24,477,152	$ 16,258,950	$ 150,453,925
Liabilities:						
Loans payable to financial institutions and current portion of long-term debt	$ -	$ 59,695	$ 848,386	$ 1,299,705	$ (1,790,243)	$ 417,543
Current obligation under finance leases	1,243,500	97,139	58,725	3,008	(33,053)	1,369,319
Trade accounts payable	8,550,057	1,405,452	977,455	19,089	(67,322)	10,884,731
Total current liabilities	15,898,978	3,298,720	9,821,782	3,577,009	(2,708,107)	29,888,382
Long-term debt	-	-	-	9,182,750	3,000,000	12,182,750
Lease liabilities	4,964,449	524,121	161,693	20,672	(310,050)	5,360,885
Total de liabilities	$ 23,535,799	$ 4,475,909	$ 10,878,641	$ 13,401,099	$ 3,517,917	$ 55,809,365

Statements of financial position	2018 (Restated) Retail	Industrial	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Current assets:						
Cash and cash equivalents	$ 2,477,658	$ 1,285,329	$ 1,434,731	$ 541,637	$ 2,028,118	$ 7,767,473
Accounts and loans receivable, net	11,625,475	4,240,813	5,475,550	81,777	(1,119,407)	20,304,208
Inventories	12,359,171	4,304,390	1,105,369	2,064	(6,380)	17,764,614
Total current assets	27,877,471	13,927,671	11,888,667	1,213,870	935,487	55,843,166
Property, machinery and equipment	14,549,494	3,574,357	5,309,864	11,963,421	223,175	35,620,311
Right of use assets	5,484,393	476,692	98,599	-	-	6,059,684
Other assets – net	145,625	266,195	31,383	-	8,483	451,686
Total assets	$ 56,122,910	$ 29,517,919	$ 19,115,886	$ 20,750,798	$ 18,714,511	$ 144,222,024
Liabilities:						
Loans payable to financial institutions and current portion of long-term debt	$ -	$ 1,049,364	$ 726,220	$ 3,191,165	$ (4,449,847)	$ 516,902
Current obligation under finance leases	1,247,049	75,160	53,364	-	-	1,375,573
Trade accounts payable	8,815,383	1,604,564	798,650	87,671	(27,893)	11,278,375
Total current liabilities	15,856,763	4,399,497	6,532,489	4,370,998	(4,646,079)	26,513,668
Long-term debt	-	-	-	9,669,891	3,000,000	12,669,891
Lease liabilities	5,239,464	456,185	53,159	-	-	5,748,808
Total liabilities	$ 23,075,652	$ 5,212,801	$ 7,414,262	$ 14,101,648	$ 2,031,581	$ 51,835,944

Statements of financial position	2017 (Restated)					
	Retail	Industrial	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Current assets:						
Cash and cash equivalents	$ 1,924,601	$ 1,043,489	$ 2,456,591	$ 479,764	$ (1,573,080)	$ 4,331,365
Accounts and loans receivable, net	11,759,675	4,363,203	6,829,081	7,782	(1,195,503)	21,764,238
Inventories	10,806,031	4,483,115	1,223,635	3,422	(6,542)	16,509,661
Total current assets	25,739,433	13,657,666	13,332,876	950,308	(2,717,371)	50,962,912
Property, machinery and equipment	14,517,847	3,593,880	5,593,047	9,449,385	248,394	33,402,553
Right of use assets	5,408,557	502,516	103,128	-	-	6,014,201
Other assets – net	111,868	189,153	44,330	-	580	345,931
Total assets	$ 53,651,318	$ 28,538,541	$ 21,351,039	$ 14,436,156	$ 7,254,098	$ 125,231,152
Liabilities:						
Loans payable to financial institutions and current portion of long-term debt	$ -	$ 1,554,481	$ 2,000	$ 869,974	$ 251,975	$ 2,678,430
Current obligation under finance leases	1,207,705	45,485	38,385	-	-	1,291,575
Trade accounts payable	7,389,843	1,669,338	812,353	69,336	(29,027)	9,911,843
Total current liabilities	14,264,421	4,774,824	6,475,807	2,008,099	(172,238)	27,350,913
Long-term debt	-	-	-	7,548,311	-	7,548,311
Obligation under finance leases	5,497,172	503,337	72,002	-	-	6,072,511
Total liabilities	$ 22,073,041	$ 5,545,757	$ 7,839,274	$ 9,803,367	$ 18,920	$ 45,280,359

Statements of Comprehensive Income	2019					
	Retail	Industrial	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Net income	$ 53,288,479	$ 31,746,579	$ 19,537,994	$ 51,570	$ (2,147,026)	$ 102,477,596
Cost of net income	32,954,083	26,309,991	16,348,929	41,055	(2,316,345)	73,337,713
Sales expenses	12,585,727	647,192	17,135	-	(143,269)	13,106,785
Administrative expenses	3,080,009	1,066,653	980,227	24,020	(456,464)	4,694,445
Employee profit sharing	135,646	67,225	56,008	-	996	259,875
Other (income) expenses – net	(166,177)	(181,278)	14,324	3,855	(45,172)	(374,448)
Interest expense	703,010	140,286	126,311	373,325	(157,260)	1,185,672
Interest income	(296,756)	(107,847)	(108,762)	(145,558)	(84,474)	(743,397)
Exchange gain	(143,806)	(629,368)	(102,877)	(11,510)	(57,252)	(944,813)
Exchange loss	114,463	742,023	152,714	95,903	67,268	1,172,371
Effects of valuation of financial instruments	-	-	-	-	426,908	426,908
Equity in income of associated companies and joint ventures	(116,825)	526,187	(121,722)	(813,665)	(452,038)	(978,063)
Income from income taxes	4,439,105	3,165,515	2,175,707	484,145	1,070,076	11,334,548
Income taxes	1,349,506	1,066,988	624,613	(147,821)	35,312	2,928,598
Consolidated net income	3,089,599	2,098,527	1,551,094	631,966	1,034,764	8,405,950
Net income from controlling interest	2,948,504	1,831,659	1,556,541	633,123	577,534	7,547,361
EBITDA (1)	6,789,470	4,240,699	2,706,616	(9,337)	753,615	14,481,063
Depreciation and amortization	2,163,081	560,631	585,245	6,801	(34,823)	3,280,935

Statements of Comprehensive Income	2018 (Restated)					
	Retail	Industrial	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
Net income	$ 51,755,422	$ 30,929,859	$ 15,504,207	$ 72,354	$ (1,622,009)	$ 96,639,833
Cost of net income	31,630,528	25,246,910	12,913,325	84,282	(1,894,773)	67,980,272
Sales expenses	12,049,503	687,694	19,603	-	(147,807)	12,608,993
Administrative expenses	3,009,404	946,116	858,764	37,776	(153,377)	4,698,683
Employee participation in profits	132,075	86,859	46,693	-	666	266,293
Other (income) expenses - net	(289,263)	(96,640)	14,132	457,605	(32,468)	53,366
Interest expense	630,113	202,577	141,112	226,330	(105,838)	1,094,294
Interest income	(272,083)	(92,511)	(154,144)	(88,448)	21,372	(585,814)
Exchange gain	(569,439)	(969,466)	(378,257)	(125,605)	(133,865)	(2,176,632)
Exchange loss	243,209	943,604	301,285	111,897	330,750	1,930,745
Effects of valuation of financial instruments	-	-	-	-	(289,436)	(289,436)
Equity in income of associated companies and joint ventures	(187,088)	(193,787)	26,369	(700,517)	267,334	(787,689)
Income from income taxes	5,378,463	4,163,608	1,720,220	69,034	515,433	11,846,758
Income taxes	1,445,060	1,007,280	532,323	(1,545,032)	33,850	1,473,481
Consolidated net income	3,933,403	3,156,328	1,187,897	1,614,066	481,583	10,373,277
Net income from controlling interest	3,729,854	2,747,100	1,214,860	1,637,986	(159,506)	9,170,294
EBITDA (1)	7,200,612	4,404,034	2,235,328	(37,396)	631,115	14,433,693
Depreciation and amortization	2,092,264	480,265	546,170	12,404	24,388	3,155,491

Statements of Comprehensive Income	Retail	Industrial	Infrastructure and construction	Energy	Holding, others and eliminations	Total consolidated
	2017 (Restated)					
Net income	$ 49,768,427	$ 28,782,821	$ 17,273,500	$ 62,443	$ (2,294,578)	$ 93,592,613
Cost of net income	30,044,866	22,660,634	13,981,124	32,233	(2,146,120)	64,572,737
Sales expenses	11,593,758	605,666	22,859	-	(44,166)	12,178,117
Administrative expenses	2,748,918	941,525	1,077,051	61,383	(61,956)	4,766,921
Employee participation in profits	129,000	153,707	38,318	-	569	321,594
Other (income) expenses - net	(316,463)	(55,917)	10,610	(7,178)	(26,046)	(394,994)
Interest expense	604,671	226,406	84,681	8,878	167,929	1,092,565
Interest income	(196,623)	(59,295)	(126,822)	(13,584)	71,432	(324,892)
Exchange gain	(370,099)	(1,177,426)	(235,949)	159,700	(196,272)	(1,820,046)
Exchange loss	309,263	1,480,263	196,121	-	192,799	2,178,446
Effects of valuation of financial instruments	-	-	-	-	1,836	1,836
Equity in income of associated companies and joint ventures	(173,293)	(474,155)	805	(613,962)	(1,246,863)	(2,507,468)
Income from income taxes	5,394,429	4,481,413	2,224,702	434,973	2,238,311	14,773,828
Income taxes	1,234,633	1,194,379	524,659	86,123	294,868	3,334,662
Consolidated net income	4,159,796	3,287,034	1,700,043	348,850	1,943,443	11,439,166
Net income from controlling interest	3,955,671	2,805,322	1,635,264	347,306	1,281,099	10,024,662
EBITDA (1)	7,516,155	4,970,601	2,734,630	(15,800)	9,303	15,214,889
Depreciation and amortization	2,032,413	494,516	591,092	8,195	26,162	3,152,378

(1) Reconciliation of EBITDA

	2019	2018	2017
Income before income taxes	$ 11,334,548	$ 11,846,758	$ 14,773,828
Depreciation and amortization	3,280,935	3,155,491	3,152,378
Interest income	(743,397)	(585,814)	(324,892)
Interest expense	1,185,672	1,094,294	1,092,565
Exchange gain (loss)	227,558	(245,887)	358,400
Gain/(loss) on property revaluation	(225,440)	(221,908)	(115,955)
Revaluation of trademarks	-	-	-
Impairment of property, plant and equipment and of exploration expenses	(68,887)	467,884	30,228
Environmental remediation	41,229	-	-
Effects of valuation of financial instruments	426,908	(289,436)	1,836
Equity in income of associates and joint ventures	(978,063)	(787,689)	(2,507,468)
Income from the purchase of SROM shares	-	-	(1,246,031)
EBITDA	$ 14,481,063	$ 14,433,693	$ 15,214,889

Grupo Carso's EBITDA for the year ended December 31, 2019 increased by 0.3%.

Cash flows from operating activities:

	2019	2018	2017
– Retail	$ 4,861,658	$ (1,480,594)	$ 1,798,944
– Industrial	3,171,299	3,661,450	2,501,156
– Infrastructure and construction	350,739	904,643	1,481,831
– Energy	718,348	1,081,273	1,530,460
– Others and eliminations	(711,748)	6,410,356	3,734,341
Total consolidated	$ 8,390,296	$ 10,577,128	$ 11,046,732

Cash flows from investing activities:

		2019	2018	2017
–	Retail	$ (2,092,951)	$ (1,347,621)	$ 2,605,221
–	Industrial	(1,030,624)	(1,063,742)	430,172
–	Infrastructure and construction	91,029	751,325	(960,345)
–	Energy	(1,758,344)	(5,268,055)	(5,950,646)
–	Others and eliminations	1,164,668	1,802,088	(1,887,508)
	Total consolidated	$ (3,626,222)	$ (5,126,005)	$ (5,763,106)

Cash flows from financing activities:

		2019	2018	2017
–	Retail	$ (3,556,189)	$ (3,835,822)	$ (4,079,806)
–	Industrial	(2,019,098)	(2,007,913)	(2,516,424)
–	Infrastructure and construction	(180,563)	(1,202,765)	(460,807)
–	Energy	2,114,283	2,956,914	3,450,389
–	Others and eliminations	(1,832,148)	1,958,261	(2,187,123)
	Total consolidated	$ (5,473,715)	$ (2,131,325)	$ (5,793,771)

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 income is as follows.

	2019	%	2018	%	2017	%
North America	$ 10,293,921	10.05	$ 11,444,714	11.84	$ 11,007,952	11.76
Central and South America and the Caribbean	10,179,002	9.93	9,169,204	9.49	7,623,891	8.15
Europe	407,774	0.40	430,564	0.45	379,356	0.41
Rest of the world	274,158	0.26	255,477	0.26	252,235	0.27
Total exports and foreign income	21,154,855	20.64	21,299,959	22.04	19,263,434	20.58
Mexico	81,322,741	79.36	75,339,874	77.96	74,329,179	79.42
Net income	$ 102,477,596	100.00	$ 96,639,833	100.00	$ 93,592,613	100.00

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

31. Adoption of new and revised 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, 2019.

New and amended IFRS Standards that are effective for the current year

Initial effect derived from the application of IFRS 16, Leases

The Entity implemented IFRS 16 (issued by the IASB in January 2016), which establishes new or modified lease accounting requirements. It introduces significant lessee accounting changes by eliminating the distinction between operating and capital leases, and requiring the recognition of a right-of-use asset and a lease liability at the starting date of all leases, albeit with the exception of those considered as short-term or involving low-value assets. In contrast to lessee accounting, the requirements applicable to lessors have remained significantly unchanged. Details of the new requirements are described in Note 9 and 10. The initial effect derived from the adoption of IFRS 16 on the Entity's consolidated financial statements is described below.

For the Entity, the initial application date of IFRS 16 was January 1, 2019.

The Entity has applied IFRS 16 by utilizing the full retrospective approach, with restatement of the comparative information.

(a) *Effect of the new lease definition*

The Entity has opted to apply the practical expedient available for the transition to IFRS 16 to avoid reassessing whether a contract is or contains a lease. Consequently, the lease definition contained in IAS 17 and IFRIC 4 will continue to be applied to contracts executed or amended prior to January 1, 2019.

The modification of the lease definition primarily refers to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer is entitled to control the use of an identified asset for a given period of time in exchange for a payment. This contrasts with the "risks and rewards" approach of IAS 17 and IFRIC 4.

The Entity applies the lease definition and related guidelines detailed in IFRS 16 to all the contracts executed or amended on or as of January 1, 2019 (regardless of whether it acts as the lessor or lessee in the contract). For the initial adoption of IFRS 16, the Entity utilized an implementation project, which indicated that the new lease definition established by IFRS 16 does not significantly modify the scope of contracts that fulfill the lease definition for the Entity.

(b) *Effect on lessee accounting*

(i) Prior operating leases

IFRS 16 modifies the manner in which the Entity accounts for leases previously classified as operating leases under IAS 17, which were maintained off the consolidated statement of changes in financial position.

When applying IFRS 16 to all its leases (except for those discussed below), the Entity:

(a) Recognizes right-of-use assets at their book value as though the Standard had been applied as of the starting date, but by discounting the incremental rate of loans contracted by the lessee at the initial application date. It also recognizes lease liabilities in the consolidated statement of changes in financial position, initially measured at the present value of future lease payments.

(b) Recognizes the depreciation of right-of-use assets and the interest accrued by lease liabilities in the consolidated statement of income.

(c) Separates the total amount of cash paid for principal (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g., rent-free periods) are recognized in the initial measurement as part of the right-of-use assets and lease liabilities when, under IAS 17, lease incentives were recognized as a reduction of expenses, generally by utilizing the straight-line method.

Under IFRS 16, right-of-use assets are tested for impairment according to IAS 36.

In the case of short-term leases (for periods of 12 months or less) and those involving low-value assets (such as computers, small items of office furniture and telephones), the Entity has opted to recognize a lease expense according to the straight-line method, as permitted by IFRS 16. This expense is presented under the "leases" heading in the consolidated statement of income.

(ii) Prior finance leases

The main differences between IFRS 16 and IAS 17 with regard to contracts classified as capital leases is the measurement of the residual value of the guarantees provided by the lessor to the lessee. IFRS 16 requires that the Entity only recognize the amount expected to be paid under a residual value guarantee as part of its lease liabilities, as opposed to the maximum guarantee amount required by IAS 17. This change did not generate any material effects for the Entity's consolidated financial statements.

(c) The effect on lessor accounting

IFRS 16 does not contain any substantial changes regarding the manner in which a lessor accounts for a lease. Under IFRS 16, a lessor continues to classify leases as capital leases or operating leases; these two types of leases are accounted for in different ways.

IFRS 16 amended and extended the necessary disclosures, particularly those referring to the way in which the lessor manages the risks resulting from its residual interest in leased assets.

Under IFRS 16, an intermediary lessor must account for the main lease and sublease as two separate contracts. The intermediary lessor must classify the sublease as a capital lease or operating lease according to the right-of-use asset resulting from the main lease (and not in relation to the underlying asset as was the case under IAS 17.

Because of this change, the Entity has reclassified some sublease contracts as finance leases. As required by IFRS 9, an allowance for doubtful accounts is recognized for finance leases receivable.

(d) Financial impact of the initial application of IFRS 16

The tables presented below show the adjustment amounts of each item of the consolidated financial statements affected by the application of IFRS 16 during the current and prior periods.

Impact on consolidated statement of profit and loss	2018	2017
Impact on profit/(loss) for the year:		
Increase in depreciation of the right-to-use assets	$ 937,796	$ 890,385
Increase in financial expenses	527,170	516,685
Increase in financial income	1,548	1,328
Increase in foreign exchange gain	462,574	243,604
Increase in foreign exchange loss	124,857	186,745
Decrease in other expenses	1,410,771	1,343,164
Increase in deferred income tax	95,878	3,597
Increase (decrease) in profit for the year	$ 189,192	$ (9,316)

Impact on assets, liabilities and equity as of January 1, 2017	Previously reported	Adjustment by IFRS 16	Restated
Right-of-use assets	$ -	$ 6,904,586	$ 6,904,586
Deferred income tax asset	2,048,472	-	2,048,472
Other assets – net	376,341	-	376,341
Total assets	109,556,349	6,904,586	116,460,935
Lease liabilities	-	6,904,586	6,904,586
Total liabilities	37,976,185	6,904,586	44,880,771
Total stockholders' equity	71,580,164	-	71,580,164

Impact on assets, liabilities and equity as of December 31, 2017	Previously reported	Adjustment by IFRS 16	Restated
Right-of-use assets	$ -	$ 6,014,201	$ 6,014,201
Deferred income tax asset	2,384,834	381,301	2,766,155
Other assets – net	358,211	(12,280)	345,931
Total assets	118,847,930	6,383,222	125,231,152
Lease liabilities	-	7,364,086	7,364,086
Total liabilities	37,916,273	7,364,086	45,280,359
Total stockholders' equity	80,931,657	(980,864)	79,950,793

Impact on assets, liabilities and equity as of December 31, 2018	Previously reported	Adjustment by IFRS 16	Restated
Right-of-use assets	$ -	$ 6,059,684	$ 6,059,684
Deferred income tax asset	3,634,306	285,424	3,919,730
Other assets - net	463,966	(12,280)	451,686
Total assets	137,889,196	6,332,828	144,222,024
Lease liabilities	-	7,124,381	7,124,381
Total liabilities	44,711,563	7,124,381	51,835,944
Total stockholders' equity	93,177,633	(791,553)	92,386,080

The Entity as a lessee:

The application of IFRS 16 to leases previously classified as operating leases according to IAS 17 led to the recognition of a right-of-use asset of $6,059,684 and lease liabilities of $7,124,381. It also resulted in the reduction of other expenses by the amount of $1,410,771, a depreciation increase of $937,796 and an interest expense increase of $527,170.

The application of IFRS 16 affected the Entity's consolidated statement of cash flows. Under IFRS 16, lessees must present

- Short-term lease payments, payments made for low-value assets leases and variable lease payments are not included in the lease liability measurement, as part of operating activities;
- The cash paid for interest accrued by the lease liability, whether based on operating activities or financing activities, as permitted by IAS 7 (the Entity has decided to include paid interest as part of financing activities); and
- Payments made in cash for principal portion of the lease liability, as part of financing activities.

Under IAS 17, all operating lease rental payments were presented as part of the cash flows of operating activities. Consequently, the net effect generated by operating activities increased by $851,115 and $759,141 in 2019 and 2018, respectively, whereby lease payments and the net cash utilized in financing activities increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

The impact of adopting IFRS 16 on basic earnings per share was $0.71 as of December 31, 2018.

Effect of the application of other amendments to the standards and interpretations of IFRS

During the current year, the Entity applied a series of amendments to the IFRS Standards and Interpretations issued by the IASB, which are effective for the annual period starting on or as of January 1, 2019. Their adoption did not have any material effects on the disclosures or amounts recorded in these consolidated financial statements.

Amendments to IFRS 9, Prepayment Features with Negative Compensation	The Entity adopted the amendments to IFRS 9 for the first time in the current period. The amendments to IFRS 9 clarify that, in order to assess whether the prepayment fulfills the condition of 'solely payments of principal and interest' (SPPI), the party exercising the option may pay or receive a reasonable compensation for the prepayment, regardless of the reason for it being made. In other words, financial assets involving prepayment features with negative compensation do not automatically fail SPPI.
Amendments to IAS 28, Investments in Associates and Joint Ventures	The Entity adopted the amendments to IAS 28 for the first time in the current period. The amendment clarifies that IFRS 9, including its impairment requirements, is applicable to other financial instruments involving an associate or joint venture to which the equity method is not applicable. This includes long-term investments, which substantially form part of the net investments in an associate or joint venture. The Entity applies IFRS 9 to these long-term investments, to which it previously applied IAS 28. When applying IFRS 9, the Entity does not consider any of the adjustments made to the book values of long-term investments, as required by IAS 28 (e.g., adjustments to the book values of long-term investments derived from the assignment of the investee's losses or the assessment of impairment according to IAS 28).
Annual improvements to IFRS 2015-2017 Cycle	The Group has adopted the amendments included in the Annual Improvements to IFRS of the 2015-2017 Cycle for the first time in the current period. The annual Improvements include amendments to four standards.

Amendments to IAS 12, Income Taxes, IAS 23, Borrowing Costs, IFRS 3, Business Combinations, and IFRS 11, Joint Arrangements	IAS 12, Income taxes The amendments clarify that the income tax incurred by dividends must be recognized in the statement of income, in other comprehensive income or capital based on the manner in which the transactions that generated distributable profits were originally recognized. This is the case regardless of whether different tax rates are applied to distributed and undistributed profits. IAS 23, Borrowing costs The amendments clarify that, if a specific loan remains outstanding after the related asset is ready for its foreseen use or sale, the loan forms part of the borrowed funds when calculating the capitalization rate of general loans. IFRS 3, Business combinations The amendments clarify that, when control is obtained over a business that is a joint venture, the requirements established for a business combination in stages are also applicable, including the reassessment of previously held interest (PHI) in the joint venture at fair value. The previously held interest subject to remeasurement includes the unrecognized assets, liabilities and surplus value of the joint venture. IFRS 11, Joint Arrangements The amendments clarify that when a party to a joint venture that did not have joint control obtains joint control, the previously held interest in the joint venture must not be reassessed.
Amendments to IAS 19, Plan Amendment, Curtailment or Settlement	The amendments clarify that the cost of past service (or the settlement gain or loss) is calculated by measuring the defined benefit liability or asset, by utilizing current assumptions and comparing the offered benefits and plan assets before and after the plan amendment (curtailment or settlement), while excluding the asset ceiling effect (which arises when the defined benefit plan has a surplus position). IAS 19 now clarifies that the modification of the asset ceiling effect that may result from plan amendment (curtailment or settlement) is determined in a second step and regularly recognized in other comprehensive income. Paragraphs related to the measurement of the current service cost and net interest accrued by the defined benefit liability (asset). Updated remeasurement assumptions must be used to determine the current service cost and net interest following the plan amendment (curtailment or settlement) and for the remaining reporting period. In the case of net interest, the amendments clarify that, during the period following the plan amendment (curtailment or settlement), net interest is calculated by multiplying the defined benefit liability (asset) revalued according to IAS 19:99 based on the discount rate utilized in the new remeasurement (while considering the effect of benefit contributions and payments on the net defined-benefit liability (asset).

IFRIC 23 *Uncertainty over Income Tax Treatments*	IFRIC 23 establishes how to determine the tax accounting position when uncertainty exists as regards income tax treatments. The interpretation requires:
	• The determination of whether uncertain tax positions are assessed separately or as a group; and
	• Evaluating whether it is probable that the tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
	  ○ If it is probable, the tax accounting position must be consistently determined in accordance with the tax treatment utilized in income tax filings.
	  ○ If it is not probable, the effect of uncertainty on the determination of the tax accounting position must be reflected by utilizing the most likely amount or expected value method.

32. Significant accounting polices

a. ***Statement of compliance*** - The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and its Interpretations released by IASB.

b. ***Basis of accounting*** - 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.

c. ***Basis of consolidation*** - The consolidated financial statements incorporate the financial statements of the Grupo Carso, S.A.B. de C.V. and its direct and indirect subsidiaries it controlls. 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 fully eliminated on consolidation.

i. <u>Changes in the Entity ownership interests in existing subsidiaries</u>

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.

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

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash in-hand, cash in banks and investments in money market instruments. Cash and cash equivalents at the end of the period are as shown in the consolidated statement of cash flows.

e. ***Goodwill -*** The goodwill arising from a business combination is 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 disposal.

f. ***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 profit and loss 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 IFRS 9 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 IFRS 9. 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.

g. ***Interests in joint operations***

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the 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.

When a group entity undertakes its activities under joint operations, the Entity as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Entity accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Entity is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Entity's consolidated financial statements only to the extent of other parties' interests in the joint operation.

h. ***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 Benefits for Employees, 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 Payments based on shares 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

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 IFRS 9, 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.

When an intangible asset is acquired in a business combination and is recognized separately from goodwill, its cost is its fair value at the acquisition date. An intangible asset acquired in a business combination is recognized at cost less accumulated amortization and accumulated amount of impairment losses, on the same basis as intangible assets that are acquired separately.

When estimating the value in use, the estimated future cash flows are discounted from the present value using a discount rate before taxes that reflects the current market valuations, regarding the time value of money and the specific risks for the asset for which future cash flows have not been adjusted.

i. ***Revenue recognition -*** Revenue is recognized when the control of goods and services has been transmitted, at a point in time or over time. 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 by sector are realized based on the criteria below:

- ***Sale of goods*** - For sales of goods, income is recognized when the control of the goods has been transferred, being the moment when they are delivered and their ownership title is legally transferred; this occurs at a point in time for the commercial sector (Sanborns, Sears, Saks Fifth Avenue, Claro Shop and Mixup) and over time in the industrial (cables and auto parts sector).

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

- ***Services*** - These are recognized as services are rendered when it is probable cash inflows will be received by the Entity and the income can be measured realibly. The recognition of income is generally over time.

- ***Leases*** - These are recognized on a straight-line basis as the leasing services are rendered and the income from maintenance fees is recognized over the period of the associated lease.

- ***Construction contracts*** - When the outcome 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 activities are performed. Changes in the performance of work, and estimated profit, including those that may arise for incentive payments derived from anticipated conclusion of work, contractual penalties and final agreements in contracts, are recognized as income in the periods in which revisions are made or approved by customers. Revenue is generally recognized over time.

  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.

- ***Change orders*** - Are recognized when the amount can be reliably measured 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.

- ***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. Revenues is generally recognized at a point in time.

- ***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 profit and loss once the award is redeemed or expires.

k. ***Leasing*** -

The Entity as a lessor

The Entity executes lease contracts for certain investment properties as the lessor. The Entity also rents the equipment needed by retailers for the presentation and development of their activities and the equipment manufactured by the Entity.

The leases in which the Entity acts as lessor are classified as finance leases or operating leases. When contractual terms substantially transfer all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other contracts are classified as operating contracts.

When the Entity acts as an intermediary lessor, it accounts for the main lease and sublease as two separate contracts. The sublease is classified as a finance lease or operating lease with regard to the right-of-use asset derived from the main lease.

Rental revenue derived from operating leases is recognized according to the straight-line method during the relevant lease period. The direct initial costs incurred for the negotiation and arrangement of the operating lease are added to the book value of the leased asset and are recognized in conformity with the straight-line method throughout the lease period.

Outstanding capital lease amounts are recognized as receivable leases for an amount equal to the net investment in the leases. The revenue derived from capital leases is assigned to accounting periods so as to reflect the constant periodic return on the outstanding net investment in the leases.

When a contract includes lease and non-lease components, the Entity applies IFRS 15 to assign the respective payment to each contractual component.

The Entity as a lessee

The Entity assesses whether a contract initially contains a lease. The Entity recognizes a right-of-use asset and the respective lease liability for all the lease contracts in which impacts it acts as lessee, albeit with the exception of short-term leases (executed for periods of 12 months or less) and those involving low-value assets (like electronic tablets, personal computers and small items of office furniture and telephones). For these leases, the Entity records rental payments as an operating expense according to the straight-line method throughout the lease period, unless another method is more representative of the time pattern in which economic gains result from the consumption of the leased assets.

The lease liability is initially measured at the present value of the rental payments that are not settled at the starting date, discounted according to the implied contractual rate. If this rate cannot be easily determined, the Entity utilizes incremental rates.

The rental payments included in the lease liability measurement are composed by:

- Fixed rental payments (including substantially fixed payments), less any received lease incentive;
- Variable rental payments that depend on an index or rate, which are initially measured by utilizing the index or rate in effect at the starting date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The purchase option exercise price, if it is reasonably certain that the lessee will exercise these options; and
- Penalty payments resulting from the termination of the lease, if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate item in the consolidated statement of changes in financial position.

The lease liability is subsequently measured based on the book value increase to reflect the interest accrued by the lease liability (using the effective interest method) and reducing the book value to reflect the rental payments made.

The Entity revaluates the lease liability (and makes the respective adjustments to the related right-of-use asset) as long as:

- The lease period is modified or an event or significant change takes place with regard to the circumstances of the lease, thereby resulting in a change to the assessment of the purchase option exercise, in which case, the lease liability is measured by discounting restated rental payments and utilizing a restated discount rate.

- Rental payments are modified as a result of changes to indexes or rates, or a change in the payment expected under a guaranteed residual value, in which case, the lease liability is revalued by discounting restated rental payments by using the same discount rate (unless the change in rental payments is due to a change of variable interest rate, in which case a restated discount rate is used).

- A lease contract is amended and the lease amendment is not accounted for as a separate lease, in which case the lease liability is revalued according to the amended lease period by discounting restated rental payments using a discount rate restated at the date on which the amendment took effect.

The Entity did not make any of these adjustments in the presented periods.

Right-of-use assets are composed by the initial measurement of the respective lease liability, the rental payments made on or prior to the starting date, less any received lease incentive and any initial direct costs. The subsequent valuation is the cost less accumulated depreciation and impairment losses.

If the Entity assumes an obligation derived from the cost of dismantling and removing a leased asset, to restore the place where it is located or restore the underlying asset to the condition required by lease terms and conditions, a provision measured according to IAS 37 must be recognized. To the extent that costs are related to a right-of-use asset, they are included in the related right-of-use asset unless they are incurred to generate inventories.

Right-of-use assets are depreciated during the shorter of the lease period and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset indicates that the Entity plans to exercise the purchase option, the right-of-use asset is depreciated according to its useful life. Depreciation begins at the lease starting date.

Right-of-use assets are presented as a separate item in the consolidated statement of changes in financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and to account for any identified impairment loss, as described in the 'Property, plant and equipment' policy.

Variable leases that do not depend on index or rate are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognized as an expense of the period in which the event or condition leading to the payments arises and are included under the "Other expenses" heading in the consolidated statement of income.

As a practical expedient, IFRS 16 offers the option of not separating non-lease components and instead recording any lease and its associated non-lease components as a single agreement. The Entity has not utilized this practical expedient. For contracts containing lease components and one or more additional lease or non-lease components, the Entity assigns the contractual payment to each lease component according to the relative stand-alone selling price method for all non-lease components.

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.

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).

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

Company	Currency in which transactions are recorded	Functional currency
Cablena, S.A.	Euro	Euro
Cablena do Brasil, Limitada	Brazilian Real	Brazilian Real
Carso Construcción de Costa Rica, S.A.	Colon	US Dollar
Cicsa Colombia, S.A.	Colombian Peso	Colombian Peso
Carso Construcción de Dominicana, S. de R.L. (antes Cicsa Dominicana, S.A.)	Dominican Peso	Dominican Peso
Cicsa Ingeniería y Construcción Chile Ltda., S. de R.L.	Chilean Peso	Chilean Peso

Company	Currency in which transactions are recorded	Functional currency
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, Construcoes e Instalacoes, 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.

<u>Statutory employee profit sharing (PTU)</u>

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

As result of the 2014 Law, as of December 31, 2019, 2018 and 2017, 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. <u>Current tax</u>

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 Secretaria de Hacienda y Credito Publico in Mexico to prepare its income tax on a tax integrated basis (see Note 27).

ii. <u>Deferred income tax</u>

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.

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. ***Property, machinery 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.

r. ***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 recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

s. ***Intangible assets*** - Intangible assets are recognized in the accompanying consolidated 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.

t. ***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.

u. ***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 for environmental remediation*** - 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.

- ***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.

v. ***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*** -

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.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

(i) *Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(ii) *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

(iii) *Debt instruments classified as at FVTOCI*

The corporate bonds held by the Entity are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these corporate bonds had been measured at amortized cost. All other changes in the carrying amount of these corporate bonds are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iv) *Equity instruments designated as at FVTOCI*

On initial recognition, the Entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is 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 evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see Note 16).

(v) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime expected credit losses (ECL) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Definition of default*

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iii) *Write-off policy*

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Entity derecognizes a financial asset only 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 entity. 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 measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company'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 Company's own equity instruments.

ii. Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, 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 recognized 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. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (note 60) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

w. ***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 on derivative financial instruments are disclosed in Note 13.

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, which is when the hedges meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedging instrument and the hedged item;
- The effect of credit risk does not dominate the value of the changes resulting from the economic relationship; and
- The coverage ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that the Entity actually covers and the amount of the hedging instrument that the Entity actually uses to hedge that amount of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement related to the hedging relationship, but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedging relationship of the relationship coverage (i.e. rebalances coverage) to meet the qualification criteria again.

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.

x. ***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.

y. ***Earnings per share*** - Basic earnings per ordinary share is calculated by dividing the consolidated net profit of the controlling interest by the weighted average number of ordinary shares outstanding during the year. At December 31, 2019, 2018 and 2017, the Entity has no potential ordinary shares with dilutive effects.

33. Critical accounting judgments and key sources of estimation uncertainty

In applying the Entity's accounting policies, which are described in Note 32, 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.

a. *Critical judgments in applying accounting policies*

The following are the critical judgments, apart from those involving estimations (see Note 33.b below), that the management of the Entity has made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

- Deferred taxation on investment properties

  For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Management of the Entity has reviewed the Entity's investment property portfolios and concluded that the Entity's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Entity's deferred taxation on investment properties, the Management of the Entity has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Entity has not recognized any deferred taxes on changes in fair value of investment properties, as the Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

b. *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Calculation of loss allowance - When measuring ECL the Entity uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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 2019, 2018 and 2017, 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.

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 2019, 2018 and 2017. The Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity's investment properties.

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.

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.

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.

Retirement employee benefits - 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.

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.

Discount rate used to determine the carrying amount of the Entity's defined benefit obligation - The determination of the Entity's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers, which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Entity's financial statements within the next year.

34. Non-cash transactions

During the year, the Entity carried out the following financing and investment activities that did not result in cash flows and that are not reflected in the consolidated statements of cash flows:

With the initial application of IFRS 16, the depreciation of right-of-use assets does not generate cash flows, as neither does the interest for the unwinding of the present value of the rentals determined at present value as of December 31, 2019 and 2018; the amounts generated are presented in the following table:

Amounts recognized in the consolidated statement of income		2019		2018 (Restated)
Depreciation expense of the right-of-use assets	$	1,003,187	$	937,796
Interest expense from lease liabilities		563,954		187,905
Expense related to short-term leases		25,662		22,885

35. New and revised IFRS Standards 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 17	Insurance contracts
IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor, its associate or joint venture
Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of materiality
Conceptual Framework	Conceptual Framework of IFRS

Management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Entity in future periods, except as noted below:

IFRS 17, Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance contracts.

IFRS 17 outilines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model utilizes current assumptions to estimate the amount, time and uncertainty of future cash flows and explicitly measures the cost of this uncertainty. It takes into accountmarket interest rates and the effects of policyholders' options and guarantees.

The Standard is effective for annual periods starting on or as of January 1, 2021, with early application permitted. It is applied retrospectively unless this is unfeasible, in which case the modified retrospective approach or the fair value approach is applied. The draft amendments to IFRS 17 cover the concerns and implementation difficulties identified following the publication of IFRS 17. One of the main proposed changes involves postponing the initial application date of IFRS 17 for one year, for reporting periods starting on or as of January 1, 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the Entity first applies the Standard, and the transition date is the start of the period immediately preceding the initial application date.

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 cover situations in which the sale or contribution of assets takes place between an investor and its associate or joint venture. The amendments specifically establish that the gains or losses resulting from the loss of control over a subsidiary that does not contain a business in a transaction performed with an associate or joint venture, which is accounted for by means of the equity method, are recognized in the gain or loss of the holding company only to the extent of unrelated investors' interest in that associate or joint venture. Likewise, the gains and losses resulting from the remeasurement of investments retained in any former subsidiary (which has become an associate or joint venture that is accounted for by utilizing the equity method) at fair value, are recognized in the gain or loss of the former holding company, only to the extent of unrelated investors' interest in that new associate or joint venture.

The effective date of the amendments has not yet been set by the IASB, although early application is permitted. The Entity's management considers that the application of these amendments may affect the Entity's consolidated financial statements in future periods if these transactions arise.

Amendments to IFRS 3, Definition of a Business

The amendments clarify that, while businesses usually have outputs, they are not required in order for an integrated set of activities and assets to qualify as a business. For consideration as a business, a set of acquired activities and assets must include at least one input and a substantive process that contribute significantly to the capacity to generate outputs.

Additional guidelines are provided to determine whether a substantive process has been acquired.

The amendments introduce an optional test for identifying the concentration of fair value, which permits the simplified assessment of whether a set of acquired activities and assets is not business if all the fair value of the acquired gross assets is substantially concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions when the acquisition date is on or after the first reporting period starting on or as of January 1, 2020, although early adoption is permitted.

Amendments to IAS 1 and IAS 8, Definition of Materiality

The amendments are intended to simplify the definition of materiality contained in IAS 1, thereby making it easier to understand, but are not intended to modify the underlying concept of materiality in IFRS Standards. The concept of obscuring material information with immaterial information has been included in the new definition.

The limit established for materiality that influences the decisions of users has been changed from "could influence" to "could be reasonably expected to influence".

The definition of materiality in IAS 8 has been replaced by a reference to the definition of materiality contained in IAS 1. Furthermore, the IASB amended other standards and the Conceptual Framework containing a definition of materiality through a reference to the term materiality to guarantee consistency.

The amendment will be applied prospectively for reporting periods starting on or as of January 1, 2020, although early application is permitted.

Conceptual Framework of IFRS Standards

Together with the revised Conceptual Framework, which took effect on its date of publication, March 29, 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments for IFRS 2, 3, 6, 14, IAS 1, 8, 34, 37, 38, IFRIC 12, 19, 20, 22 and SIC 32.

However, not all the amendments update pronouncements regarding the Conceptual Framework so as to refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate the version they refer to (to the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010 or the revised Framework of 2018), or to indicate which definitions in the Standard have not been updated with new definitions developed in the revised Conceptual Framework.

The modifications, which are actually updates, are effective for annual periods beginning on or after January 1, 2020, with early adoption permitted.

36. Events after the reporting period

a. During the first months of 2020, the infectious disease COVID-19 caused by the coronavirus appeared, which was declared by the World Health Organization (WHO) as a Global Pandemic on March 11, 2020; its recent global expansion has motivated a series of containment measures in the different geographies where the Entity operates and certain sanitary measures have been taken by the Mexican authorities to stop the spread of this virus.

   As of the date of issuance of the consolidated financial statements, the consequences for the Entity have not been significant. By 2020, we consider that the Coronavirus pandemic may affect the Entity's results; however, with the information available at this time, the Administration considers that it is not possible to make a reasonable estimate derived from these effects.

b. In March 2020, the Entity placed an issue of Stock Certificates, for an amount of $3,500,000, for a term of 3 years and with a TIIE interest rate of 28 days plus a 0.20% margin, as part of the dual stock certificate program the Entity has, authorized on February 17, 2017 for $10,000,000, which already has an issue of $3,000,000 as of March 16, 2018 with maturity of 3 years.

c. On February 5, 2020, through its subsidiary Carso Energy Corp., acquired, from Promotora del Desarrollo de América Latina, S.A. de C.V., 100% of the shares representing the capital stock of Ideal Panamá, S.A., which currently operates two hydroelectric plants in Panama, since the year 2012, with a combined capacity of 145 MW, for an amount of USD$152,570. Ideal Panamá, S.A. has a debt with commercial banks of USD$400,000.

37. Authorization to issue the consolidated financial statements

On March 29, 2020, the issuance of the accompanying consolidated financial statements was authorized by L.C. Arturo Spínola García, Finance Director; consequently, they do not reflect events occurred after that date, and are subject to the approval at 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, 2018 and 2017, were approved at the Ordinary Shareholders' Meetings held on April 29, 2019 and April 26, 2018, respectively.

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Information on shares:
The Series A-1 shares of Grupo Carso, S.A.B de C.V. is listed in the Mexican Stock Market (Bolsa Mexicana de Valores, S.A.B. de C.V.) under the symbol "GCARSO".

Information on Level 1 ADR's:
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2:1
Cusip Number: 400485207

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